



SEMIANNUAL REPORT TO CONGRESS  
OCTOBER 1, 2017 – MARCH 31, 2018

MAY 2018



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

OFFICE OF THE CHAIR

May 18, 2018

The Honorable Paul D. Ryan  
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 October 1, 2017 through March 31, 2018.

During this reporting period, the FEC's OIG completed, with the assistance of contract auditors, the annual audit of the FEC's financial statements. We are pleased to report that the Commission received an unqualified opinion on the required statements: the FEC's Balance Sheet as of September 30, 2017 and 2016, and the related Statements of Net Costs, Changes in Net Position, Budgetary Resources, and Custodial Activity for the years then ended. This marks the ninth consecutive year with no material weaknesses identified. The auditors raised issues pertaining to Information Technology security that do not rise to the level of a material weakness, but nonetheless merit attention by the Commission. The response of FEC management to those issues appears in the report, which was issued on November 15, 2017.

During the semiannual period, the OIG also completed its *Audit of the FEC's Compliance under the Digital Accountability and Transparency Act of 2014*. The OIG concluded that the FEC in general properly implemented and made proper use of the Government-wide financial data standards. The OIG also made four recommendations to improve the accuracy and completeness of the data submitted, and FEC management concurred with each of those recommendations. The full response of FEC management to those recommendations appears in the report.

In addition, the OIG closed three investigations. The Commission has taken corrective actions in response to one of the investigations and has suspended the program discussed in another investigation. The OIG found no evidence of ethical misconduct in the remaining investigation.

Letter to the Hon. Paul D. Ryan

May 18, 2018

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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,

A handwritten signature in black ink that reads "Caroline C. Hunter" followed by a stylized flourish.

Caroline C. Hunter  
Chair

MANAGEMENT REPORT ON  
INSPECTOR GENERAL ISSUED REPORTS  
WITH QUESTIONED COSTS  
FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 2018

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
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 MARCH 31, 2018

	<u>Number of Reports</u>	<u>Funds to be Put To Better Use</u>
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



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

OFFICE OF THE INSPECTOR GENERAL

## A Message from the Deputy Inspector General

The Federal Election Commission (FEC) Office of Inspector General (OIG) has had another productive six months. The *Audit of the FEC's Fiscal Year 2017 Financial Statement* and the *Audit of the FEC's Compliance under the Digital Accountability and Transparency Act of 2014 (DATA Act)* were both completed and reports issued. The DATA Act audit was especially challenging due to the short time frame for completion, but the OIG audit staff met the report's statutory deadline. The semiannual Review of Outstanding Recommendations was also completed. Three investigations were closed during this reporting period, as well.

The past six months has brought more change to the OIG. Dorothy Maddox-Holland, the Special Assistant to the Inspector General, retired after 24 years of outstanding service to the OIG. Dorothy was instrumental in helping to build the OIG up over the years, and her institutional knowledge was invaluable. She was always a pleasure to work with and her presence in the office will be greatly missed.

The FEC also moved its headquarters from the Penn Quarter area to a new building in the NoMa district of Washington, DC. The OIG office moved in mid-March 2018, and all OIG personnel now have offices in the same suite. Overall, the transition has proceeded well thus far.

The OIG staff has continued to perform admirably. Their dedication to their work and involvement in the Federal IG community is exemplary.

A handwritten signature in blue ink, appearing to read "J. Cameron Thurber".

J. Cameron Thurber  
Deputy Inspector General  
Federal Election Commission

April 6, 2018

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# EXECUTIVE SUMMARY

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

This semiannual report includes the major accomplishments of the FEC Office of Inspector General (OIG), as well as relevant information regarding additional OIG activities. The executive summary highlights the most significant completed activities of the OIG. Additional details pertaining to each activity (e.g., audits, hotline, and investigations) can be found in subsequent sections of this report. The honesty, integrity, and diligent work of our entire IG staff make the accomplishments of the OIG possible.

The ***Audit of the FEC's FY 2017 Financial Statements*** was completed this reporting period. Final testing by the contract auditor, Leon Snead & Company, PC (LSC), began at the start of this semiannual reporting period. At the conclusion of final testing, LSC provided the OIG with a final report containing 3 findings and 11 audit recommendations. One of the findings was identified as a significant deficiency in internal controls regarding the agency's information security program, which resulted in LSC reopening an audit recommendation that was previously closed in FY 2014.

The ***Audit of FEC's Compliance under the Digital Accountability and Transparency Act of 2014*** (DATA Act) was completed during this reporting period. The primary purpose of this audit was to satisfy the OIG's

responsibilities under the DATA Act by assessing the: (1) completeness, timeliness, quality, and accuracy of financial and payment data submitted for publication on USASpending.gov; and (2) the FEC's implementation and use of Government-wide financial data standards established by the Office of Management and Budget and the Department of Treasury. This engagement was conducted as a performance audit in accordance with Generally Accepted Government Auditing Standards, and the Inspectors General Guide to Compliance under the DATA Act. The scope of this audit was the FEC's FY 2017 second quarter financial and payment data submitted for publication on USASpending.gov.

Based on audit work performed, the OIG concluded that the FEC did, in general, properly implement and make proper use of the Government-wide financial data standards. In addition, we identified several significant findings that have impacted our ability to give reasonable assurance over the completeness, accuracy, and quality of the data submitted for Files C and D1. We made four recommendations related to corrective actions that are within the FEC's control to help improve the accuracy and completeness of data submitted. We did not make recommendations that would require corrective actions by other agencies involved in the process. The report was issued on November 8, 2017, which was the mandated reporting deadline.

