Semiannual Report to Congress
April 1, 2012 – September 30, 2012

November 2012

Federal Election Commission - Office of Inspector General
999 E Street, N.W. Suite 940, Washington, D.C. 20463

FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

November 13, 2012

The Honorable John A. Boehner
Speaker of the House of Representatives
H-232 Capitol Building
Washington, D.C. 20515

Dear Mr. Speaker:

Pursuant to the *Inspector General Act of 1978*, as amended, the Federal Election Commission submits the Office of Inspector General's *Semiannual Report to Congress*. The report summarizes the activity of the FEC Office of Inspector General ("OIG") from April 1, 2012 through September 30, 2012.

During the semiannual period, the OIG completed its Review of Outstanding Audit Recommendations, which was released in June 2012, its Inspection of the Contract Security Guard Program, its Quality Assessment Review of the FEC Audit Division and its New Employee Orientation Survey, each of which was released in September 2012. Management's responses to the inspection and quality assessment review are discussed in detail in those documents.

The Commission appreciates and shares the Inspector General's commitment to sound financial and management practices, and looks forward to continuing its cooperative working relationship as management takes appropriate measures to improve operations of the Commission. Copies of the *Semiannual Report to Congress* are being provided to the Chairmen and Ranking Members of the FEC's oversight committees.

On behalf of the Commission,

Caroline C. Hunter
Chair

Enclosure

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS
WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2012

	Number of Reports	Questioned Costs	Unsupported Costs
A. Reports for which no management decision has been made by commencement of the reporting period	0	0	[0]
B. Reports issued during the reporting period	0	0	[0]
Subtotals (A + B)	0	0	[0]
C. Reports for which a management decision was made during the reporting period	0	0	[0]
(i) Dollar value of disallowed costs	0	0	[0]
(ii) Dollar value of costs not disallowed	0	0	[0]
D. Reports for which no management decision has been made by the end of the reporting period	0	0	[0]
E. Reports for which no management decision was made within six months of issuance	0	0	[0]

MANAGEMENT REPORT ON
INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 2012

	Number of Reports	Funds to be Put To Better Use
A. Reports for which no management decision has been made by the commencement of the reporting period	0	0
B. Reports issued during the reporting period	0	0
C. Reports for which a management decision was made during the reporting period	0	0
(i) Dollar value of recommendations that were agreed to by management	0	0
- Based on proposed management action	0	0
- Based on proposed legislative action	0	0
(ii) Dollar value of recommendations that were not agreed to by management	0	0
D. Reports for which no management decision has been made by the end of the reporting period	0	0
E. Reports for which no management decision was made within six months of issuance	0	0

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
Office of Inspector General

A Message from the Inspector General

In the beginning of FY 2012, the OIG made a decision to place an emphasis on following up on previous recommendations made to management in audit reports and inspections. To do so we made revisions to our Audit Follow-up Process, to include conducting quarterly follow-up meetings with management regarding outstanding OIG recommendations, and providing a semiannual report to the Commission detailing the audit follow-up work conducted by the OIG and the status of outstanding recommendations.

The OIG released the *Review of Outstanding Audit Recommendations (OIG-12-04)* report in June 2012. The review conducted by the OIG included a detailed review of outstanding audit recommendations for four (4) OIG audits to determine whether FEC management had implemented outstanding audit recommendations. The review also assessed the status of outstanding recommendations from several other inspections and reviews of agency programs. While we found management had made some progress, there are still a great number of recommendations that have not been implemented. The OIG also provided suggestions to management on how to improve the FEC's audit follow-up process.

Our plan is to continue placing an emphasis on monitoring open recommendations and we have included this task in our annual work plan for fiscal year 2013. We feel this will aid management in placing the appropriate focus on continuing to resolve outstanding recommendations.

In May 2012, OIG implemented a new formal risk assessment process to aid in developing the annual OIG work plans. The purpose of the risk assessment is to better align OIG resources to areas that will provide the most value to the FEC. A risk

assessment is "a process to identify, assess, respond to, and report on opportunities and threats that affect the achievement of objectives." The new risk assessment process entails a comprehensive review of all the risk that could impact the FEC and was modeled after the COSO (The Committee of Sponsoring Organizations of the Treadway Commission) framework. The risk assessment was performed in three (3) phases, which are listed below:

Phase 1 – Identifying the Audit Universe
Phase 2 – Performing the Risk Assessment
Phase 3 – Developing the Annual Audit Plan

I feel the OIG has made some major adjustments in how we conduct our work and this will enable us to operate in a more efficient and effective manner. I would like to congratulate the staff for making the necessary adjustments to ensure that the OIG and its work products continue to improve and provide value to the Federal Election Commission.

Lynne A. McFarland
Inspector General
Federal Election Commission

October 23, 2012

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Executive Summary

The *Inspector General Act of 1978*, as amended, states that the Inspector General is responsible for conducting audits, inspections, investigations, and recommending policies and procedures that promote economy, efficiency, and effectiveness of agency resources and programs, and to prevent fraud, waste, abuse, and mismanagement. The IG Act also requires the Inspector General to keep the Commission and Congress fully and currently informed about problems and deficiencies in the Commission's operations and the need for corrective action.

The executive summary highlights the most significant activities of the Federal Election Commission (FEC) Office of Inspector General (OIG). Additional details pertaining to each OIG activity (i.e. audits, hotline, and investigations) can be found in subsequent sections of this report. The diligent work, outstanding efforts, and many contributions of our entire OIG staff make the major accomplishments of the OIG possible.

In September 2012, the OIG completed a *Quality Assessment Review of the FEC Audit Division (OIG-12-01)*. The primary objective of the audit was to ensure that the FEC Audit Division's quality control system is suitably designed and consistently complied with to the extent necessary to reasonably ensure compliance with professional audit standards (best practices) and policies. The audit resulted in five (5) findings and eleven (11) recommendations to improve the quality control system of the FEC Audit Division. For detailed information pertaining to the *Quality Assessment Review of the FEC Audit Division*, see the section entitled **OIG Audit Activity** (starting on page 5).

The OIG released the *Review of Outstanding Audit Recommendations (OIG-12-04)* report in June 2012. The review conducted by the OIG included a detailed review of outstanding audit recommendations for four (4) OIG audits to determine whether FEC management had implemented outstanding audit recommendations. The review also assessed the status of outstanding recommendations from several other inspections and reviews of agency programs. For detailed information pertaining to the *Review of Outstanding Audit Recommendations*, see the section entitled **OIG Audit Follow-up Activity** (starting on page 8).

The OIG completed and released in August 2012 the *2011 Inspection of the Federal Election Commission's (FEC) Contract Security Guard Program (OIG-11-03)* report. The inspection resulted in one (1) finding and recommendation, and nine (9) observations and suggestions to improve the security guard operations. The recommendation and one of the suggestions were directed to both FEC management and the Federal Protective Service (FPS), four (4) suggestions were directed primarily to FEC management, and four (4) suggestions were directed primarily to the FPS.

A special project report entitled *New Employee Orientation (NEO) Survey (OIG-12-08*) was also completed and released during this reporting period. The purpose of the survey was to evaluate the effectiveness of the FEC's NEO program and suggest improvements to enhance the program. The 43 survey responses received by the OIG from employees hired approximately within the last three years were generally positive, nevertheless there is opportunity for improvement and the OIG made several suggestions to the FEC to improve the NEO program.

For detailed information pertaining to the 2011 inspection of the security guard program and the survey of the new employee orientation, see the section

entitled **OIG Inspections and Special Projects** (starting on page 9).

In addition to the aforementioned completed projects, the *Audit of the FEC's Human Resources (HR) Office* commenced during this reporting period. The HR Office is a critical component of the agency and is responsible for several important functions, including recruitment and retention of qualified FEC staff; employee-employer relations; administration of employee benefits; maintenance and processing of personnel records; and training, among other responsibilities. The primary objectives of the audit are to assess the HR customer service level and the efficient and effective use of automated processes for human resource functions. As part of the customer service assessment, the OIG will conduct an agency-wide survey of FEC staff to seek feedback on their satisfaction level of service provided by the FEC HR Office.

