



Federal Election Commission
Office of Inspector General

**Review of Outstanding
Recommendations as of**

August 2016

Assignment No. OIG-16-05

Office of Inspector General's Review of Outstanding Recommendations as of August 2016

The Office of Inspector General (OIG) semiannually provides to the Federal Election Commission (FEC) a report on the status of outstanding recommendations. The OIG provides these status reports as of February and August of each year.

For this reporting period, we continued our review of the previous six audits and inspections that were outstanding as of February 2016. The six previous assignments had a total of 78 outstanding recommendations as of February 2016. Based on management's progress in implementing corrective actions, the OIG was only able to close three of the 78 recommendations this reviewed period. (See table on page 2).

Noteworthy Accomplishments

The A-123 Task Force finalized the new internal control review process, along with the assessment template and instructions, in time for program offices to complete the FY 2016 annual internal control review to comply with OMB's new A-123 guidance.

OIG Concerns

The overarching concern of the OIG is the lack of governance accountability for ensuring that outstanding recommendations that are intended to improve agency programs and prevent fraud, waste, and abuse are timely and sufficiently implemented by management. Many recommendations have been outstanding for five or more years, with no consistent progress or dedicated effort from management to implement corrective actions.

The OIG is concerned that management will not address the identified risks until the agency's weaknesses have been exposed, and management is forced to not only address the long standing control weaknesses, but also remediate any effects of the risk exposure. This approach is often costly to the agency because contractors are often hired to address the effects of the exposed risk, while additional funds and resources are needed to implement the OIG's outstanding recommendation, which was intended to address the control weakness that led to the risk exposure.

For example, a reported 2012 hack of the agency's computer system resulted in the agency contracting with a company to review the exposed threats and provide recommendations to

remediate those issues. In addition, to implement a seven year outstanding OIG recommendation that was intended to address this control weakness, the OCIO also procured services from two additional contractors and purchased new information technology (IT) security software to implement the appropriate National Institute of Standards and Technology (NIST) IT control standards. Governance must make management accountable for promptly addressing these outstanding recommendations to decrease the risk exposure to the agency, effectively manage resources, and control cost.

Table Summary of Results

The table below summarizes the progress made by FEC management since the OIG’s last reporting period and the total outstanding recommendations as of August 2016.

<i>Title & Report Date of OIG Audits/Inspection</i>	<i>Total Outstanding Recommendations as of February 2016</i>	<i>Total Closed and Verified by OIG</i>	<i>Total Open as of August 2016¹</i>
Audit of the Commission’s Property Management Controls (3/2010)	1	0	1
2010 Follow-up Audit of Privacy and Data Protection (3/2011)	28	0	28
2010 Follow-up Audit of Procurement and Contract Management (6/2011)	1	0	1
Inspection of the FEC’s Disaster Recovery Plan and Continuity of Operations Plans (1/2013)	29	0	29
Audit of the FEC’s Office of Human Resources (7/2013)	11	3	8
Inspection of FEC’s Compliance with FMFIA/OMB A-123 (6/2014)	8	0	8
Total Outstanding Recommendations			75

¹ Column numbers include recommendations that management has disagreed with or has not adequately implemented, and the OIG concludes that these recommendations are still open.

Audit Follow-up Meetings/Communications

Closed Audits/Inspections²

The OIG did not close any audits or inspections this review period.

Open Audits/Inspections

A. Audit of the Commission's Property Management Controls

The remaining outstanding recommendation for the *Audit of the Commission's Property Management Controls* is related to the Office of the Chief Information Officer's (OCIO) inventory records for cellular devices. As stated in the OIG's *Review of Outstanding Recommendations as of February 2016* report, the Acting Deputy CIO of Operations stated that the OICO had started testing new iPhones to be distributed to FEC staff in fiscal year 2016. The OCIO began distribution of the new devices (iPhone 6) in August 2016; therefore, the OIG has continued to postpone follow-up of the open recommendation until OCIO has completed its distribution process of the new devices to ensure the most current and relevant agency data is reviewed to verify management's corrective actions.

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

For the *2010 Follow-up Audit of Privacy and Data Protection*, the OIG's *Review of Outstanding Recommendations as of February 2016* report identified 28 open recommendations. As stated in our prior report, management provided the OIG with documentation for seven of the 16 items that they noted as closed. The OIG reviewed the supporting documentation, but required further explanation and information in order to conclude that the recommendations were properly implemented. As of August 2016, management has not yet provided the additional information to the OIG to complete our review.

We noted that management stated in a transmittal letter to the Commission dated June 2, 2016, that they had closed three recommendations (7a, 7d, and 10b) within the last year. However, the OIG specifically requested documentation from the Co-Chief Privacy Officers on May 18, 2016, to verify that a privacy walkthrough was conducted in June 2015, per their corrective action plan. The documentation provided was a copy of a Word document only containing a brief paragraph certifying that the Co-Chief Privacy

² An audit or inspection is closed when the OIG determines that all applicable recommendations have been adequately addressed by management.

Officers conducted the walkthrough on September 16, 2015. The document also included signatures from both Privacy Officers. However, the documentation did not include any type of attached report/memo with a description of weaknesses identified, location of information found, which managers were contacted to discuss security failures, or a description of the "subsequent mitigations" that were noted in the provided document.

Based on our review of this document, and the lack of detail regarding the walkthrough that was conducted, the OIG determined that the information was not sufficient to verify the Privacy Officer's certification that "...all FEC employees and contractors in the building are complying with all privacy and information security standards." Therefore, recommendation 7a remains open.