During this semiannual period, the OIG has continued to make progress on the ***Audit of Contract Management and Oversight***. The IG's Chief Investigator forwarded non-sensitive information from several closed contract related hotline complaints that did not rise to an investigation level to the auditors for possible inclusion and follow-up in the audit. The OIG worked with the Finance Office to obtain all the applicable payment information for the selected sample of contracts. The OIG is in the process of

reviewing all the data that has been submitted from the Procurement and Finance offices to continue our review of the complete contract documentation for each sample selected.

The OIG exercised the last option year of our contract with LSC to perform the ***Audit of the FEC's FY 2018 Financial Statements*** audit. The preliminary planning phase of the audit started in February 2018. The audit entrance conference is scheduled for April 17, 2018 and LSC is scheduled to begin audit work on site May 8, 2018.

The ***OIG's Review of Outstanding Recommendations as of March 2018*** was completed during this reporting period. The OIG semiannually provides the Commission with the status of outstanding recommendations. For this reporting period, we reviewed seven audit and inspection reports that contained a combined total of 55 outstanding recommendations. The OIG was able to close the last outstanding recommendation that was included in the *Audit of the Commission's Property Management Controls (OIG-09-02)* based on management's acceptance of the risk, and the audit was closed (see *Audit follow-up Activity* section, page 6).

#### **OIG HOTLINE AND INVESTIGATIVE INFORMATION**

During this semiannual reporting period, five new hotline complaints were opened and two hotline complaints were closed. The OIG has fourteen open hotline complaints. No new investigations were opened during this reporting period, and three investigations were closed. For detailed information pertaining to hotline complaints and investigations, see the sections titled ***OIG Hotline Information*** (starting on page 7) or ***OIG Investigative Information*** (starting on page 8).



# OIG AUDIT ACTIVITY

## **Audit of the FEC's FY 2017 Financial Statements**

*Assignment Number:* OIG-17-01

*Status:* Completed

*Report Location:* <https://transition.fec.gov/fecig/documents/FY2017FinancialStatementAuditReport.pdf>

LSC began final testing at the start of this semiannual reporting period. At the conclusion of final testing, LSC provided the OIG with a final report containing 3 findings and 11 audit recommendations. One of the findings was identified as a significant deficiency in internal controls regarding the agency's information security program. This finding resulted in LSC reopening an audit recommendation that was previously closed in FY 2014 due to issues regarding management's formal adoption of information technology (IT) security best practices.

Although the FEC is legally exempt from the Federal Information Security Management Act, in FY 2014, management agreed to implement the recommendation to formally adopt IT security best practices for the federal government, and even contracted services to assist with National Institute of Standards and Technology (NIST) implementation. This recommendation would provide a more robust security program for the agency that is aligned with the agency's business processes and applicable risk levels. However, during this year's audit, we learned that there was no longer a consensus from management regarding the adoption of best practices, specifically the agency has yet to formally adopt the NIST Information Security Best Practices and other applicable government-wide IT security requirements as a standard policy for the agency; therefore, the audit recommendation was reopened. Despite the reopening of the audit recommendation, and based on the

audited information as a whole, LSC determined that the FEC's financial statements were presented fairly and in accordance with applicable standards, resulting in an unmodified opinion on the agency's 2017 financial statements.

## **Audit of the FEC's Compliance under the Digital Accountability and Transparency Act of 2014**

*Assignment Number:* OIG-17-05

*Status:* Complete

*Report Location:* <https://transition.fec.gov/fecig/documents/FEC-OIG-Required-Review-Under-the-Data-Act-OIG-17-05-November-2017.pdf>

The Audit of FEC's compliance under the *Digital Accountability and Transparency Act of 2014* (DATA Act)<sup>1</sup> was completed during this reporting period. The primary purpose of this audit was to satisfy the OIG's responsibilities under the DATA Act by assessing the: (1) completeness, timeliness, quality, and accuracy of financial and payment data submitted for publication on USASpending.gov; and (2) the FEC's implementation and use of Government-wide financial data standards established by the Office of Management and Budget (OMB) and the Department of Treasury (The Treasury). This engagement was conducted as a performance audit in accordance with Generally Accepted Government Auditing Standards, and the Inspectors General Guide to Compliance under the DATA Act which was updated and released in July 2017.

<sup>1</sup> The *Digital Accountability and Transparency Act of 2014* requires the establishment of government-wide standards for information on spending by Federal agencies, and all agencies must begin reporting spending data in compliance with the DATA Act. According to OMB's *Management Procedures Memorandum No. 2016-03*, data reported by Federal agencies in fiscal year 2017 second quarter would be displayed on USASpending.gov by May 2017.

The scope of this audit was the FEC's FY 2017 second quarter financial and payment data submitted for publication on USASpending.gov, and included applicable procedures, certifications, documentation, and controls used to achieve this process.

The main objectives were to:

- Assess the FEC's internal controls in place over the financial and payment data reported to USASpending.gov per OMB Circular A-123;
- Assess the FEC's internal controls in place over data management, collection, reporting, and processes used to report financial and payment data under the DATA Act;
- Assess the general and application controls pertaining to the procurement and financial systems from which the data elements were derived and linked; and
- Perform testing of FY 2017 second quarter financial and payment data submitted by the FEC for publication on USASpending.gov.