The OIG continued work on the *Audit of the FEC's Fiscal Year 2012 Financial Statements*. The OIG exercised another option year earlier in the year with Leon Snead & Co. (LSC) to conduct the FEC's 2012 annual financial statement audit. The entrance conference with FEC management, LSC and the OIG was held on May 8, 2012. As part of the OIG's monitoring of the audit, the OIG approved LSC's planning documents and audit program at the beginning of the audit. During the audit, biweekly status meetings were held with the auditors, FEC management and the OIG to discuss audit issues and provide an update of the audit process. LSC completed their interim testing phase in September 2012 and identified nine (9) preliminary audit issues related to information technology security. These 9 issues were reported to management as notice of findings and recommendations, with a request for management to respond to the accuracy of the issues. Final year-end audit testing is anticipated to begin October 9, 2012.

For detailed information pertaining to the *Audit of the Human Resources Office* (see page 6); and the *Audit of the FEC's Fiscal Year 2012 Financial Statements* (see page 6).

The OIG procured contract services to conduct an inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans. On September 26, 2012, the contract to conduct the inspection was awarded to Brown & Company. The planning phase of the inspection has started, and the preliminary meetings with the OIG and management are scheduled for early October 2012 (see page 9).

The OIG recently began an inspection of the FEC's Office of Equal Opportunity Employment (OEEO). The initial records have been obtained from the OEEO and are under review by the OIG in order to plan the inspection. The OEEO inspection is expected to be completed and the report published during the next reporting period (see page 10).

Two (2) new hotline complaints were opened during this reporting period; one (1) of the two (2) was closed and the matter re-opened as an investigative file. The OIG has three (3) open hotline complaints as of the close of this reporting period, including two (2) that were opened prior to the beginning of this reporting period. For this reporting period, the OIG received four hundred and nineteen (419) hotline inquiries; the vast majority of these inquiries were related to one matter, which is outside the jurisdiction of the OIG. Two (2) of the hotline inquiries were referred or redirected to other FEC offices, and one (1) was referred or redirected to another agency. One (1) concerned a follow-up issue to a previous OIG audit. No further action was taken against the remaining four hundred and fourteen (415) hotline inquiries (see page 11). In addition, one (1) investigation was opened during this semiannual reporting period and remains open (see page 13).

Finally, in May 2012, the OIG implemented a formal risk assessment process to aid in developing the OIG's annual work plans. The purpose of the risk assessment is to better align OIG resources to areas that will provide the most value to the FEC based on risk. A risk assessment is "a process to identify, assess, respond to, and report on opportunities and threats that affect the achievement of objectives." The new risk assessment process enabled the OIG to finalize the FY 2013 work plan detailing the audit, inspection and investigative areas the OIG will focus resources on during the year (see page 25).

The federal election commission

In 1975, Congress created the Federal Election Commission to administer and enforce the *Federal Election Campaign Act* (*FECA*). The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding of Presidential elections.

The Commission consists of six members who are appointed by the President and confirmed by the Senate. Each member serves a six-year term, and two seats are subject to appointment every two years. By law, no more than three Commissioners can be members of the same political party, and at least four votes are required for any official Commission action. The Chairmanship of the Commission rotates among the members each year, with no member serving as Chairman more than once during his or her term. Currently the FEC has a full complement of Commissioners – Caroline C. Hunter, Chair; Ellen L. Weintraub, Vice Chair; and Commissioners Cynthia L. Bauerly; Donald F. McGahn II; Matthew S. Petersen; and Steven T. Walther.

Office of Inspector General.

The *Inspector General Act of 1978* (P.L. 100-504), as amended, states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the Federal Election Commission's programs and operations; 2) detecting and preventing fraud, waste, and abuse of agency programs and operations while providing leadership and coordination; 3) recommending policies designed to promote economy, efficiency, and effectiveness of the establishment; and 4) keeping the Commission and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action.

OIG Audit Activity

Quality Assessment Review of the FEC Audit Division

Assignment Number: OIG-12-01

Status: Released September 2012

http://www.fec.gov/fecig/documents/Final-QualityAssessmentAuditoftheFECAuditDivision-OIG-12-01.pdf

The OIG completed a quality control assessment audit of the FEC Audit Division during this reporting period. The FEC Audit Division (AD) is responsible for conducting audits of political committees, and presidential campaigns and convention committees that accept public funds. In addition, the AD is responsible for evaluating the presidential primary candidates' applications for matching funds and determining the amount of contributions that may be matched with federal funds.

The primary objective of the OIG audit was to ensure that the FEC AD's quality control system is suitably designed and consistently complied with, to the extent necessary, to reasonably ensure compliance with professional audit standards (best practices) and policies. This audit was intended to model a peer review, a review commonly performed on both federal and non-federal audit departments. When assessing AD's system of quality control, we considered best practices based on applicable standards included in the *Generally Accepted Government Auditing Standards* (GAGAS) and *Generally Accepted Auditing Standards* (GAAS).

During our audit, we interviewed AD auditors to obtain an understanding of the nature of the AD organization and the audit process used to conduct FEC audits. We also selected a sample of audits completed during the established audit period and examined the related audit workpapers and reports to ensure: auditors consistently adhere to applicable auditing standards (best practices) and policies; audit conclusions are properly supported with sufficient and competent evidence; supervisory review of audits is timely throughout the conduct of audits; and other requirements are met that contribute to quality audits. In addition, to ensure conformity with auditing best practices related to continuing professional education (CPE), we performed testing to determine if the audit staff regularly obtains adequate training to ensure audits are conducted in accordance with professional auditing standards (best practices).

Based on our assessment of the Audit Division's quality control policies and procedures, the OIG concluded the AD's system of quality control needs to be enhanced to provide reasonable assurance of performing and reporting in conformity with applicable government auditing best practices. Although AD's quality control system needs to be improved and formally documented, the OIG found no indications that the audit testing actually performed by the AD was insufficient to support the findings and conclusions included in the audit reports sampled. In fact, the OIG concluded the AD has a very vigorous audit planning (pre-audit) process that enables testing to concentrate on the most significant (material) and high-risk audit areas.

Further, the Audit Division needs to enhance and formalize its existing quality control process to ensure adequate evidence is consistently maintained to support audit work performed, and that workpaper review procedures by someone other than the person who performed the work is properly documented. This documentation ensures that audits consistently comply with professional audit standards and internal policies and procedures. The OIG concluded the quality of the AD's audits is acceptable and generally consistent with professional auditing standards. OIG noted in the audit report that the Audit Division is

working on enhancing and formalizing a quality control framework which will be applied to all phases of the audit process.

The audit resulted in five (5) findings and eleven (11) recommendations to improve the quality control process of the FEC Audit Division. Management agreed with five (5) recommendations, partially agreed with three (3) and disagreed with three (3) recommendations.

Audit of the Federal Election Commission's Office of Human Resources

Assignment Number: OIG-12-05

Status: In Progress

The Audit of the FEC's Office of Human Resources (OHR) commenced during this reporting period. The OHR is a critical component of the agency and is responsible for several important functions including recruitment and retention of qualified staff; employee-employer relations; administration of employee benefits; maintenance and processing of personnel records; and training, among other responsibilities.

The primary objectives of the audit are to assess the OHR customer service level and the efficient and effective use of automated processes for human resource functions. The OIG held an entrance conference on July 5, 2012 to provide management with an understanding of the purpose of the audit and to discuss the preliminary scope for the HR audit. As part of the customer service assessment, the audit includes an agency-wide survey of FEC staff to seek feedback on their satisfaction level of service provided by the FEC HR Office. The OIG developed the OHR customer service survey which was reviewed by OHR management for comments and suggestions. The OIG launched the survey agency-wide on September 14, 2012 and the results of the survey will be shared with OHR and also utilized to help the OIG determine which areas to concentrate audit testing. The HR audit is scheduled to be completed during the next reporting period.

Audit of the FEC's Fiscal Year 2012 Financial Statements

Assignment Number: OIG-12-03

Status: In Progress

The Office of Inspector General (OIG) exercised another option year with Leon Snead & Co. (LSC) to conduct the Federal Election Commission's (FEC) annual financial statement audit. The entrance conference was held on May 8, 2012 and audit fieldwork commenced on May 18, 2012. The OIG approved LSC's planning documents and audit program for the FY 2012 financial statement audit. OIG approval of the planning documents and audit program consisted of LSC briefing the OIG on any changes to the audit plan from the prior year and a discussion on any changes to the audit approach due to new accounting and auditing requirements.

