FEDERAL ELECTION COMMISSION

OFFICE OF INSPECTOR GENERAL

FINAL REPORT

Review of Outstanding Recommendations
as of December 2012

January 2013

ASSIGNMENT No. OIG -13-01

Office of Inspector General's Review of Outstanding Audit Recommendations
December 2012 Report

Report Overview

As required by the Inspector General Act of 1978, as amended, the Office of Inspector General (OIG) is responsible for conducting audits of the Federal Election Commission's (FEC) programs and operations. When the OIG conducts an audit, or supervises an Independent Public Accounting firm to perform an audit, the OIG also has the responsibility of tracking audit recommendations and performing audit follow-up work to ensure adequate resolution of audit recommendations. Audit follow-up, to include the timely implementation of audit recommendations, is required by Office of Management and Budget Circular A-50, *Audit Followup*, as revised, and FEC Directive 50: *Audit Follow-up.*

Although management typically provides a semiannual status report to the Commission of their progress concerning outstanding audit recommendations, the official status (open/closed) of audit recommendations is determined by the OIG once the OIG has verified that management has adequately implemented the corrective actions to address the audit recommendations. This information is reported to the Commission and Congress in the OIG's Semiannual Reports to Congress.

This report provides the Commission with details regarding the:

- OIG's *Audit Follow-up process*, see page 2;
- *Quarterly meetings* with management to determine the status of outstanding audit recommendations, starting on page 3:
    a. *Audit Follow-up Review of the FEC's Employee Transit Benefit Program*, see page 4;
    b. *Audit of the Commission's Property Management Controls*, see page 4;
    c. *2010 Follow-up Audit of Privacy and Data Protection*, see page 5;
    d. *2010 Follow-up Audit of Procurement and Contract Management*, see page 5; and
    e. *Inspection of FEC's Kastle Key Program*, see page 6.

For this review period, the OIG reviewed five audits/inspections that had a total of 127 recommendations that were outstanding for six months or more. Collectively for three of the five assignments, the OIG closed 24 outstanding recommendations based on the OIG's review of management's implementation of corrective action. However, the OIG's review determined that management's efforts to date do not adequately address the audit recommendations and all open audit recommendations reported in the OIG's June 2012 report for the *2010 Follow-up Audit of Privacy and Data Protection* and the *2010 Follow-up Audit of Procurement and Contract Management* remain outstanding.

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Audit Follow-up Process

At the conclusion of each audit, it is management's responsibility to develop a corrective action plan (CAP). The CAP identifies the plan management has developed to address the audit findings. The CAP should detail the following:

1. assignment of Audit Follow-up Official (AFO);
2. audit finding(s);
3. audit recommendation(s);
4. corrective action to implement the audit recommendation(s);
5. staff person with responsibility to implement each task; and
6. expected completion dates.

Once management drafts the CAP, the OIG then reviews their CAP and provides comments to management regarding the sufficiency of their planned corrective actions to address the audit findings. Management reviews the OIG's comments, finalizes the CAP, and then provides the final CAP to the Commission with a courtesy copy to the OIG.

FEC Directive 50 requires management to:

> *"(3) Conduct regular meetings with the Inspector General throughout the year to follow-up on outstanding findings and recommendations, and include reports of these meetings in the written corrective action plan and semi-annual reports required to be presented to the Commission;..."*

In order to work effectively with FEC management in adhering to Directive 50, and to ensure continuous monitoring and adequate and timely audit resolution, the OIG revamped our follow-up process to include quarterly meetings with management to discuss the progress of outstanding audit recommendations. The OIG is reporting semiannually (June & December) to the Commission on recommendations that the OIG has closed (if any) based on follow-up reviews. The quarterly meetings are also intended to assist the audit follow-up official in following provisions 4 through 6 of Directive 50, which are listed below:

> *"(4) Respond in a timely manner to all audit reports;*
> *(5) Engage in a good faith effort to resolve all disagreements; and*
> *(6) Produce semi-annual reports that are submitted to the agency head."*

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Quarterly Meetings

In the OIG's June 2012 report on the review of outstanding audit recommendations, there were four OIG audits with a total of 112[1] outstanding audit recommendations. Since our June 2012 report, the *Inspection of the FEC's Kastle Key Program* was added to the audit follow-up process because there are recommendations that have been outstanding for more than six months from the inspection completion date of December 2011. To discuss the current status and progress of each outstanding recommendation, the OIG held separate meetings with the applicable audit follow-up official and/or management staff for each audit/inspection. Out of the five follow-up reviews, the OIG was able to close several outstanding recommendations for three of the five audits/inspection: (1) *Audit Follow-up Review of the FEC's Employee Transit Benefit Program*; (2) *Audit of the Commission's Property Management Controls;* and (3) *Inspection of the FEC's Kastle Key Program.*

Although several recommendations were closed for three assignments, further corrective action from management is still needed to implement the remaining outstanding recommendations. In addition, no issues were closed for the *2010 Follow-up Audit of Procurement and Contract Management* and the *2010 Follow-up Audit of Privacy and Data Protection*. See table below for a summary of progress made by FEC management and the outstanding recommendations as of December 2012.