Based on audit work performed, the OIG concluded that the FEC did, in general, properly implement and make proper use of the Government-wide financial data standards. We were able to give reasonable assurance that the internal controls over the FEC's sourced systems are adequate. We also determined that Files A and B are complete, accurate, and of quality. However, none of the data files were submitted for publication or available for viewing on USASpending by the due date,<sup>2</sup> and the FEC did not implement adequate controls or processes to ensure data submitted to the Treasury Broker was complete, timely, accurate, and of quality.

In addition, we identified several significant findings that have impacted our ability to give reasonable assurance over the completeness, accuracy, and

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<sup>2</sup> The OIG acknowledges that the FEC uses a Financial Shared Service Provider (FSSP), which is the United States Department of Agriculture (USDA), for financial reporting and is dependent on the FSSP to submit Files A through C on the FEC's behalf. The OIG was not able to confirm or corroborate the root cause of the delays. Both the USDA and the FEC requested an extension from the OMB/Treasury, but the OIG did not receive confirmation if the requests were approved.

quality of the data submitted for Files C and D1, some of which were due to issues with the agency's FSSP.

The OIG made four recommendations related to corrective actions that are within the FEC's control to help improve the accuracy and completeness of data submitted. We did not make recommendations that would require corrective actions by other agencies. Adequate resources should be assigned to the FEC's DATA Act program to ensure corrective actions to fully implement the requirements of the DATA Act are achieved. The report was issued on November 8, 2017, which was the mandated reporting deadline.

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### **Audit of Contract Management and Oversight**

*Assignment Number:* OIG-16-02

*Status:* In Progress

During this semiannual period, the OIG has continued to make progress on the *Audit of Contract Management and Oversight* (Contract Management audit). In addition to reviewing contract files, the IG's Chief Investigator forwarded non-sensitive information from several closed contract-related hotline complaints that did not rise to an investigation level to the auditors for possible inclusion and follow-up in the Contract Management audit. The OIG auditors reviewed the information, determined what information, if any, could be reviewed as part of the audit, and requested the applicable contract documentation from the Contracting Officer for review.

In addition, based on the FEC's hiring of a new Contracting Officer after the start of the OIG's audit, the auditors adjusted the previous sample selection to include contracts that were initiated by the current Contracting Officer to get a better understanding of the processes that occurred under previous Contracting Officer's purview in comparison to the current processes in place.

The OIG also worked with the Finance Office to obtain all the applicable payment information for the selected sample of contracts. The OIG is in the process of reviewing all the data that has been submitted from the Procurement and Finance offices to continue our review of the complete contract documentation for each sample selected.

**Audit of the FEC's FY 2018 Financial Statements**

*Assignment Number: OIG-18-01*

*Status: In progress*

The OIG exercised the last option year of our contract with LSC to perform the Audit of the FEC's FY 2018 Financial Statements. The preliminary planning phase of the audit started in February 2018. During this phase, the OIG and LSC agreed on an audit timeline, status meetings dates, and provided management with the list of requested documents for the entire audit. In addition, on March 12, 2018, LSC issued the Commission Chair, Vice Chair, and the Acting Chief Financial Officer with the 2018 Audit Engagement Letter to sign and confirm their understanding of the purpose of the audit.

The audit entrance conference is scheduled for April 17, 2018, and LSC is scheduled to begin audit work on site May 8, 2018.



## OIG AUDIT FOLLOW-UP ACTIVITY

### **Office of Inspector General's Review of Outstanding Recommendations as of March 2018**

*Assignment Number: OIG-18-02*

*Status: In Progress*

The OIG provides the Commission with a semiannual report of outstanding recommendations that contains details of the follow-up work conducted by the OIG and the status of the outstanding OIG audit and inspection recommendations. For this reporting period, we are reviewing the following 7 audits and inspections, containing a combined total of 55 outstanding recommendations:

- Audit of the Commission's Property Management Controls;
- 2010 Follow-up Audit of Privacy and Data Protection;
- 2010 Follow-up Audit of Procurement and Contract Management;
- Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans;
- Audit of the FEC's Office of Human Resources;
- Inspection of the FEC's Compliance with FMFIA/OMB A-123; and
- Audit of the FEC Telework Programs.

Due to the FEC's headquarters moving its location during the months of February and March, the OIG extended the review period for management from February 2018 to March 2018. Therefore, the results of this review will be finalized in April 2018. Another review of outstanding recommendations will be completed and reported during the next semiannual reporting period.

# 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 and 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 have an investigation initiated, referred to management or another agency, or closed with no further action taken.

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 will not be investigated, and in many cases a complaint does not merit an 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 FEC official for possible further review. Often, a hotline complaint will be closed because a preliminary inquiry found the allegations to be unsubstantiated, there is a lack of information to proceed, or the issue giving rise to the allegation has been otherwise resolved. Hotline evaluation decisions are made by the Chief Investigator, with concurrence from the IG.

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. In 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 campaign finance violation but falls under the purview of another FEC component or government agency 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 created a category for “hotline inquiries” that do not meet the criteria for hotline complaints.

During this reporting period, 5 new hotline complaints were opened and 2 hotline complaints were closed; 14 hotline complaints remain open.