During the audit's review and evaluation phase, LSC followed up with management regarding the status of prior year findings and recommendations. LSC's review of prior year findings concluded that five (5) of the twenty (20) prior audit recommendations were properly implemented. Further, LSC reviewed FEC's compliance with applicable laws and regulations and the existence and effectiveness of internal controls. During the audit, biweekly status meetings are held with the auditors, OIG and FEC management to discuss audit issues and provide an update of the audit process.

The OIG provided assistance to LSC in gathering data regarding current active employees and contractors, as well as researching guidance to verify whether Office of Management and Budget M-09-32: *Trusted Internet Connections* is applicable to the FEC. In addition, the auditors met with the Chair and Vice-Chair of the Commission to fulfill the requirements of SAS 114: *Communication with Those Charged with Governance*. The auditors provided the Chair and Vice-Chair with an explanation of the auditors' role and responsibilities, an update regarding the progress of the audit, and the audit issues identified and provided to management.

LSC completed their interim audit testing phase in September 2012, and the OIG reviewed the notice of findings and recommendations (NFRs) prior to distribution to management. The review and evaluation phase, and interim testing phase, identified nine (9) IT security audit issues that were provided to management as NFRs. Final audit testing is anticipated to begin October 9, 2012 and the audit completed before November 15, 2012.

OIG Audit Follow-up Activity

Review of Outstanding Audit Recommendations

Assignment Number: OIG-12-04

Status: Released June 2012

http://www.fec.gov/fecig/documents/ReviewofOutstandingAuditRecommendationsJune2012_000.pdf

In the beginning of FY 2012, the OIG made revisions to our Audit Follow-up Process, to include conducting quarterly follow-up meetings with management regarding outstanding OIG recommendations, and providing a semiannual report to the Commission detailing the audit follow-up work conducted by the OIG and the status of outstanding recommendations.

The OIG released the *Review of Outstanding Audit Recommendations* report in June 2012. The report covered four (4) audits with outstanding audit recommendations:

- Audit Follow-up Review of the FEC's Employee Transit Benefit Program;
- Audit of the Commission's Property Management Controls;
- Follow-up Audit of Privacy and Data Protection; and
- Follow-up Audit of Procurement and Contract Management.

The review also assessed the status of outstanding recommendations from several other inspections and reviews of agency programs. The OIG also provided suggestions to management on how to improve the FEC's audit follow-up process.

Based on follow-up work performed since the last semi-annual report in March 2012, OIG was able to close 23 additional recommendations and the total cumulative outstanding recommendations is one hundred forty three (143). See Table III for a breakdown of outstanding recommendations.

OIG Inspections and Special Projects

2011 Security Inspection

Assignment Number: OIG-11-03

Status: Released September 2012

http://www.fec.gov/fecig/documents/ContractSecuritya.pdf

The inspection of the FEC's Contract Security Guard Program was completed, and the report issued and made publicly available. The purpose of this inspection was two-fold. The first purpose was to review the security guard contract, policies and procedures, standing orders, and guard facilities to clarify responsibilities and authorities. This goal was informational and intended to provide FEC management with an understanding of the responsibilities and authorities of the parties to and beneficiaries of the contract. The second purpose was to determine compliance with selected contract provisions, policies and procedures.

The inspection resulted in one (1) finding and recommendation, and nine (9) observations and suggestions. The recommendation and one (1) suggestion were directed to both FEC management and the Federal Protective Service (FPS), four (4) suggestions were directed primarily to FEC management, and four (4) suggestions were directed primarily to the FPS.

The inspection did not entail a technical review to determine whether the contract, policies and procedures are adequate, appropriate and meet federal, legal and industry standards. Further, the inspection did not include a comprehensive review of the FEC building's physical security, but instead was limited to those aspects of building security as they pertained to the goals and objectives of the inspection. Future inspections may be conducted to address these areas.

Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plan

Assignment Number: OIG-12-06

Status: In Progress

The Office of Inspector General procured contract services to conduct an inspection of the FEC's Disaster Recovery Plan (DRP) and Continuity of Operations Plan (COOP). The OIG formed a technical evaluation panel (TEP) to evaluate the contract proposals, and the panel rated the proposals according to the criteria identified in the contract statement of work to select the contractor offering the best value. Based on the combined scores of the TEP, on September 26, 2012, the contract to conduct the inspection was awarded to Brown & Company. The planning phase of the inspection started in late September 2012, and preliminary meetings with the OIG and management were scheduled for early October 2012.

The objective of the inspection will be to determine if the FEC has effectively implemented the FEC's DRP and COOPs. Specifically, the inspection will determine if FEC has: (1) established an adequate project plan for the development, implementation, and testing of the DRP/COOPs; (2) assigned adequate resources for completion of a mission critical project; and (3) conducts continuous monitoring procedures for the DRP and COOPs to ensure the plans are reflective of current business processes. Further, the overall inspection will determine whether the FEC is in compliance with all applicable guidance (best practices) related to federal government agencies DRP/COOP.

Office of Equal Employment Opportunity Inspection

Assignment Number: OIG-12-07

Status: In Progress

The OIG recently began an inspection of the FEC's Office of Equal Opportunity Employment (OEEO). The OEEO administers and implements anti-discrimination, prohibited personnel practice and affirmative action statutes and regulations, as well as related policies, procedures and guidance (collectively, "EEO laws") for the FEC. These statutes include Title VII of the *Civil Rights Act of 1964*, as amended, the *Notification and Federal Employment Anti-Discrimination and Retaliation Act of 2002* (No FEAR Act), the *Age Discrimination in Employment Act of 1967* (ADEA), the *Americans with Disabilities Act of 1990* (ADA), the *Equal Pay Act of 1963*, and the *Rehabilitation Act of 1973*. The OEEO's general responsibilities are twofold – 1) to advise and educate employees and managers of their rights and responsibilities under the EEO laws, and 2) to process complaints of alleged violations of EEO laws. The OEEO is also responsible for recordkeeping and reporting, especially complaint statistics, as required by the EEO laws.

The OIG inspection will evaluate the OEEO's compliance with specific EEO laws and regulations, to include the EEO complaint process, among others. The initial background information and records were obtained from the OEEO and are being reviewed by the OIG to properly plan the inspection. The OEEO inspection is expected to be completed and the report published during the next reporting period.

Survey of the Federal Election Commission's New Employee Orientation Program

Assignment Number: OIG-12-08

Status: Released September 2012

http://www.fec.gov/fecig/documents/Final-SurveyoftheFECsNewEmployeeOrientationProgram-OIG12-08.pdf

The New Employee Orientation (NEO) Survey was an OIG special project concerning the FEC's NEO program. The OIG surveyed current FEC employees who were hired between June 30, 2009 and June 30, 2012. The purpose of the survey was to evaluate the effectiveness of the FEC's NEO program and suggest improvements.

The OIG survey was conducted between July 31 and August 15, 2012. The survey was sent to sixty-eight (68) employees; forty-three (43) employees responded. The responses were generally positive, and the OIG made several suggestions to improve the NEO program. The NEO Survey report has been posted on the OIG website.

OIG hotline Information

The OIG hotline exists to enable FEC employees, FEC contractors, and the public to have direct and confidential contact with the OIG. All allegations or referrals of fraud, waste, abuse, mismanagement, and misconduct involving FEC employees, contractors, programs, operations, property, or funds received through any means are termed "hotline complaints" per OIG policy. Once a hotline complaint has been received, a preliminary inquiry is conducted to determine whether the hotline complaint will be closed with no further action taken, referred to management or another agency, or an investigation will be initiated.

The OIG considers many factors when evaluating whether to open an investigation based on a hotline complaint, and acknowledges that every hotline complaint received by the OIG cannot be investigated and in many cases do not merit investigation. OIG policy requires that hotline complaints be evaluated on certain criteria, including the merits of an allegation, the availability of evidence, and the existing priorities, commitments, and resources of the OIG. Under this policy, hotline complaints are classified as either high or low priority complaints. High priority complaints are investigated and low priority complaints are either closed with no action or referred to the appropriate official for possible further review. Hotline evaluation decisions are made by the Chief Investigator, with concurrence from the Deputy IG.

During this semiannual reporting period, two (2) new hotline complaints were opened; one (1) of the two (2) was closed and the matter re-opened as an investigative file. The OIG has three (3) open hotline complaints as of the close of this reporting period, including two (2) that were opened prior to the beginning of this reporting period.