Outstanding Audit Recommendations Status Table				
Title of OIG Audits/Inspection	*Total Outstanding Recommendations As of June 2012*	*Total Closed per OIG*	*Total Open as of December 2012*	*Report Release Date*
Audit Follow-up Review of the FEC's Employee Transit Benefit Program	25	10	15	7/2009
Audit of the Commission's Property Management Controls	20	6[2]	14	3/2010
2010 Follow-up Audit of Privacy and Data Protection	38	0	38	3/2011
2010 Follow-up Audit of Procurement and Contract Management	29	0	29	6/2011
Inspection of the FEC's Kastle Key Program	15	8	7	12/2011

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[1] The number (112) of outstanding recommendations includes recommendations that management has disagreed with the OIG. These recommendations remain open based on further improvement needed by management for the overall program and/or the OIG believes the recommendation is essential to fixing the weakness and should be implemented.

[2] The OIG researched the Internal Revenue Service regulation for finding 1j, and noted that agency issued mobile devices are no longer labeled as "listed property" which makes the recommendation no longer applicable based on the revised regulations. See further explanation on page 5.

A.   Audit Follow-up Review of the FEC's Employee Transit Benefit Program

During the quarter ending September 30, 2012, OIG met with the Transit Program Manager on several occasions to obtain and review documentation related to some of the outstanding recommendations. Based on OIG's review of supporting documentation and follow-up work performed, we were able to close 10 of the 25 outstanding recommendations.

The OIG notes that nine (9) of the remaining fifteen (15) outstanding recommendations are tied to the issuance of a revised Commission Directive 54 on the transit benefit program. The OIG reviewed the final draft of Directive 54 and provided comments to the Transit Program Manager before it was submitted to the Commission for approval. In January 2013, the revised Directive 54 was approved and issued to FEC staff. The OIG plans to review the final directive to verify the actions and the related recommendations can be closed.

B.   Audit of the Commission's Property Management Controls

The *Audit of the Commission's Property Management Controls* (Property Audit) audit report was released in March 2010. The OIG has worked with the Administrative Services Division (ASD) Managers[3] and the Deputy Chief Information Officer of Operations (Deputy CIO) to receive any updates regarding the implementation of audit recommendations. The responsibility of implementing the audit recommendations is shared by the Administrative Services Division and the Office of Information Technology (OIT).

The Property Audit report identified 36 audit recommendations to improve the controls over FEC's property. ASD is responsible for 10 of the 36 audit recommendations that relate to the FEC's management controls over government vehicles and charge (fuel) cards. In the OIG's *June 2012 Outstanding Recommendations* report, ASD had 6 open recommendations regarding the Property Audit. During the latest audit follow-up meeting with ASD, the OIG reviewed supporting documentation and processes implemented to address the 6 open recommendations. The OIG's review concluded that 5 of the 6 open recommendations were adequately implemented. Although the OIG could not close all 6 open recommendations, the ASD manager's consistent progress in implementing corrective actions provides the OIG with assurance that the remaining open recommendation will be fully implemented in the near future.

The Office of Information Technology is responsible for implementing 26 of the 36 outstanding audit recommendations that relate to the FEC's management controls over mobile devices (Blackberry phones). The OIG's June 2012 report identified 14 outstanding audit recommendations; 12 recommendations had already been closed as of June 2012. The OIG held an audit follow-up meeting with the CIO and Deputy CIO to discuss the progress that ITD has made in implementing the 14 outstanding recommendations. However, ITD has not implemented corrective action for any of the 14 outstanding recommendations. Further, during the audit follow-up meeting, it was noted that management decided to disagree with recommendation 1h, *Document the ITD re-authorization*

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[3] The OIG has worked with one acting ASD manager and two permanent ASD managers since the completion of the Property audit due to frequent turnover in this position.

process of PCD users in ITD's Policy 58-4.4, a recommendation management initially agreed to implement.