# OIG INVESTIGATIVE INFORMATION

OIG investigations seek out facts related to allegations of wrongdoing. OIG investigations may address administrative, civil, and criminal violations of laws, regulations, and policies. 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 merged into the 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.

During this reporting period no new investigations were opened, three investigations were closed, and five investigations remain open. The closed investigations include:

## **Ethics Review of Commissioner**

The OIG investigated whether a Commissioner or the Commissioner's staff violated ethical standards or FEC policies. The investigation revealed the Commissioner released two statements on February 10 and 17, 2017, requesting President Donald Trump to release information regarding his allegations of voter fraud. The OIG investigation was based on the ethical standards outlined in federal regulations 5 C.F.R. Part 2635. Based interviews, research, and information obtained by the OIG, the OIG found no evidence of

ethical misconduct by the Commissioner or the Commissioner's staff.

## **Parking Subsidy Misuse**

The OIG opened an investigation regarding parking subsidy misuse. The FEC leased parking spaces from LAZ parking at a cost of \$80,172 per year in order to provide subsidized parking permits to FEC's Senior Leaders and certain staff depending on need. The review period of the investigation was from October 1, 2015 through June 30, 2016. The OIG investigation revealed FEC did not conduct a needs assessment for subsidized parking as required by the Government Accountability Office. Additionally, the FEC's parking subsidy exceeded the allowable Internal Revenue Service (IRS) 2016 monthly limit of \$255 by \$31.90 per person. The investigation revealed FEC did not report the amount over the limit as wages to the parking beneficiaries, resulting in a total of \$4,584 that was not reported to the IRS in salaries. FEC parking records also revealed one employee used the union subsidized parking pass without authority, resulting in the employee receiving \$2,495 of unauthorized free parking. In addition, the OIG found that four employees received both temporary parking passes and transit benefits in violation of FEC Directive 54, resulting in the excess expenditure of \$3,005 of transit benefits. The report was provided to the Commission and agency management.

## **Visa Gift Card Purchases and Distributions**

The OIG investigated whether there was misuse regarding the purchase and distribution of Visa gift cards as on-the spot rewards for FEC employees. The OIG found no criminal violations regarding the distribution and use of Visa gift

cards. However, the OIG found administrative issues regarding the purchasing, distribution, and oversight of the Visa gift cards. The OIG found the FEC did not establish a bona fide need for the fiscal years of purchase, as required by 31 U.S.C. § 1502(a), prior to purchasing a total of \$92,546.70 of Visa gift cards from the one year appropriations in Fiscal Years (FY) 2011, 2012, 2014 and 2015. The Office of Chief Financial Officer did not conduct oversight of Visa gift card distribution during the time period in question, and as a result, some Visa gift cards were inappropriately converted to merchant gift cards and others were not all distributed by the end of the fiscal year, resulting in waste of funds. The FEC notified the OIG that it did not use FY 2018 funds to purchase Visa gift cards, and there are no plans to purchase gift cards in the future. The report was provided to the Commission and agency management.

## 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 (IG Act), legislation compiled by the Commission's Congressional Affairs office that may affect agency programs and operations is reviewed by the OIG. The IG Act states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the FEC'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 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:

### **The Council of Inspectors General on Integrity and Efficiency Purchase Card Project**

*Assignment Number: OIG-17-04*

*Status: In Progress*

The CIGIE Information Technology (IT) Committee's mission is to facilitate effective IT audits, evaluations, and investigations by OIGs, and to provide a

vehicle to express the OIG community's perspective on Government-wide IT operations.

The OIG volunteered to participate in the CIGIE IT Committee's Government-wide purchase card (P-Card) project, which was initiated during the prior reporting period. The main objective of this project is to analyze P-Card data to determine risks associated with purchase card transactions.

The OIG has reviewed the agency's P-Card process and completed testing of FEC's P-Card transactions using the standard algorithms and applicable methodologies established by the CIGIE IT Committee P-Card team. The FEC OIG is in the process of compiling, certifying, and submitting its results to the U.S. Department of Agriculture OIG, which has agreed to compile the results and publish a consolidated report for the CIGIE IT Committee. The FEC OIG is also planning to issue a Management Letter to formally communicate the results of this review to FEC Management. We expect the consolidated report and Management Letter to be issued during the next reporting cycle.

# COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

Deputy Inspector General J. Cameron Thurber, attended CIGIE meetings, as well as meetings of the Professional Development Committee and Small/Unique OIGs. He also served on panels for the CIGIE-American University New and Experienced Leaders Courses. In January of 2018, he instructed CIGIE's IG Authorities training course.



## OIG CONTACTS

OIG contacts run the gamut, from citizens expressing their views or trying to reach the right FEC component to graduate students doing research. Contacts requesting information concerning where to submit a complaint or concern are directed to the appropriate FEC component or other agency. Other citizen contacts are handled and responded to as appropriate for the circumstances.