The OIG frequently receives reports and allegations, which are misdirected complaints that should have been routed to the Office of Complaints and Legal Administration within the Office of General Counsel (OGC), are outside the jurisdiction of the OIG or the FEC, or are facially unsubstantiated, meritless or invalid. For example, Section 437g of the *Federal Election Campaign Act of 1971*, as amended (FECA), sets forth strict requirements for reporting alleged violations of FECA, and FEC regulations direct that such complaints be filed directly by the complainant and processed through OGC; still, the OIG regularly receives complaints of alleged FECA violations, many of which are not legally compliant. Form responses with information about properly filing a complaint with OGC are sent to complainants alleging FECA violations, as the OIG cannot simply route FECA complaints to OGC. In other cases of misdirected complaints, a response is sent to the individual referring him or her to the proper office or other agency.

In some limited instances where a misdirected communication does not concern a FECA violation but falls under the purview of another FEC component or government agency, such as a candidate with a question about filing a report with the FEC, the inquiry may be redirected and sent to the appropriate office or agency directly from the OIG. Reviewing and, where appropriate, responding to these reports and allegations when aggregated can entail a significant amount of staff time and effort, despite the fact that they are not valid hotline complaints.

In order to capture and document these hotline contacts, the OIG has created a category for "hotline inquiries" that do not meet the criteria for hotline complaints. For this reporting period, the OIG received four hundred and nineteen (419) hotline inquiries, the vast majority of these inquiries were related to

one matter, which is outside the jurisdiction of the OIG. Two (2) of the hotline inquiries were referred or redirected to other FEC offices, and one (1) was referred or redirected to another agency. One (1) concerned a follow-up issue to a previous OIG audit. No further action was taken in four hundred and fourteen (415) of the hotline inquiries.

OIG INVESTIGATIONS

OIG investigations seek out facts related to allegations of wrongdoing. OIG investigations may address administrative, civil, and criminal violations of laws and regulations. The subject of an OIG investigation can be any agency employee, an FEC contractor, consultant, or a person or entity involved in alleged wrongdoing affecting FEC programs and operations.

As discussed in *OIG Hotline Information*, all hotline complaints are evaluated to determine if they warrant an investigation. If an investigation is opened, the hotline complaint is closed and the matter re-opened as an investigative file. OIG investigations involve a detailed examination or inquiry into issues brought to our attention by various sources, and may include interviews of relevant witnesses and subjects, document reviews, and computer forensic examinations. At the conclusion of an OIG investigation, the OIG prepares a report that sets forth the allegations and an objective description of the facts developed during the investigation.

One (1) investigation was opened during this semi-annual reporting period and remains open.

Additional OIG Activity

Besides conducting audits, inspections, and investigations, the OIG performs, and is involved in an array of additional projects and activities. As required by the *Inspector General Act of 1978*, as amended, all legislation compiled by the Commission's Congressional Affairs office is reviewed by the Inspector General.

The Inspector General also reviews and provides comments, when appropriate, on legislation provided by the Council of Inspectors General on Integrity and Efficiency (CIGIE) Legislative Committee. In addition, the Inspector General routinely reads all Commission agenda items. Listed below are examples of the OIG's additional activities:

- **Risk Assessment Process**

  In May 2012, OIG implemented a new formal risk assessment process to aid in developing the annual OIG work plans. The purpose of the risk assessment is to better align OIG resources to areas that will provide the most value to the FEC. A risk assessment is "a process to identify, assess, respond to, and report on opportunities and threats that affect the achievement of objectives." The new risk assessment process entails a comprehensive review of all the risk that could impact the FEC and was modeled after the COSO (The Committee of Sponsoring Organizations of the Treadway Commission)[1] framework. The risk assessment was performed in three (3) phases, which are described below:

  Phase 1 – Identifying the Audit Universe

  The audit universe was compiled by identifying all possible audit segments within the FEC. An audit segment includes any program, process, function, or division within the FEC that could be subject to an audit.

  Phase 2 – Performing the Risk Assessment
  Once the audit universe was determined, the OIG staff held a meeting to identify the types of risk ("risk factors") that could potentially impact the FEC. Several brainstorming sessions were held to (1) determine what would constitute a high, medium or low risk rating for each risk factor; (2) assess the degree of risk for the nine risk factors for every auditable segment based on the likelihood and impact the respective risk factor would have on the related auditable segment; and (3) determine how to calculate the overall risk score for each auditable segment.

  When assigning risk ratings, OIG utilized our institutional knowledge and understanding of the audit segments, financial data gathered, information obtained from previous audits/inspections/investigations, as well as professional judgment. Then, all risk factors were weighted equally to calculate the overall risk score for each audit segment as a high, medium or low risk.

  As part of this risk assessment process, OIG also met with the FEC Directors, one Commissioner, and several key FEC employees to discuss their individual concerns (if any) that they felt could potentially impact the FEC from achieving its mission, or have any impact to goals/objectives of a specific division within the FEC. We also asked for ideas or suggestions for audits/reviews for the upcoming year. Information obtained during these meetings

1 COSO is recognized as a thought leader in the global marketplace on the development of guidance in the areas of risk and controls which enable good organizational governance and reduction of fraud.

was incorporated into the risk assessment as we deemed appropriate.

Phase 3 – Developing the Annual Audit Plan
OIG utilized the results of the risk assessment to help prioritize projects to be included in the annual work plan. The OIG's goal is to concentrate our efforts on the higher risk audit segments where feasible and appropriate. In addition, we also considered suggestions from FEC stakeholders obtained during meetings held with management. Once the risk assessment was completed, the entire OIG staff participated in planning meetings to help formulate the OIG's FY 2013 work plan which is included in Appendix A.

Once the planning meeting(s) were completed, the IG, in consultation with the DIG, made the final determination for the OIG work plan. Each OIG staff person is then assigned projects for the upcoming year and the IG approves the annual employee performance plans which include the assigned projects. Work projects are prioritized and tracked in a planning worksheet. This worksheet is used throughout the year and assists OIG senior-level management in monitoring job scheduling and completion.

- The OIG replied to a Congressional inquiry from Congressman Issa requesting information on how the FEC OIG keeps Congress informed of matters, including use of the "seven-day letter." The OIG also replied to Congressman Issa's annual inquiry regarding open and unimplemented IG recommendations.
- The OIG performed the quality control assessment of FEC OIG policies and procedures in accordance with the quality control and assurance requirements of the Government Auditing Standards. This assessment was also utilized to comply with the Office of Management and Budget's A-123: *Management's Responsibility for Internal Control*, as revised.
- The OIG conducted an *OIG Community Survey* on IT shared service providers. The purpose of this survey was to learn about the OIG community's use of shared service providers for information technology service.

Council of the Inspectors General on Integrity and Efficiency (CIGIE) Activity

The Inspector General continues to be very involved in CIGIE. She is a member of the Executive Council, which is composed of the Chair, Vice Chair, the past Vice Chair of the PCIE, all Committee Chairs, and one member appointed by the Chair. The Executive Council provides guidance on CIGIE initiated projects, the operating plans for each fiscal year, and the general business of CIGIE. The Council meets monthly to discuss issues that will affect CIGIE.

The Inspector General also chairs the Inspector General Candidate Recommendation Panel. This panel is charged with making recommendations of qualified candidates to the White House and heads of various federal agencies to be considered for vacant Inspector General positions.

The Inspector General is Vice Chair of the Professional Development Committee. This committee is charged with ensuring there is strong, relevant training for the Inspector General community. Part of the charge of the committee, is to establish training academies for each of the professional designations in the IG community. This is an on-going project.

During this semiannual reporting period, the IG reviewed the *CIGIE Training Institute Training Plan*; reviewed CIGIE budget documents for the upcoming fiscal year; provided comments to CIGIE regarding new IGs at smaller agencies; provided additional comments on the revised Quality Standards for Federal Offices of Inspector General (also known as the Silver Book); and completed CIGIE's Organizational Health Survey.

The IG participated in American University's "Have Lunch with the IG" event sponsored by the CIGIE Training Academy. The OIG also attended a Congressional hearing on IG vacancies and served as a panel member for the CIGIE annual awards program.

OIG Contacts

The table below indicates the total amount of contacts received by the Office of Inspector General for the past six months – April 1, 2012 through September 30, 2012.

These contacts were made through various sources such as telephone calls, e-mails, faxes, U.S. mail, and personal visits to the OIG.