Prior to management changing their response to disagree with recommendation 1h, management's Policy 58-4.4 was updated to state the following:

> "*The approval authority must re-authorize approved PCD users under their cognizance via e-mail to OCIO. The OCIO will maintain the file of authorized PCD users and re-authorizations.*"

However, ITD has not been in compliance with their policy to require users to have their use of agency devices reauthorized. Management now believes that a reauthorization process would be redundant with other ITD processes of recording devices and maintaining email requests for devices. However, based on test results from the OIG's initial audit, the OIG believes that if this recommendation is implemented, and mangers/supervisors have the opportunity to annually assess their staffs' use and/or need for Blackberry devices, there is potential cost savings to the agency.

In addition, the OIG researched the Internal Revenue Service (IRS) guidance regarding the use of agency issued mobile devices (cell phones) in relation to recommendation 1j, which states: "*FEC should adhere to the IRS regulations and revise program policies to reflect those regulations.*" The OIG identified that the IRS has issued *Notice 2011-72*[4]. In this notice, the IRS has removed cell phones provided for business purposes from "listed property" and the substantiation requirements for identifying business versus personal use is no longer applicable. Therefore, the OIG has closed recommendation 1j, based on the revised IRS regulations.

C.   2010 Follow-up Audit of Privacy and Data Protection

For the Privacy and Data Protection Audit, the OIG's June 2012 *Review of Outstanding Audit Recommendations* report identified 38 open recommendations. During the OIG's recent audit follow-up meeting, management provided support for 4 (2a, 4c, 6a, and 8d) of the 38 open recommendations. The OIG reviewed the information provided and concluded that the support provided for the recommendations was not sufficient and did not adequately address the audit issues. However, for recommendation 6a, *Modify the Federal Election Commission Mobile Computing Security Policy, 58-4, to require all mobile devices, including Blackberry devices, be encrypted*, ITD has noted that they are currently working on changing the FEC's current system that captures encryption information for FEC devices. ITD anticipates the new system will have the capability to provide the necessary information to document that all devices are encrypted.

D.   2010 Follow-up Audit of Procurement and Contract Management

The OIG held a quarterly meeting on October 5, 2012 with the outgoing Chief Financial Officer (CFO), the Accounting Officer, and the new Procurement Director. The purpose of the meeting was for OIG to obtain a status update of the outstanding audit recommendations for the *2010 Follow-up Audit of Procurement and Contract Management*. During the meeting, the (former) CFO stated that all 29[5] recommendations were still open, but that progress is now being made since the new

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[4] http://www.irs.gov/pub/irs-drop/n-11-72.pdf
[5] Out of the 29 recommendations, there is one recommendation management has disagreed with the OIG, and does not plan to implement any corrective action.

Procurement Director is on board. OIG notes that the Procurement Director position was filled in June 2012. The Procurement Director stated that she was in the process of reviewing and updating the corrective action plan to reflect progress made and actions planned to address the audit recommendations. The Procurement Director stated that she needed more time and requested that we schedule another meeting to discuss the CAP once it was updated.

The OIG met with the Procurement Director on November 15, 2012 and was informed that she   had been busy with other priorities and has not had time to complete the CAP. The OIG gave the Procurement Director guidance on how to report on the status of open recommendations to be included in the November 2012 semiannual CAP report to the Commission. An updated CAP was received by OIG on November 21, 2012. Based on our review of the revised CAP, all 29 recommendations are still open. However, OIG notes that partial corrective action has been made to address some of OIG's recommendations to ensure compliance with contracting regulations. OIG will verify the new and/or planned procurement policies and procedures once they have been fully implemented.

E.   Inspection of the FEC's Kastle Key Program

The OIG held the first follow-up meeting with the Administrative Services Division (ASD) for the *Inspection of the FEC's Kastle Key Program* to review their progress in implementing the outstanding recommendations. Although management agreed with 14 of the 15 recommendations in the inspection report, management's CAP provided corrective action for all 15 recommendations. The OIG's review noted that 6 of the 15 recommendations remained open, and the majority of these recommendations are open because ASD's revised Kastle Key policy was still in draft at the time of our review. However, the OIG did review the draft policy, provided comments, and the Kastle Key policy has since been finalized and issued to FEC staff. The OIG will review the open recommendations and final policy during our next follow-up review and it is anticipated recommendations will be closed.

In addition, the OIG reviewed one recommendation regarding ASD's data that is processed in the Kastle key system by the Kastle key administrators. This recommendation could not be closed as the OIG noted that the data entered in the Kastle key system did not always reflect what was documented in the Kastle key request form by the user. ASD noted that these errors potentially occurred due to a difference in data entry processes by the two administrators. Therefore, this recommendation remains open. However, the remaining 8 recommendations were all closed by the OIG due to adequate implementation of the corrective actions by management.

Federal Election Commission
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