

Federal Election Commission
Office of Inspector General



Fiscal Year 2012
Work Plan

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Inspector General

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FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Office of Inspector General

A Message from the Inspector General

I am pleased to present to the Commission the Office of Inspector General's (OIG) fiscal year (FY) 2012 Annual Work Plan. This work plan includes a description of audit, inspections, investigative and special projects planned for the FY. This plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2012. Successful execution of this plan will enable the OIG to provide the highest quality work products to our stakeholders and to assist the FEC in meeting its strategic mission, goals and objectives.

The OIG substantially completed the work planned for FY 2011 in the audit and investigative programs, as well as special projects, notwithstanding the resignation of the OIG's Senior Auditor in March 2011. Among the audits completed in FY 2011 were the FY 2010 annual financial statement audit, and two follow-up audits of procurement and privacy practices. These three audits yielded a combined total of 85 audit recommendations to improve FEC programs and operations. An audit peer review of my office was also conducted in FY 2011 and resulted in a *pass* rating, and my office also conducted a peer review of another federal OIG. Lastly, the OIG finalized a new audit manual in FY 2011.

In addition to the accomplishments in the audit program, the investigative program accomplished all of the work planned for 2011, to include responding to hotline complaints, OIG briefings to all FEC staff and the implementation of a new hotline service, among other projects. In addition to the investigative program, the OIG staff was actively involved in several professional working groups during the FY, to include the Council of the Inspectors General on Integrity and Efficiency Professional Development Committee, the Inspector General (IG) Candidate Recommendations Panel Committee, the IG Council of Counsels, among others. At the start of FY 2012, the OIG is fully staffed with six professional staff members, and therefore I anticipate the OIG will successfully complete the FY 2012 work plan that follows.

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

¹ Federal Election Commission, *Fiscal Year 2012 Congressional Budget Justification* (Washington, DC, February 14, 2011), 3.

programs and to detect and prevent fraud, waste and abuse. Effective work planning ensures that audit and investigative resources are used effectively and efficiently. I look forward to a successful year of providing the highest quality of audit and investigative support and service to our stakeholders.

A handwritten signature in black ink that reads "Lynne A. McFarland". The signature is written in a cursive, flowing style.