Total Contacts	OIG Action	No Action Necessary	Forwarded for Action
3,787	35	3,725	27

List of Training, Meetings and Conferences

The chart listed below depicts training, meetings, programs, seminars, and/or conferences attended by the Inspector General and/or the OIG staff for the period April 1, 2012 – September 30, 2012:

MEETINGS:

Host / Sponsor	Topic / Subject
Council of Inspectors General on Integrity and Efficiency	Monthly Meetings Executive Council Meetings Professional Development Committee Meetings Small OIG Meeting
Council of Counsels to the Inspectors General	Monthly Meetings
Assistant Inspector General for Investigations	Quarterly Meetings
Financial Statement Audit Network	Network Meetings
Association of Government Accountants	The Watchful Eye: Preventing Fraud, Waste, and Abuse (breakfast meeting) Data Analytics (breakfast meeting)
Federal Election Commission	Weekly Director's Meetings Finance Committee Meetings Administrative Liaison Group Meetings Breach Team Meetings
FEC / Office of Inspector General	Bi-weekly Staff Meetings

TRAINING/CONFERENCES:

Host / Sponsor	Topic / Subject
Council of Inspectors General on Integrity and Efficiency	Annual Conference IG Authorities Course
Government Accountability Office	Financial Statement Audit Conference
Federal Audit Executive Council	Smarter Contract and Acquisition Management Auditing GAO Green Book: Emotional Intelligence Training
Association of Government Accountants	Federal Financial Systems Summit Professional Development Conference
Association of Certified Fraud Examiners	23rd Annual Conference and Exhibition Social Media and Implications to the Fraud Examiner Community Certified Fraud Examiner Review Course
Institute of Internal Auditors	End of the Chapter Year Event: Come Celebrate Finding Fraud Past, Present, and Future
National Association of Black Accountants	National Convention and Expo
Management Concepts	Essential Communications for the Audit Lifecycle
Federal TeamMate User Group (FUG) Forum	FUG Seminar
Inspector General Criminal Investigators Academy	IG Public Corruption Investigations Training Program
National Science Foundation / OIG	Criminal Discovery Training
USDA Graduate School	Residential Professional Development Workshop
AuditNet	Adding Value by Auditing Value Data Analysis using Excel
Hemsley/Fraser	Administrative Professional Conference

Host / Sponsor	Topic / Subject
National Seminars / Skillpath	Business Writing Essentials: Make Your Point Clearly and Concisely
	Strengthening Your People Skills in the Workplace
	Communicating with Confidence, Credibility, and Influence
	How to Manage Priorities and Time
	Organizational Skills for the Overwhelmed
	How to Disarm and Defuse Conflict and Confrontation
	Business Etiquette
	Combating Apathy in the Workplace
	Self Improvement Training
Federal Election Commission	Privacy & PII Security Training
	Hatch Act Training
	Ethics Training
	IT Security Awareness Training
	ITD Web Portal Training
	VOIP Telephone Training
	Sexual Harassment Training
	Update on Litigation
Federal Election Commission / OIG	TeamMate Training

Reporting Requirements

Reporting requirements required by the *Inspector General Act of 1978*, as amended by the *Inspector General Act Amendments of 1988* are listed below:

IG ACT	DESCRIPTION	PAGE
Section 4(a)(2)	Review of Legislation	14
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(2)	Recommendations with Respect to Significant Problems, Abuses, and Deficiencies	None
Section 5(a)(3)	Recommendations Included in Previous Reports on Which Corrective Action Has Not Been Completed (Table III)	24
Section 5(a)(4)	Matters Referred to Prosecuting Authorities	None
Section 5(a)(5)	Summary of Instances Where Information was Refused	None
Section 5(a)(7)	Summary of Significant Reports	5
Section 5(a)(8)	Questioned and Unsupported Costs (Table I)	22
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	23
Section 5(a)(10)	Summary of Audit Reports issued before the start of the Reporting Period for which no Management Decision has been made	N/A
Section 5(a)(11)	Significant revised Management Decisions	N/A
Section 5(a)(12)	Management Decisions with which the Inspector General is in Disagreement	None

TABLE I

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS
(DOLLAR VALUE IN THOUSANDS)

	Number	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by commencement of the reporting period	**0**	**0**	**0**
B. Which were issued during the reporting period	**0**	**0**	**0**
Sub-Totals (A&B)	**0**	**0**	**0**
C. For which a management decision was made during the reporting period	**0**	**0**	**0**
(i) Dollar value of disallowed costs	**0**	**0**	**0**
(ii) Dollar value of costs not disallowed	**0**	**0**	**0**
D. For which no management decision has been made by the end of the reporting period	**0**	**0**	**0**
E. Reports for which no management decision was made within six months of issuance	**0**	**0**	**0**

TABLE II

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number	Dollar Value (In Thousands)
A. For which no management decision has been made by the commencement of the reporting period	**0**	**0**
B. Which were issued during the reporting period	**0**	**0**
C. For which a management decision was made during the reporting period	**0**	**0**
(i) dollar value of recommendations were agreed to by management	**0**	**0**
based on proposed management action	**0**	**0**
based on proposed legislative action	**0**	**0**
(ii) dollar value of recommendations that were not agreed to by management	**0**	**0**
D. For which no management decision has been made by the end of the reporting period	**0**	**0**
E. Reports for which no management decision was made within six months of issuance	**0**	**0**

TABLE III

SUMMARY OF AUDIT REPORTS WITH CORRECTIVE ACTIONS OUTSTANDING FOR MORE THAN SIX MONTHS

Report Title	Report Number	Recommendations			
		Issue Date	Number	Closed	Open
Audit Follow-up Review of the FEC's Employee Transit Benefit Program	OIG-08-03	**07/09**	**51**	**26**	**25**
Audit of the Commission's Property Management Controls	OIG-09-02	**03/10**	**36**	**15**	**21**
Federal Election[2] Commission 2011 Financial Statement Audit	OIG-11-01	**11/11**	**20**	**5**	**15**
2010 Follow-up Audit[3] of Procurement and Contract Management	OIG-10-02	**06/11**	**29**	**0**	**29**
2010 Follow-up Audit[4] of Privacy and Data Protection	OIG-10-03	**03/11**	**45**	**7**	**38**
Inspection of the Federal Election Commission's Kastle Key Program	OIG-11-02	**12/11**	**15**	**0**	**15**

Cumulative Total of Outstanding Recommendations 143

2 Follow-up on the 20 open recommendations will be a part of the FEC's 2012 Financial Statement Audit.

3 The 29 open recommendations include 12 of the 15 recommendations from the *2008 Procurement and Contract Management Performance Audit, OIG-08-02*. Three recommendations were closed from the 2008 audit.

4 The 45 open recommendations include 16 of the 19 recommendations from the *2006 Inspection Report on Personally Identifiable Information, OIG-06-04*, and *2007 Performance Audit of Privacy and Data Protection, OIG-07-02*. In total, three recommendations were closed from the 2006 inspection and 2007 audit.

APPENDIX A:

Federal Election Commission

Office of Inspector General

Fiscal Year 2013

Work Plan

Lynne A. McFarland
Inspector General

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FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463
Office of Inspector General

A Message from the Inspector General

I am pleased to present to the Commission the Office of Inspector General's (OIG) fiscal year (FY) 2013 Annual Work Plan. This work plan includes a description of audit, inspections, investigative and special projects planned for FY 2013. The plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2013. Successful execution of this plan will enable the OIG to provide the highest quality work products to our stakeholders and to assist the FEC in meeting its strategic mission, goals and objectives.

The OIG substantially completed the work planned for FY 2012 in the audit and investigative programs, as well as special projects; some of the assignments are in process spanning fiscal years 2012 and 2013. Among the audits completed in FY 2012 were the *Audit of the FEC's Fiscal Year 2011 Financial Statements*, and the *Quality Assessment Audit of the FEC's Audit Division*. The OIG also devoted resources this past FY to audit follow-up with the goal of closing outstanding audit recommendations. I am pleased to report the FEC has been able to implement some of the outstanding OIG recommendations, but a considerable amount of work remains to ensure weaknesses cited by the OIG are addressed.