The table below is a reflection of the total contacts received by the OIG for the past six months – October 1, 2017 through March 31, 2018. These contacts were made through various sources such as telephone calls, emails, faxes, U.S. mail, and personal visits to the OIG. Those forwarded for action were referred to another FEC component and/or appropriate outside source

Total Contacts	OIG Action	No Action Necessary	Forwarded for Action
3,095	39	3,050	6

# 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 October 1, 2017 – March 31, 2018:

**MEETINGS:**

Host / Sponsor	Topic / Subject
<p><b>Council of Inspectors General on Integrity and Efficiency (CIGIE)</b></p>	<p>2017 GAO Coordination Meeting                      CIGIE Annual Awards Ceremony                      CIGIE DAWG Quarterly Meeting                      CIGIE ERM Working Group                      CIGIE Purchase Card Teleconference                      FAEC Meetings                      Leadership Development Subcommittee Meetings                      Monthly Meetings                      Next Data Act Analytics Community of Practice (CoP)                      Professional Development Committee Meetings                      Quarterly Small / Unique IG Quarterly Meetings</p>
<p><b>Council of Counsels to the Inspectors General</b></p>	<p>Monthly Meetings                      Small OIG Working Group Meeting</p>
<p><b>Government Accountability Office</b></p>	<p>DATA Act Working Group Joint Meetings</p>
<p><b>Federal Election Commission</b></p>	<p>Bi-weekly Directors' Meetings with IG, Acting GC, SD &amp; Acting CFO                      Finance Committee Meetings                      Lease Renewal Team Meetings                      New Employee Orientations                      Administrative Liaison Groups Meetings</p>

**TRAINING/CONFERENCES/PRESENTATIONS:**

HOST / SPONSOR	TOPIC / SUBJECT
<p><b>Association of Certified Fraud Examiners</b></p>	<p>2017 ACFE Law Enforcement and Government Anti-Fraud Summit</p> <p>Forensic Analytics &amp; Employee Fraud with Dr. Mark Nigrini</p> <p>Interviewing Essentials and Mindset of a Fraudster</p> <p>Principles of Fraud Examination</p>
<p><b>Council of the Inspectors General on Integrity and Efficiency</b></p>	<p>IG Authorities</p> <p>Periodic Refresher Training</p> <p>Planning, Organizing, and Writing Effective Reports</p> <p>Whistleblower Reprisal Investigations (Overview)</p>
<p><b>Federal Election Commission</b></p>	<p>GSA SmartPay Purchase Card Training</p> <p>Sexual Harassment Prevention for Federal Employees</p>
<p><b>Institute of Internal Auditors</b></p>	<p>Risk Based Auditing</p>
<p><b>U.S. Office of Personnel Management</b></p>	<p>Center for Leadership Development</p>
<p><b>TeamMate</b></p>	<p>TeamMate Conference</p>
<p><b>U.S. Department of Justice</b></p>	<p>FOIA for Attorneys and Access Professionals</p>

# 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	10
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)	19
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	8
Section 5(a)(8)	Questioned and Unsupported Costs (Table I)	17
Section 5(a)(9)	Recommendations that Funds be put to Better Use (Table II)	18
Section 5(a)(10)(A)	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)(10)(B)	Summary of Audit Reports Issued Before the start of the Reporting Period for which No Management Comment was Returned Within 60 Days	N/A
Section 5(a)(10)(C)	Summary of Audit Reports Issued Before the Start of the Reporting Period for which There Are Outstanding Unimplemented Recommendations	22; App. B
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Management Decisions with which the Inspector General is in Disagreement	None
Section 5(a)(14)	Peer Review Recommendations	21; App. A

IG ACT	DESCRIPTION	PAGE
Section 5(a)(17), (18)	Investigative Reports Table and Metrics (Table IV)	20
Section 5(a)(19)	Investigations Involving a Senior Government Employee with Substantiated Misconduct	None
Section 5(a)(20)	Instances of Whistleblower Retaliation	None
Section 5(a)(21)	Attempts by the Agency to Interfere with OIG Independence	None
Section 5(a)(22)	Undisclosed Inspections, Evaluations, Audits, and Investigations	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 and inspection reports with corrective actions outstanding for more than six months

Report Title	Report Number	RECOMMENDATIONS				Cost Savings
		Issue Date	Number	Closed	Open	
Audit of the Commission's Property Management Controls	OIG-09-02	03/10	36	36 <sup>3</sup>	0	0
2010 Follow-up Audit of Procurement and Contract Management	OIG-10-02	06/11	29	28	1	0
2010 Follow-up Audit of Privacy and Data Protection	OIG-10-03	03/11	45	20	25	0
Inspection of the Federal Election Commission's Disaster Recovery Plan and Continuity of Operations Plans	OIG-12-06	01/13	30	21 <sup>4</sup>	9	0
Audit of the Federal Election Commission's Office of Human Resources	OIG-12-05	07/13	26	21	5	0
Inspection of FEC's Compliance with FMFIA/ OMB Circular A-123	OIG-14-01	06/14	8	3	5	0
Audit of the FEC's Telework Programs	OIG-15-03	06/16	11	2	9	0

Cumulative Total of Outstanding Recommendations: 54

Total Cost Savings: 0

<sup>3</sup> The final outstanding recommendation was closed based on management accepting the risks of not implementing the OIG's recommendation.

<sup>4</sup> Includes a number adjustment to correct an inadvertent miscalculation from prior report.