Lynne A. McFarland
Inspector General
Federal Election Commission

October 3, 2011

The Federal Election Commission

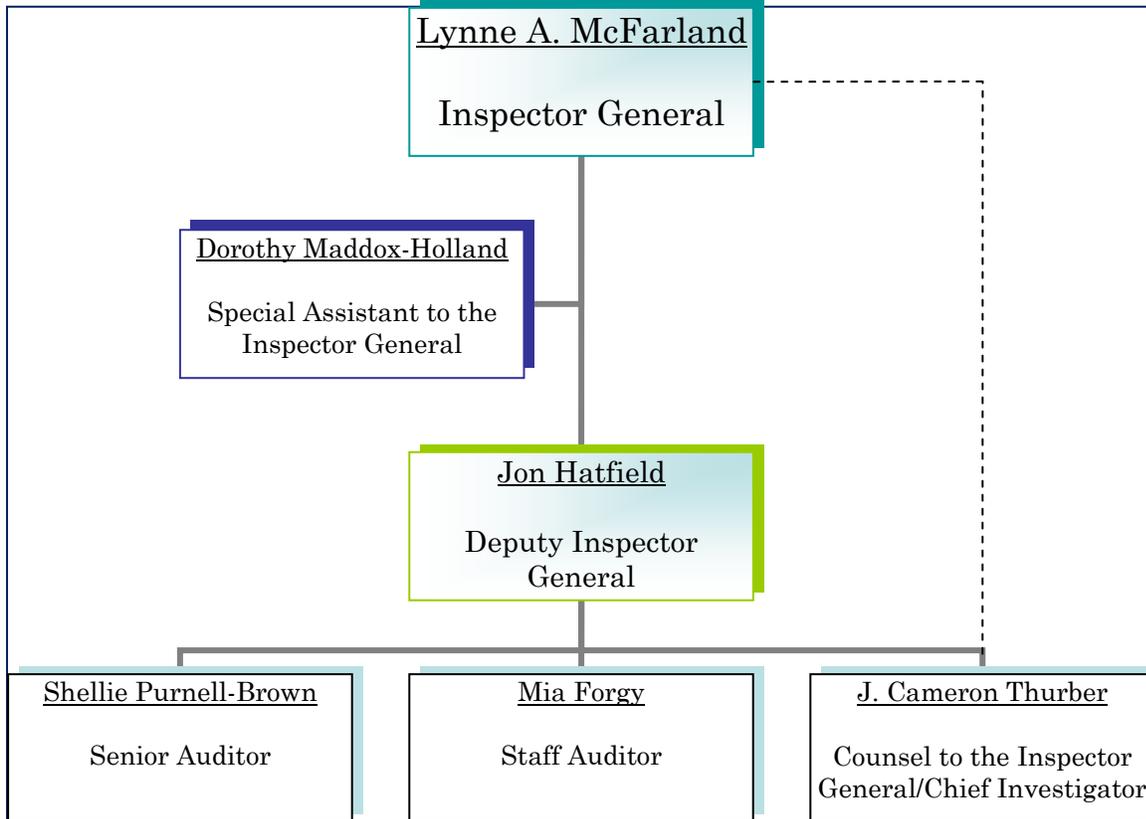
In 1975, Congress created the Federal Election Commission (FEC) to administer and enforce the *Federal Election Campaign Act* (FECA). The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information; enforce the provisions of the law; and oversee the public funding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

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

Office of Inspector General

The Inspector General Act of 1978 (P.L. 100-504), as amended, states that the Inspector General is responsible for: 1) conducting and supervising audits and investigations relating to the Federal Election Commission's programs and operations; 2) detecting and preventing fraud, waste, and abuse of agency programs and operations while providing leadership and coordination; 3) recommending policies designed to promote economy, efficiency, and effectiveness of the establishment; and 4) keeping the Commission and Congress fully and currently informed about problems and deficiencies in FEC agency programs and operations, and the need for corrective action. The OIG budget request for FY 2012 was \$ 1,062,237, an amount necessary to cover salaries and related expenses for six staff members, to include audit contracts and training. Exhibit 1 on the following page contains the OIG's organizational chart.

Exhibit 1: FEC - OIG Organizational Chart



OIG Strategic Planning

Strategic Plan

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

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

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

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

Annual Planning and Methodology Strategies

The planning methodology that we have adopted is built around the OIG staff brainstorming sessions held annually each summer, as well as soliciting and receiving feedback and ideas from stakeholders throughout the year. The annual work plans will, of course, require periodic updates to reflect changes, such as new priorities, as well as any changes in OIG resources. In the summer of 2011, the OIG conducted our fourth annual all-day brainstorming session. Similar to prior years, the ideas and suggestions generated from the 2011 brainstorming session were separated into categories to include audits, inspections, investigative program, and special projects, and then ranked (i.e., high, medium and low) according to priority.

In anticipation of the OIG annual brainstorming sessions, the OIG sends an e-mail to all FEC staff seeking input in formulating the OIG's work plans. Historically, the OIG receives useful audit suggestions from FEC staff which are then considered during the annual planning process.