In addition to the accomplishments in the audit program, the investigative program accomplished much of the work planned for 2012, to include responding to hotline complaints, OIG briefings to new employees, oversight of the OIG's hotline service, among other projects. My office also completed our first voluntary investigative peer review of another federal OIG. In addition to the investigative program, the OIG staff was actively involved in several professional working groups during the FY, to include the Council of the Inspectors General on Integrity and Efficiency Professional Development Committee, the Inspector General (IG) Candidate Recommendations Panel Committee, the IG Council of Counsels, among others. At the start of FY 2013, the OIG is fully staffed with six professional staff members, and therefore, I anticipate the OIG will successfully complete the FY 2013 work plan that follows.

The U.S. Federal Election Commission's (FEC) mission statement is "to prevent corruption in the Federal campaign process by administering, enforcing and formulating policy with respect to Federal campaign finance statutes."[1] The OIG is committed to ensuring the integrity of FEC programs and operations. The development and continual updating of the OIG's work plan is a critical aspect of accomplishing the OIG's objectives to promote economy and efficiency in FEC programs and to detect and prevent fraud, waste and abuse. Effective work planning ensures that audit and investigative resources

[1] Federal Election Commission, *Fiscal Year 2013 Congressional Budget Justification* (Washington, DC, February 13, 2012), 3.

are used effectively and efficiently. I look forward to a successful year of providing the highest quality of audit and investigative support and service to our stakeholders.

Lynne A. McFarland
Inspector General
Federal Election Commission

October 3, 2012

The Federal Election Commission

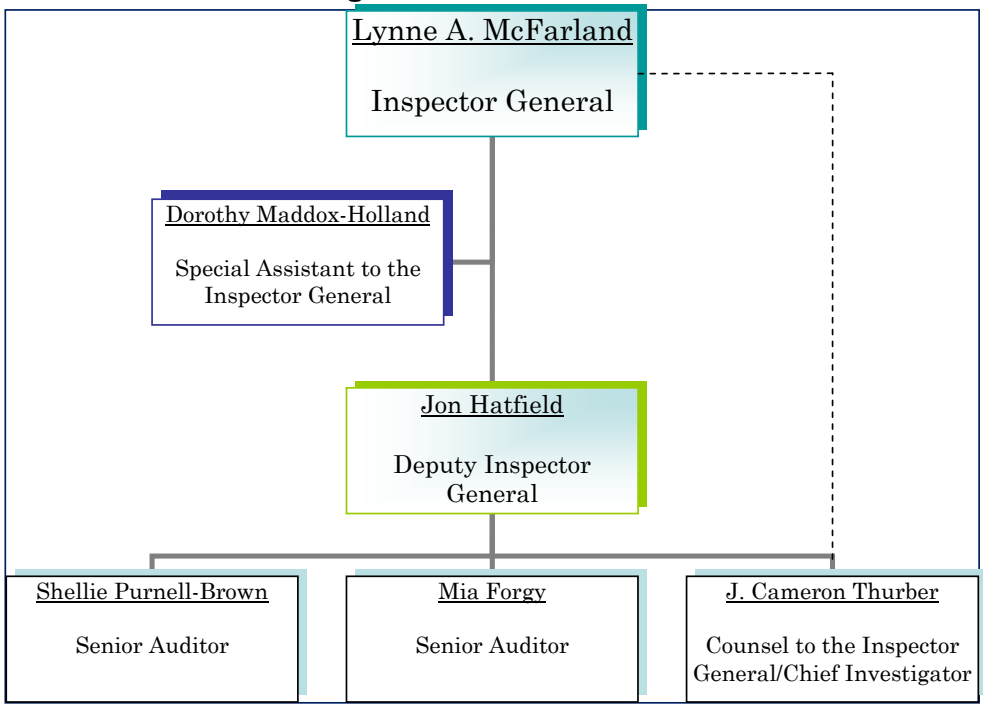
In 1975, Congress created the Federal Election Commission (FEC) to administer and enforce the *Federal Election Campaign Act* (FECA). The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding of Presidential elections.

The Commission is made up of six members, who are appointed by the President and confirmed by the Senate. Each member serves a six-year term, and two seats are subject to appointment every two years. By law, no more than three Commissioners can be members of the same political party, and at least four votes are required for any official Commission action. The Chairmanship of the Commission rotates among the members each year, with no member serving as Chairman more than once during his or her term. Currently the FEC has a full complement of Commissioners – Chair Caroline C. Hunter; Vice-Chair Ellen L. Weintraub; Cynthia L. Bauerly; Matthew S. Petersen; Steven T. Walther; and Donald F. McGahn, II.

Office of Inspector General

The Inspector General Act of 1978 (P.L. 100-504), as amended, states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the Federal Election Commission's programs and operations; 2) detecting and preventing fraud, waste, and abuse of agency programs and operations while providing leadership and coordination; 3) recommending policies designed to promote economy, efficiency, and effectiveness of the establishment; and 4) keeping the Commission and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action. The OIG budget request for FY 2013 was $ 1,144,237, an amount necessary to cover salaries and related expenses for six staff members, to include audit contracts and training. Exhibit 1 on the following page contains the OIG's organizational chart.

Exhibit 1: FEC - OIG Organizational Chart



OIG Strategic Planning

Strategic Plan

To enhance the effectiveness of the OIG and to ensure effective audit and investigative coverage of the Commission's programs and operations, the OIG has a strategic plan that covers the period 2010 through 2015. Three major categories of OIG-wide goals and objectives are included in the strategic plan, which are as follows:

- **OIG Products:** To provide products and services that promote positive change in FEC policies, programs, and operations.
- **OIG Processes:** To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.
- **OIG Staff:** To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.

In addition, strategies and performance measures for each objective are included in the strategic plan. For example, an OIG performance measure for audits includes using feedback from stakeholder surveys to continually improve the OIG's audit process. At the conclusion of each audit/inspection/review, the OIG distributes a stakeholder survey to the program officials to solicit their feedback on the usefulness of the completed OIG assignment and their overall satisfaction with the process.

The OIG strategic plan will continue to evolve and will be reviewed and updated as necessary to ensure maximum effectiveness in meeting the changing needs of the FEC, consistent with the OIG's statutory responsibilities. A detailed illustrative version of the OIG's strategic plan can be found as an attachment of this annual work plan.

Annual Planning and Methodology Strategies

The planning methodology adopted by the OIG is based on a formal risk assessment process. The purpose of the risk assessment process is to better align OIG resources to areas that will provide the most value to the FEC. A risk assessment is a process to identify, assess, respond to, and report on opportunities and threats that affect the achievement of objectives. The OIG also solicits feedback and ideas from stakeholders throughout the year. The annual work plan will, of course, require periodic updates to reflect changes, such as new priorities, as well as any changes in OIG resources.

In the summer of 2012, the OIG conducted our fifth annual planning process that involved a series of OIG planning meetings to discuss the upcoming fiscal year and OIG work assignments. In addition to planning based on risk, the OIG planning process is also designed to yield work assignments that will identify opportunities for economy, efficiency and effectiveness in FEC programs and operations; and detect and prevent fraud, waste, abuse and mismanagement. The priority for conducting work assignments is based on (1) mandatory legislative requirements; (2) emphasis by the President, Congress, and the Commission; (3) a program's susceptibility to fraud, manipulation, or other irregularities; (4) dollar magnitude or resources involved in the proposed area; (5) management needs identified through consultation with primary organization heads; (6) newness, changed conditions, or sensitivity of an organization; (7) the extent of outstanding issues resulting from prior audit coverage or review by the OIG or other oversight body; and (8) the adequacy of internal control systems in place for the program or other factors.

Based on the results of the OIG's planning process, the OIG's annual work plan is divided into three primary categories:

(1) Audits/Inspections/Reviews;
(2) Investigative Program; and
(3) Special Projects.

OIG 2013 Work Plan

AUDITS/INSPECTIONS/REVIEWS

The term "audit" is used to describe work performed by auditors in examining financial statements, as well as work performed in reviewing compliance with applicable laws and regulations, the economy and efficiency of operations, and the effectiveness in achieving program results. These audits are prepared in accordance with generally accepted government auditing standards and vary in scope and complexity. Inspections and reviews are conducted in accordance with quality standards issued by the federal Inspector General community.

For fiscal year 2013, the following assignments are planned:

1. **Audit of the Federal Election Commission's 2012 and 2013 Financial Statements.**

   In accordance with the *Accountability of Tax Dollars Act of 2002*, the FEC is required to prepare annual financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The *Chief Financial Officers Act of 1990*, as amended, requires the FEC Inspector General, or an independent external auditor selected by the IG, to audit the agency financial statements.