## TABLE IV

### Summary of Investigative Reports

	Number
Total Number of Investigative Reports Issued	3
Total Number of Persons Referred to DOJ for Criminal Prosecution	0
Total Number of Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution	0
Total Number of Indictments and Criminal Information Resulting from Any Prior Referral to Prosecuting Authorities	0

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#### Metrics Used for Developing Data for Table IV:

The Total Number of Investigative Reports Issued reflects the number of all Reports of Investigation (ROI) issued to FEC management, the Department of Justice, or State and local prosecuting authorities during the reporting period;

The Total Number of Persons Referred to DOJ for Criminal Prosecution and Total Number of Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution reflects the total number of presentations of individuals for criminal prosecution made by the FEC OIG to the respective criminal prosecuting authorities during the reporting period;

The Total Number of Indictments and Criminal Informations Resulting from Any Prior Referral to Prosecuting Authorities includes all indictments and informations issued during the reporting period by Federal, State, or local criminal prosecuting authorities based upon any referral by the FEC OIG, whether the referral was made during this reporting period or a prior reporting period.

# APPENDIX A

## PEER REVIEW RESULTS

In accordance with the *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* (Section 989C of P.L. 111-203), which amended Section 5 of the *Inspector General Act of 1978*, OIGs are required to include in their semiannual reports to Congress the results of peer reviews of their offices, as well as outstanding and not fully implemented recommendations from peer reviews the OIG received from another OIG, and outstanding and not fully implemented recommendations the OIG made in any peer review it performed for another OIG.

The last audit peer review of the FEC OIG was conducted by the Farm Credit Administration OIG and the report was issued on February 15, 2017. The FEC OIG received a pass rating and there are no outstanding recommendations. Peer Review of the National Endowment for the Arts (NEA) OIG's Audit Program.

## APPENDIX B



**Federal Election Commission**  
**Office of Inspector General**

**Review of Outstanding Recommendations  
As of March 2018**

**April 2018**

**Assignment No. OIG-18-02**

# Office of Inspector General's Review of Outstanding Recommendations as of March 2018

## Summary of Review

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The Office of Inspector General (OIG) semiannually provides to the Commission 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 extended our review period to the month of March due to the extensive move of the agency's headquarters that started in February of this year.

We continued our review of the previous seven audits and inspections with outstanding recommendations as of August 2017. Collectively, these 7 audits and inspections had 55 outstanding recommendations that required follow-up for this review period of September 2017 to March 2018. Based on the results of the follow-up review, the OIG was only able to close 1 of the 55 outstanding recommendations, which was based on management's acceptance of risk.

## OIG Concerns

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The overarching concern of the OIG is the lack of governance accountability for ensuring that management enforces the required internal control to assure outstanding recommendations that are intended to improve agency programs and prevent fraud, waste, and abuse are timely and sufficiently implemented. This management control is mandated by the Office of Management and Budget's (OMB) Circulars A-123 and A-50, and also is required by the Federal Election Commission's (FEC) own policy, Commission Directive 50: Audit Follow-up. Governance must hold management accountable for promptly addressing outstanding recommendations to decrease the agency's risk exposure, effectively manage resources, and ensure cost control. Per OMB's Circular A-123, deficiencies reported "...through internal review or by an external audit, should be evaluated and corrected. A systematic process should be in place for addressing deficiencies."

## 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 March 2018.

<i>OIG Audits/Inspection</i>	<i>Total Outstanding Recommendations as of August 2017</i>	<i>Total Closed</i>	<i>Total Open as of March 2018<sup>1</sup></i>
Audit of the Commission's Property Management Controls - <i>8 years outstanding</i>	1	1 <sup>2</sup>	0
2010 Follow-up Audit of Privacy and Data Protection <i>7 years outstanding</i>	25	0	25
2010 Follow-up Audit of Procurement and Contract Management <i>6 years outstanding</i>	1	0	1
Inspection of the FEC's Disaster Recovery Plan and Continuity of Operations Plans <i>5 years outstanding</i>	9	0	9
Audit of the FEC's Office of Human Resources <i>4 years outstanding</i>	5	0	5
Inspection of FEC's Compliance with FMFIA/OMB A-123 <i>3 years outstanding</i>	5	0	5
Audit of the FEC Telework Programs <i>1 year outstanding</i>	9	0	9
<b>Total Outstanding Recommendations</b>			<b>54</b>

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

<sup>2</sup> The remaining recommendation was closed due to the Chief Information Officer accepting the risk of not implementing the OIG's recommendation.

## Audit Follow-up Meetings/Communications

### Closed Audits/Inspections<sup>3</sup>

#### A. Audit of the Commission's Property Management Controls

The remaining outstanding recommendation for the *Audit of the Commission's Property Management Controls* (Property Audit) is related to the Office of the Chief Information Officer's (OCIO) inventory records for cellular devices. The OIG has followed up on this recommendation since the release of the report in March of 2010, and each follow-up review has noted several issues with OCIO's inventory records. In our August 2017 report, the OIG expressed to the Commission our concerns regarding the risks to agency assets based on OCIO's current inventory processes. Specifically, we stated that the failure to adequately record assets causes the agency to have incomplete inventory records and greatly exposes the agency to potential theft without detection from management, as having inadequate inventory records prevents proper safeguarding of the physical asset.

Having reviewed the OCIO's inventory records and processes for the past eight years and reporting on the same weaknesses during each review with no major improvements or agreements from management to revise its processes, on March 12, 2018 the OIG issued a *Management Risk Acceptance Memorandum* to the Commission and the Chief Information Officer (CIO). The memorandum requested that the CIO confirm that the OCIO accepts the risk of not implementing the OIG's recommendation, and the CIO signed to accept the risk. See the *Management Risk Acceptance Memorandum* and signed letter by the OCIO as an attachment to this report. Therefore, the Property Audit has been closed out by the OIG. However, the recommendation may be re-opened upon receipt of any new information to improve the FEC's processes in this area.