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

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

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

OIG 2012 Work Plan

AUDITS/INSPECTIONS/REVIEWS

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

For fiscal year 2012, the following audit related assignments are planned:

1. Audit of the Federal Election Commission's 2011 and 2012 Financial Statements.

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

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

*Planned period of audit: May 2011 – November 2011;
May 2012 – November 2012.*

2. Quality Control Assessment of the FEC Audit Division.

The OIG will conduct a quality control assessment audit of the FEC Audit Division. The primary objectives of the audit will be to ensure that the FEC Audit Division's quality control system is suitably designed and consistently complied with to the extent necessary to reasonably ensure compliance with audit standards and policies. For example, the audit will include a review of the Audit Division's audit workpapers and reports to ensure that auditors consistently adhere to applicable auditing standards and policies; audit conclusions are properly supported with sufficient and competent evidence; auditors are properly trained; supervisory review of audits is timely throughout the conduct of audits; and other requirements that contribute to quality audits. Consistent with professional auditing standards and best practices, external quality control assessments should be conducted on a regular schedule, generally every three to five years, to ensure effective and efficient audit practices and adherence to applicable audit standards by the audit unit.

The FEC Audit Division is responsible for conducting audits of political committees, and presidential campaigns and convention committees that accept public funds. In addition, the Audit Division is responsible for evaluating the Presidential primary candidates' applications for matching funds and determining the amount of contributions that may be matched with federal funds.

Planned period of audit: November 2011 – February 2012.

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

The OIG is planning to conduct a performance audit of the FEC's Human Resources (HR) Office during fiscal year (FY) 2012. The HR Office is a critical component of the agency and is responsible for several important functions, to include recruitment and retention of qualified staff; employee-employer relations; administration of employee benefits; maintenance and processing of personnel records; training; among other responsibilities. The Office of Personnel Management (OPM) conducted a Human Capital Management Evaluation of the FEC in 2009 and reported numerous weaknesses and deficiencies. The purpose of the OIG's audit will be to follow-up on the weaknesses identified by OPM to ensure appropriate corrective action has been taken by the FEC; and also focus on additional high-risk areas not covered by the 2009 OPM evaluation.

Planned period of audit: March – June 2012.

4. On-Going Audit Follow-up.

An important responsibility of the OIG is to follow-up on previously issued audit reports with outstanding audit recommendations. At the beginning of FY 2012, there were 130 outstanding audit recommendations representing four OIG audits. On-going audit follow-up during FY 2012 will consist of the following responsibilities: (1) review implemented audit recommendations to ensure the audit finding has been resolved; (2) review and comment on management's corrective action plans that detail plans for resolving outstanding audit recommendations; and (3) conduct regular meetings throughout the FY with management to discuss progress to implement audit recommendations.

Planned period of audit followup: On-going throughout FY 2012.

5. Limited Scope Inspections.

The OIG is planning to conduct four limited scope, or short-term, inspections of FEC programs during FY 2012. The goal of the short-term inspections will be to focus OIG resources on high-risk areas and provide rapid, up-to-date information to FEC management and the Commission on the efficiency and effectiveness of FEC programs. Two inspections started in FY 2011 on building security and internal controls over Kastle Keys will be completed in early FY 2012. In addition to these two inspections, an additional four inspections are planned for FY 2012.

Planned period of inspections: FY 2012.

6. Additional Work Assignments.

Additional work assignments may be undertaken during FY 2012 based on available OIG resources, benefit to the agency, and other relevant factors. Priorities may be adjusted to reflect emerging issues during the FY.

INVESTIGATIVE PROGRAM

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

For fiscal year 2012, the following investigative assignments are planned:

1. Manage Hotline Complaints and Investigation Caseload.

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

2. Proactive Investigative Initiatives.

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

3. Investigative Peer Reviews.

The OIG will conduct an investigative peer review of another federal OIG in FY 2012. The objective of the peer review is to determine whether internal control systems are in place and operating effectively to provide reasonable assurance that professional investigative standards are being followed. Specifically, the FEC OIG peer review team will analyze existing policies and procedures, conduct interviews with selected OIG management officials and the investigative staff, and sample closed investigative files and other administrative records, as warranted.

Planned period of peer review: January – March 2012.

In addition to a peer review of another OIG, the FEC OIG will participate in the Council of Inspectors General on Integrity and Efficiency voluntary peer review program for smaller OIGs, and the FEC OIG will be peer reviewed during FY 2012.

Planned period of peer review: April – June 2012.