   We will oversee the audit conducted by the OIG's independent public accounting firm Leon Snead & Company. The OIG is responsible for 1) reviewing the auditor's approach and planning of the audit; 2) evaluating the qualifications and independence of the auditors; 3) monitoring the work of the auditors; 4) examining audit documents and reports to ensure compliance with government auditing standards, and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as revised; and 5) other procedures the OIG deems necessary to oversee the contract and audit.

   Planned period of audit: *May 2012 – November 2012;*
   May 2013 – November 2013.

2. Audit of the Federal Election Commission's Human Resources Office.

The OIG will conduct a performance audit of the FEC's Human Resources (HR) Office during the first part of fiscal year (FY) 2013. The HR Office is a critical component of the agency and is responsible for several important functions, to include recruitment and retention of qualified staff; employee-employer relations; administration of employee benefits; maintenance and processing of personnel records; training; among other responsibilities. The OIG audit will focus on two main areas, customer service and the efficient and effective use of automated processes by the agency for human resource functions. As part of the customer service assessment, the OIG will conduct an agency-wide survey of FEC staff to seek feedback on their satisfaction level of service provided by the FEC HR Office.

Planned period of audit: July – December 2012.

3. Audit of the Federal Election Commission's Budget and Financial Management Process

The OIG will conduct a performance audit of the FEC's budget and financial management process. The audit will have three primary objectives: (1) to determine whether the Office of the Chief Financial Officer provides FEC management with timely, accurate and real-time financial information to enable managers to effectively monitor and manage FEC programs; (2) to assess the benefits and costs of the FEC's financial line of business with the General Services Administration; and (3) assess year-end spending.

Planned period of audit: January – April 2013.

4. On-Going Audit Follow-up.

An important responsibility of the OIG is to follow-up on previously issued audit reports with outstanding audit recommendations. At the beginning of FY 2013, there were 143 outstanding audit recommendations representing five audits and one inspection. On-going audit follow-up during FY 2013 will consist of the following responsibilities: (1) review implemented audit recommendations to ensure the audit finding has been resolved; (2) review and comment on management's corrective action plans that detail plans for resolving outstanding audit recommendations; and (3) conduct regular meetings throughout the FY with management to discuss progress to implement audit recommendations.

Planned period of audit followup: On-going throughout FY 2013.

5. Audit Peer Review.

The OIG will complete an audit peer review of another federal OIG during the fiscal year as part of the Council of Inspectors General on Integrity and Efficiency's audit peer review program. Government auditing standards require audit organizations to have an external review of their quality control system at least every three years.

Planned period of audit peer review: Fiscal year 2013.

6. Limited Scope Inspections.

The OIG is planning to conduct two to four limited scope, or short-term, inspections of FEC programs during FY 2013. The goal of the short-term inspections will be to focus OIG resources on high-risk areas and provide rapid, up-to-date information to FEC management and the Commission on the efficiency and effectiveness of FEC programs.

- An inspection related to the Office of Equal Employment Opportunity was started in late FY 2012 and is expected to be completed by December 2012.
- A second inspection is expected to begin in October 2012 on the implementation of the agency's disaster recovery plan and continuity of operations plans. The inspection is expected to be completed in December 2012.
- An inspection on the FEC's compliance with the *Federal Managers' Financial Integrity Act* (FMFIA) is planned to begin in the early part of calendar year 2013 and is expected to be completed by April 2013.
- Additional inspections on the FEC's civil penalties program, FEC's information technology planning process, leasehold improvements and the agency printing program may be performed, time permitting.

7. Additional Work Assignments.

Additional work assignments may be undertaken during FY 2013 based on available OIG resources, benefit to the agency, and other relevant factors. Priorities may be adjusted to reflect emerging issues during the FY.

INVESTIGATIVE PROGRAM

The OIG's investigative program is intended to add value to the agency's programs and operations by identifying and investigating allegations of fraud, waste, abuse and misconduct leading to criminal, civil, and administrative penalties and recoveries. Investigations typically originate as hotline complaints and may result in formal investigations if the OIG believes an investigation is warranted. The OIG's investigative program also provides for initiatives designed to monitor specific high-risk areas within FEC programs and operations in order to proactively identify vulnerabilities in order to prevent fraud, waste and abuse.

For fiscal year 2013, the following investigative assignments are planned:

1. **Manage Hotline Complaints and Investigation Caseload.**

   The OIG will respond to hotline complaints during the FY and report in a timely manner to the appropriate officials on the resolution of hotline complaints and investigations.

2. **Proactive Investigative Initiatives.**

   The OIG will initiate proactive reviews involving high-dollar and high-risk programs and operations of the agency. In addition, the OIG has identified several agency data systems, such as financial related systems, and will continue to pursue direct read-access for OIG personnel as part of the OIG's proactive initiatives to prevent fraud, waste, abuse and misconduct.

3. **Investigative Peer Review.**

   The FEC OIG participates in the Council of Inspectors General on Integrity and Efficiency voluntary peer review program for smaller OIGs, and the FEC OIG is expected to be peer reviewed during FY 2013. The objective of the peer review is to determine whether internal control systems are in place and operating effectively to provide reasonable assurance that professional investigative standards are being followed. Specifically, the external peer review team will analyze FEC OIG existing policies and procedures, conduct interviews with selected OIG management officials and the investigator, and sample closed investigative files and other administrative records, as warranted.

   Planned period of investigative peer review: Fiscal year 2013.

4. Outreach.

In FY 2011, the OIG conducted a series of OIG briefings with FEC division management and staff. The briefings were intended to educate FEC staff about the mission and authority of the OIG, and how to report fraud, waste, abuse or mismanagement to the OIG. In FY 2012, the OIG worked with the Office of the Chief Financial Officer to identify the contractor personnel for the agency. The OIG plans to provide fraud briefings to the contractor personnel in FY 2013. Discussion and education on fraud will help contractors to identify and report suspected fraud and help reduce the number of fraud cases. The briefings will also discuss the OIG's hotline service and how contract personnel can report fraud, waste and abuse to the OIG.

In addition, the OIG will continue the new employee orientation program to meet with all new employees to discuss the purpose and mission of the OIG. Lastly, the OIG will review and revise, as necessary, the OIG's FECNet (intranet) site, public Web site, OIG brochure, fraud poster, and other outreach initiatives.

SPECIAL PROJECTS

In addition to the OIG's audit and investigative responsibilities, the OIG will be responsible for numerous additional projects and activities during FY 2013. For example, as required by the *Inspector General Act of 1978,* as amended, all legislation compiled by the Commission's Congressional Affairs Office is reviewed by the Inspector General. The Inspector General and staff also participate in several federal Inspectors General community working groups on topics related to law, audits, and investigations. All of these activities contribute to the success and mission of the OIG. Additional special projects will arise throughout the FY and the OIG will prioritize our workload to respond to the additional requirements.

For fiscal year 2013, the following are examples of the special projects and activities planned by the OIG:

1. Participate and Attend Professional Working Group and Other Meetings.

The Inspector General or OIG staff will regularly attend the following Council of the Inspectors General on Integrity and Efficiency (CIGIE) professional working group meetings: monthly CIGIE meetings; Executive Council of CIGIE; CIGIE Professional Development Committee; IG Candidate Recommendations Panel Committee; IG Council of Counsels; Assistant Inspector General for Investigations; Federal Audit Executive Council; and Financial Statement Audit Network Group.

In addition to CIGIE professional working group meetings, the Inspector General or staff will regularly attend FEC director level meetings, and management and FEC town-hall meetings during the FY.