*The Chief Information Officer has accepted the risk of inadequate agency inventory records for agency issued cellular devices*

<sup>3</sup> An audit or inspection is closed when the OIG determines that all applicable recommendations have been adequately addressed and/or management has determined that it will accept the risks of not implementing the OIG's recommendation.

## Open Audits/Inspections

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

For the *2010 Follow-up Audit of Privacy and Data Protection* (Privacy Audit), the OIG's *Review of Outstanding Recommendations as of August 2017* report identified 25 open recommendations. For this review period, the Privacy Team noted that "Although OGC is working with OCIO on completing these outstanding recommendations, we do not currently have anything to update. However, we are in the process of hiring an attorney whose responsibilities will be entirely devoted to FOIA and the Privacy Act. We believe that with that position established and filled, the Agency will be able to move rapidly towards completion." As the Privacy Team had no updates for this follow-up period, the 25 recommendations remain outstanding.

*There has been no progress from the Privacy Team on outstanding recommendations since February 2015.*

### 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 2017* report identified only one open recommendation related to the updated Directive 66, which is the overarching agency-wide policy for procurement and acquisitions. 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 Inspection) report was released in January 2013. The OIG's *Review of Outstanding Recommendations as of August 2017* report identified nine outstanding recommendations. The Acting Deputy Chief Information Officer of Operations provided a status update for the outstanding recommendations. The OIG reviewed the information provided and conducted some sample testing. The results are as follows:

#### **Sample Verification**

As the FEC has made the determination to leverage the agency's Telework Program for executing the agency's COOP, the OIG selected 32 people from the OCIO's COOP listing of Key Personnel to verify if these individuals would be capable of complying with their designated COOP role based on the

*A critical management level position has not been properly equipped to perform COOP duties*

#### Telework Program.

Out of the 32 selected, the OIG received a response from 16 people. Verification was performed on the 16 responses the OIG received, and the following was noted:

- 6 of the 16 Key Personnel, including a critical management level position, have not been provided an agency tablet necessary to perform their COOP duties; and
- 1 of the 16 Key Personnel listed was issued a tablet but has not been approved for telework; therefore, the ability of this person being able to work from home to carry out COOP responsibilities has not been properly verified (see second bullet point in next section).

#### *COOP Training Review*

The OIG reviewed the planned annual COOP training and noted the following:

- The FEC does not have an annual testing exercise scheduled for the COOP plan to ensure Key Personnel are aware and capable of carrying out their duties.
- The FEC's plan to use unscheduled telework during instances of inclement weather to support periodic testing of the COOP plan is insufficient:
  - The scenario to support testing would not be an unplanned event.
  - Unscheduled telework is optional rather than mandatory for all COOP Key Personnel based on OPM guidance during inclement weather.
  - All COOP Key Personnel do not participate in the FEC's telework program.
  - The Crisis Management Team is not required to test the call-tree process during unscheduled telework, which should include staff, contractors, and vendors, to ensure the appropriate personnel can be reached via the correct contact information on record.
  - COOP devices are not always used or mandatory when exercising the option of unscheduled telework to ensure proper network connection and functionality.
  - Assessment Reports are not developed or reviewed to ensure the agency's current COOP process is adequate.

It has been reported to the Commission for almost 14 years that the agency is operating without an approved and tested contingency plan to ensure that in the event of a local or agency specific disaster, the Commission would have the ability to continue normal business operations within a reasonable timeframe. Based on the OIG's above reviews and many of the outstanding recommendations being extended due to further actions needed from management, the nine recommendations remain open.

**E. Audit of the FEC’s Office of Human Resources**

The *Audit of the Federal Election Commission’s Office of Human Resources* (OHR Audit) report was issued in July 2013. The OIG’s *Review of Outstanding Recommendations as of August 2017* report identified five open recommendations for the OHR audit report. The OIG sent an email to the Director of OHR in January 2018 inquiring about the status of the five outstanding audit recommendations as well as to discuss any additional corrective actions since the last follow-up review was conducted in August 2017. The OIG did not receive any updates. Therefore, the five outstanding recommendations will remain open for this follow-up 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 August 2017* report identified five open recommendations for the A-123 Inspection report. Since the August 2017 follow-up review period, the Office of the Chief Financial Officer (OCFO), in cooperation with the FEC A-123 Task Force and the Senior Management Council (SMC), drafted the FEC’s initial risk profile which is a new requirement related to A-123. The OIG notes that other OMB requirements related to submitting Enterprise Risk Management (ERM) and Fraud Reduction plans by June 4, 2017, were postponed and a new date has not yet been issued. The OIG will be unable to close the remaining five recommendations until the FEC fully implements ERM and fraud risk assessments into the internal control reporting process, and the OIG can verify that the new processes are operating effectively. Therefore, the five outstanding recommendations remain open for this follow-up review period.