In response to the lack of information provided by management, the OIG conducted an independent privacy walkthrough on the evening of July 8, 2016. The OIG noted three instances of non-compliance (i.e. confidential folders unsecure). The OIG continues to recommend that the Privacy Officer's establish an official policy and maintain proper documentation for the periodic walkthroughs that detail the issues that were noted and what corrective actions were implemented. Therefore, no recommendations have been closed for this follow-up review period.

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

The *2010 Follow-up Audit of Procurement and Contract Management* was issued in June 2011. The OIG's *Review of Outstanding Recommendations as of February 2016* report identified only one open recommendation related to the updated Directive 66 which is the overarching agency-wide policy for procurement and acquisitions. The OIG was informed that Directive 66 is still awaiting approval by the Commission before it can be finalized and issued. Therefore, this one recommendation is still open for this follow-up review period.

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

The *Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans* (COOP) report was released in January 2013. As reported in February 2016, one of the OIG's open recommendations, number 24, reads:

"Develop and implement a COOP exercise plan. The functional exercise should include all COOP points of contact and be facilitated by the system owner or responsible authority. Exercise procedures should be developed to include an element of system recovery from backup media."

The OCIO conducted its first test of the draft COOP plan in September 2015 to attempt to

implement corrective action for recommendation 24. The OIG assessed the test plan and reviewed the results provided by OCIO and concluded that the testing conducted in September 2015 was not adequate to close recommendation 24. OCIO has not made any further progress to address the open recommendations; thus, all 29 outstanding recommendations from the COOP report remain open.

In a status update to the Commission in June 2016, management decided to accept the risks of not implementing certain recommendations, and is requesting to have certain other recommendations closed due to obsolescence. The OIG will review those items prior to the next follow-up period to conduct an assessment of the recommendations status.

E. Audit of the FEC's Office of Human Resources

The *Audit of the Federal Election Commission's Office of Human Resources (OHR)* report was issued in July 2013. The OIG's *Review of Outstanding Recommendations as of February 2016* report identified 11 open recommendations for the OHR audit report.

In accordance with the OIG's follow-up review process, in July 2016 the OIG met with the Director of OHR to discuss the status of the 11 outstanding audit recommendations as well as review corrective actions since the last follow-up review was conducted in February 2015. Based on follow-up work performed and review of supporting documentation, the OIG was able to close three recommendations. Two other open recommendations (**Recommendation 16 and 17**) are related to the electronic fingerprinting scheduling process. The OHR informed the OIG that it has not implemented the electronic fingerprinting and badging scheduling process and does not intend to do so. The OIG concludes that until the OHR has implemented adequate control procedures to ensure the initiation and completion of the fingerprinting and badging process is consistently operating effectively, these recommendations cannot be closed. As a result, the OHR audit has eight open audit recommendations for this follow-up review period.

F. Inspection of FEC's Compliance with FMFIA/OMB Circular A-123

The *Inspection of FEC's Compliance with FMFIA/ OMB Circular A-123 (A-123 Inspection)* was released in June 2014. The OIG's *Review of Outstanding Recommendations as of February 2016* report identified eight open recommendations for the A-123 Inspection report. Although no open audit recommendations have been closed, the OCFO continues to make significant progress to address the remaining audit recommendations. As of the August 2016 follow-up review period, the OCFO, in cooperation with the FEC A-123 Task Force, finalized and rolled out the new annual internal control review (ICR) procedures to comply with the new OMB A-123 guidance.

Also, most of the designated program managers for the annual ICR process have been trained. The new ICR process is scheduled to be completed in September 2016.

The OIG cannot close any recommendations until the new ICR process has been fully implemented and the OIG can verify that the new process is operating effectively. Therefore, all eight recommendations remain open for this follow-up review period.

Background

As required by the Inspector General Act of 1978, as amended, the OIG is responsible for conducting audits of the FEC's programs and operations. In addition to conducting and supervising audits, the OIG also has the responsibility to conduct audit follow-ups to ensure that management has effectively implemented OIG recommendations. Audit follow-up, including the timely implementation of audit recommendations by FEC management, is required by Office of Management and Budget Circular A-50, *Audit Follow-up*, as revised, and FEC Directive 50: *Audit Follow-up*.

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

1. assignment of Audit Follow-up Official, who is responsible for overseeing the corrective action;
2. OIG finding(s);
3. OIG recommendation(s);
4. detailed corrective action to implement the OIG's recommendation(s);
5. FEC staff person with responsibility to implement each task; and
6. expected completion dates.

Once management drafts the CAP, the OIG then reviews the CAP and provides comments to management regarding the sufficiency of their planned corrective actions to address the OIG's 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 FEC Directive 50, and to ensure continuous monitoring and adequate and timely audit resolution, the OIG communicates with management at least semiannually to discuss the status of outstanding OIG recommendations. If management has implemented any corrective action(s), the OIG schedules a meeting with management to discuss the implementation of the corrective action(s), and the OIG then reviews evidence of the corrective action (i.e., new/updated policies, procedures, and processes to improve internal controls).

To provide management with timely feedback and the results of our review prior to management's reporting deadlines to the Commission in May and November, the OIG reports on our review of outstanding recommendations as of February and August of each year. The semiannual meetings are also intended to assist the audit follow-up official in following provisions 4 through 6 of Directive 50, which are listed as follows:

- (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.*

The official status (open/closed) of OIG recommendations is determined by the OIG once the OIG has verified that management has adequately implemented the corrective actions. The Inspector General can also make a decision to close recommendations or seek resolution from the Commission for recommendations where the OIG and management disagree. Lastly, the number of outstanding recommendations is also reported to the Commission and Congress in the OIG's Semiannual Reports to Congress.

Federal Election Commission Office of Inspector General



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Together we can make a difference.