2. Semiannual and Quarterly Reporting.

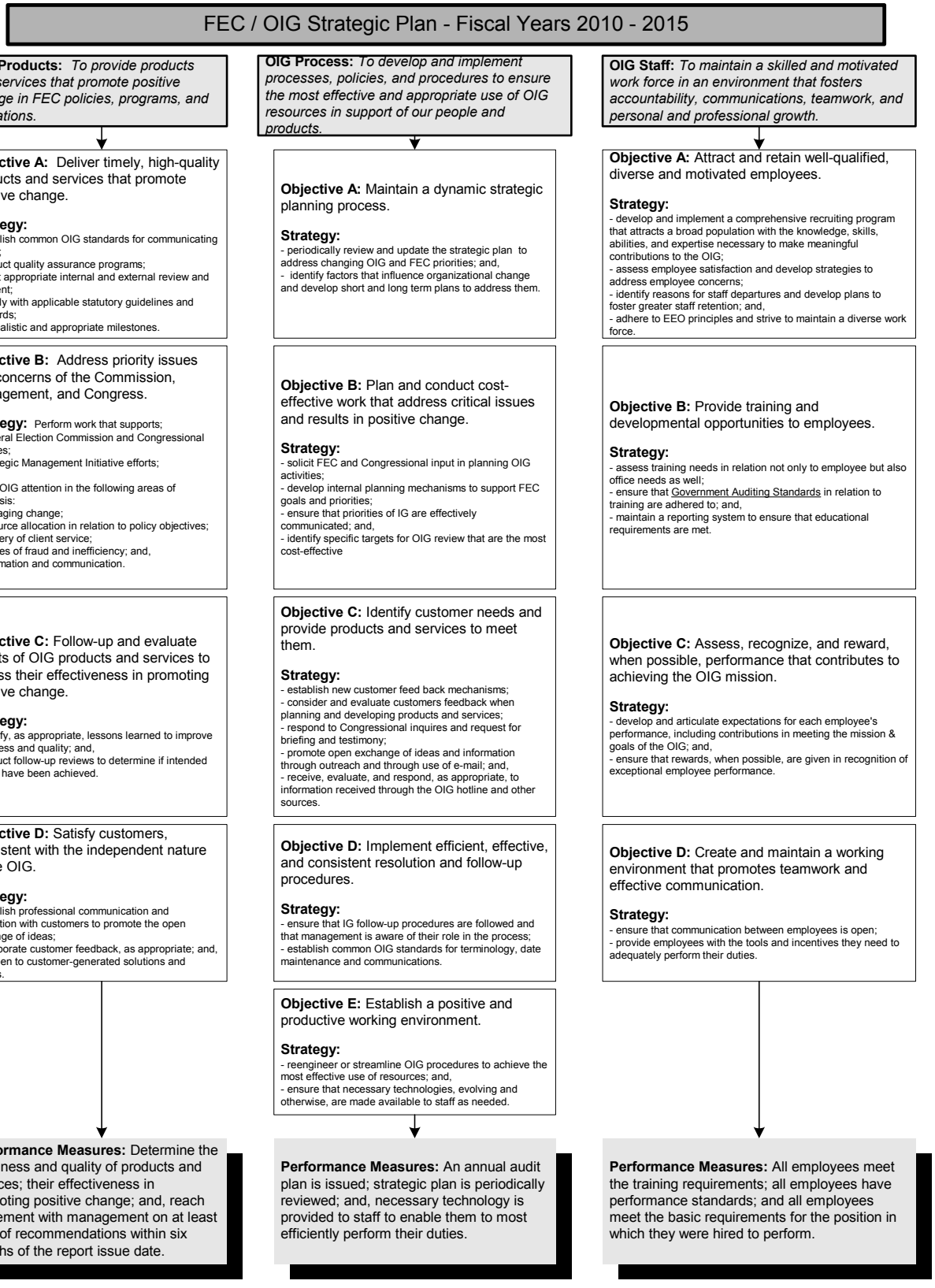
In accordance with the *Inspector General Act of 1978*, as amended, the OIG will prepare and transmit to the Congress semiannual reports on the activities of the OIG. Semiannual reports summarize OIG activities during the immediately preceding six-month periods ending March 31st and September 30th of each year. OIG semiannual reports are also provided to the Commission. The OIG will also report on a quarterly basis to the Commission on the activities of the office.

3. Professional Development and Training.

The goal of the OIG's training program is to provide cost effective training to increase professional knowledge and proficiency, and ensure staff meet continuing professional educational requirements. As a result, the OIG staff will attend professional training during the fiscal year to maintain and improve their knowledge, skills and abilities.

4. Update Audit and Investigative Manuals.

The OIG will update the office's audit and investigative manuals in FY 2013. The updated audit manual will incorporate recent changes to the Government Auditing Standards, and the investigative manual update will reflect changes and additions to the OIG's investigative program.


FEC / OIG Strategic Plan - Fiscal Years 2010 - 2015
OIG Products: To provide products and services that promote positive change in FEC policies, programs, and operations.
OIG Process: To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.
OIG Staff: To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.
Objective A: Deliver timely, high-quality products and services that promote positive change.
Strategy:
- establish common OIG standards for communicating results;
- conduct quality assurance programs;
- solicit appropriate internal and external review and comment;
- comply with applicable statutory guidelines and standards;
- set realistic and appropriate milestones.
Objective B: Address priority issues and concerns of the Commission, Management, and Congress.
Strategy: Perform work that supports;
- Federal Election Commission and Congressional priorities;
- Strategic Management Initiative efforts;
Focus OIG attention in the following areas of emphasis:
- managing change;
- resource allocation in relation to policy objectives;
- delivery of client service;
- causes of fraud and inefficiency; and,
- automation and communication.
Objective C: Follow-up and evaluate results of OIG products and services to assess their effectiveness in promoting positive change.
Strategy:
- Identify, as appropriate, lessons learned to improve timeliness and quality; and,
- conduct follow-up reviews to determine if intended results have been achieved.
Objective D: Satisfy customers, consistent with the independent nature of the OIG.
Strategy:
- establish professional communication and interaction with customers to promote the open exchange of ideas;
- incorporate customer feedback, as appropriate; and,
- be open to customer-generated solutions and options.
Performance Measures: Determine the timeliness and quality of products and services; their effectiveness in promoting positive change; and, reach agreement with management on at least 90% of recommendations within six months of the report issue date.
Objective A: Maintain a dynamic strategic planning process.
Strategy:
- periodically review and update the strategic plan to address changing OIG and FEC priorities; and,
- identify factors that influence organizational change and develop short and long term plans to address them.
Objective B: Plan and conduct cost-effective work that address critical issues and results in positive change.
Strategy:
- solicit FEC and Congressional input in planning OIG activities;
- develop internal planning mechanisms to support FEC goals and priorities;
- ensure that priorities of IG are effectively communicated; and,
- identify specific targets for OIG review that are the most cost-effective
Objective C: Identify customer needs and provide products and services to meet them.
Strategy:
- establish new customer feed back mechanisms;
- consider and evaluate customers feedback when planning and developing products and services;
- respond to Congressional inquires and request for briefing and testimony;
- promote open exchange of ideas and information through outreach and through use of e-mail; and,
- receive, evaluate, and respond, as appropriate, to information received through the OIG hotline and other sources.
Objective D: Implement efficient, effective, and consistent resolution and follow-up procedures.
Strategy:
- ensure that IG follow-up procedures are followed and that management is aware of their role in the process;
- establish common OIG standards for terminology, date maintenance and communications.
Objective E: Establish a positive and productive working environment.
Strategy:
- reengineer or streamline OIG procedures to achieve the most effective use of resources; and,
- ensure that necessary technologies, evolving and otherwise, are made available to staff as needed.
Performance Measures: An annual audit plan is issued; strategic plan is periodically reviewed; and, necessary technology is provided to staff to enable them to most efficiently perform their duties.
Objective A: Attract and retain well-qualified, diverse and motivated employees.
Strategy:
- develop and implement a comprehensive recruiting program that attracts a broad population with the knowledge, skills, abilities, and expertise necessary to make meaningful contributions to the OIG;
- assess employee satisfaction and develop strategies to address employee concerns;
- identify reasons for staff departures and develop plans to foster greater staff retention; and,
- adhere to EEO principles and strive to maintain a diverse work force.
Objective B: Provide training and developmental opportunities to employees.
Strategy:
- assess training needs in relation not only to employee but also office needs as well;
- ensure that Government Auditing Standards in relation to training are adhered to; and,
- maintain a reporting system to ensure that educational requirements are met.
Objective C: Assess, recognize, and reward, when possible, performance that contributes to achieving the OIG mission.
Strategy:
- develop and articulate expectations for each employee's performance, including contributions in meeting the mission & goals of the OIG; and,
- ensure that rewards, when possible, are given in recognition of exceptional employee performance.
Objective D: Create and maintain a working environment that promotes teamwork and effective communication.
Strategy:
- ensure that communication between employees is open;
- provide employees with the tools and incentives they need to adequately perform their duties.
Performance Measures: All employees meet the training requirements; all employees have performance standards; and all employees meet the basic requirements for the position in which they were hired to perform.

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