**G. Audit of the FEC’s Telework Programs**

The *Audit of the FEC’s Telework Programs* (Telework Audit) was released in June 2016. The OIG’s *Review of Outstanding Recommendations as of August 2017* report identified nine open recommendations for the Telework Audit report. The OIG contacted the Telework Management Official and was informed there are no additional updates to report at this time. Therefore, the nine outstanding 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 (e.g., 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  
WASHINGTON, D.C. 20463  
Office of Inspector General

**MEMORANDUM**

**TO:** Alec Palmer  
Staff Director\Chief Information Officer  
  
The Commission

**FROM:** J. Cameron Thurber  
Deputy Inspector General

**James Thurber**

**SUBJECT:** Management Risk Acceptance Memorandum

**DATE:** March 12, 2018

Digitally signed by James Thurber  
DN: c=US, o=U.S. Government, ou=FEC, cn=James Thurber  
Date: 2018.03.12 11:48:06 -0400

The Office of Inspector General (OIG) released the *Audit of the Commission's Property Management Controls* (Property Audit) report in March 2010. Since that time, the OIG has consistently followed up with management on the outstanding recommendations to ensure all reported findings were adequately addressed. Eight years later, there is still one recommendation that has remained open since the initial report was released:

*Personal cellular device user information should be kept up to date and adjusted in a timely manner on the Information Technology Division's master inventory listing and the AT&T Premier website for employee separations and new assignment of devices (revised)<sup>1</sup>.*

This recommendation references the inadequate inventory records maintained by the Office of the Chief Information Officer (OCIO) for tracking and safeguarding agency issued cellular devices, currently iPhones. The issue of inadequate record keeping was first reported after the OIG reviewed the agency's records for the prior BlackBerry devices in 2009. These problems have remain consistent even through two separate upgrades to the use of iPhones for all staff.

Each follow-up review of outstanding recommendations since 2010 has reflected several repeat issues with the OCIO's inventory records. Our most recent review of agency inventory records for iPhones in August 2017 revealed the following issues:

- iPhone devices missing from the master inventory listing;
- devices logged as purchased according to vendor records but could not be accounted for on OCIO's master inventory listing; and

<sup>1</sup> The recommendation has been revised to reflect that the agency no longer uses BlackBerry devices.

**Office of Inspector General  
Management Risk Acceptance Letter**

- OCIO's inventory listing not reflective of all staff who are issued devices.

The OIG is concerned that if management does not have adequate record keeping of agency devices, the agency is exposed to the risk of fraud. Agency devices can be easily removed from inventory and go undetected for long lengths of time, making the device difficult to track and/or recover because management's inventory records are not complete or consistently kept up to date.

We have reviewed management's inventory process and records for cellular devices for the past eight years with no major improvements or agreements from management to revise its process. Therefore, pursuant to the OIG's recommendation resolution process, the OIG requests signed confirmation from the Chief Information Officer that management accepts the level of exposed risk to the agency in accordance with their current inventory process in order for the OIG to close the current outstanding recommendation, specifically noting that management accepts the risk. To confirm management's acceptance of the risk regarding this recommendation, please sign, date, and return the attached document to the OIG by March 21, 2018.

Thank you,

Attachment

**Office of Inspector General  
Management Risk Acceptance Letter**

As the Federal Election Commission's Chief Information Officer (CIO), I confirm that my office, which is responsible for the tracking and safeguarding of agency issued cellular devices, accepts the risk of not implementing the Office of Inspector General's (OIG) recommendation reported in the March 2010 *Audit of the Commission's Property Management Controls* report:

*Personal cellular device user information should be kept up to date and adjusted in a timely manner on the Information Technology Division's master inventory listing and the AT&T Premier website for employee separations and new assignment of devices (revised).*

I believe the risk level is acceptable for the agency, and concur to have the OIG close the above recommendation, noting risk acceptance, with no further corrective action taken by the OCIO.

  
\_\_\_\_\_  
Alec Palmer  
Chief Information Officer

03/14/18  
\_\_\_\_\_  
Date

**Federal Election Commission  
Office of Inspector General**



**Fraud Hotline  
202-694-1015**

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**Fax us at 202-501-8134 or e-mail us at [oig@fec.gov](mailto:oig@fec.gov)**

**Visit or write to us at 1050 First Street, N.E., Suite 1010, Washington DC 20463**

Individuals including FEC and FEC contractor employees are encouraged to alert the OIG to fraud, waste, abuse, and mismanagement of agency programs and operations. Individuals who contact the OIG can remain anonymous. However, persons who report allegations are encouraged to provide their contact information in the event additional questions arise as the OIG evaluates the allegations. Allegations with limited details or merit may be held in abeyance until further specific details are reported or obtained. Pursuant to the Inspector General Act of 1978, as amended, the Inspector General will not disclose the identity of an individual who provides information without the consent of that individual, unless the Inspector General determines that such disclosure is unavoidable during the course of an investigation. To learn more about the OIG, visit our Website at: <http://www.fec.gov/fecig/fecig.shtml>

**Together we can make a difference.**

## APPENDIX C

### The Federal Election Commission

In 1975, Congress created the Federal Election Commission to administer and enforce the *Federal Election Campaign Act of 1971*, as amended. 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 four Commissioners and two vacancies – Caroline C. Hunter, Chair; Ellen L. Weintraub, Vice Chair; and Commissioners Matthew S. Petersen and Steven T. Walther.

### Office of Inspector General

The *Inspector General Act of 1978*, as amended, states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the FEC'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

# Federal Election Commission Office of Inspector General



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