



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

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

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 2018¹</i>
Audit of the Commission's Property Management Controls - <i>8 years outstanding</i>	1	1 ²	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
Total Outstanding Recommendations			54

¹ 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.

² 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/Inspections³

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

³ 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
-04'00'

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)¹.

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

¹ 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



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