4. Outreach.

In FY 2011, the OIG conducted a series of OIG briefings with FEC division management and staff. The briefings were intended to educate FEC staff about the mission and authority of the OIG, and how to report fraud, waste, abuse or mismanagement to the OIG. In FY 2012, the OIG will continue our outreach program and conduct fraud briefings. The fraud briefings will provide information on the potential for fraud in FEC programs, such as travel, workers compensation, time and attendance, and government charge card activity. Discussion and education on fraud will help employees to identify and report suspected fraud and help reduce the number of fraud cases. The briefings will also discuss the OIG's new hotline service launched in late fiscal year 2011.

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

SPECIAL PROJECTS

In addition to the OIG's audit and investigative responsibilities, the OIG will be responsible for numerous additional projects and activities during FY 2012. For example, as required by the *Inspector General Act of 1978*, as amended, all legislation compiled by the Commission's Congressional Affairs Office is reviewed by the Inspector General. The Inspector General and staff also participate in several federal Inspectors General community working groups on topics related to law, audits, and investigations. All of these activities contribute to the success and mission of the OIG. Additional special projects will arise throughout the FY and the OIG will prioritize our workload to respond to the additional requirements.

For fiscal year 2012, the following are examples of the special projects and activities planned by the OIG:

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

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

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

2. Semiannual and Quarterly Reporting.

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

3. Professional Development and Training.

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

FEC / OIG Strategic Plan - Fiscal Years 2010 - 2015

OIG Products: *To provide products and services that promote positive change in FEC policies, programs, and operations.*

Objective A: Deliver timely, high-quality products and services that promote positive change.

Strategy:

- establish common OIG standards for communicating results;
- conduct quality assurance programs;
- solicit appropriate internal and external review and comment;
- comply with applicable statutory guidelines and standards;
- set realistic and appropriate milestones.

Objective B: Address priority issues and concerns of the Commission, Management, and Congress.

Strategy:

- Perform work that supports;
 - Federal Election Commission and Congressional priorities;
 - Strategic Management Initiative efforts;

Focus OIG attention in the following areas of emphasis:

- managing change;
- resource allocation in relation to policy objectives;
- delivery of client service;
- causes of fraud and inefficiency; and,
- automation and communication.

Objective C: Follow-up and evaluate results of OIG products and services to assess their effectiveness in promoting positive change.

Strategy:

- Identify, as appropriate, lessons learned to improve timeliness and quality; and,
- conduct follow-up reviews to determine if intended results have been achieved.

Objective D: Satisfy customers, consistent with the independent nature of the OIG.

Strategy:

- establish professional communication and interaction with customers to promote the open exchange of ideas;
- incorporate customer feedback, as appropriate; and,
- be open to customer-generated solutions and options.

Performance Measures: Determine the timeliness and quality of products and services; their effectiveness in promoting positive change; and, reach agreement with management on at least 90% of recommendations within six months of the report issue date.

OIG Process: *To develop and implement processes, policies, and procedures to ensure the most effective and appropriate use of OIG resources in support of our people and products.*

Objective A: Maintain a dynamic strategic planning process.

Strategy:

- periodically review and update the strategic plan to address changing OIG and FEC priorities; and,
- identify factors that influence organizational change and develop short and long term plans to address them.

Objective B: Plan and conduct cost-effective work that address critical issues and results in positive change.

Strategy:

- solicit FEC and Congressional input in planning OIG activities;
- develop internal planning mechanisms to support FEC goals and priorities;
- ensure that priorities of IG are effectively communicated; and,
- identify specific targets for OIG review that are the most cost-effective

Objective C: Identify customer needs and provide products and services to meet them.

Strategy:

- establish new customer feed back mechanisms;
- consider and evaluate customers feedback when planning and developing products and services;
- respond to Congressional inquiries and request for briefing and testimony;
- promote open exchange of ideas and information through outreach and through use of e-mail; and,
- receive, evaluate, and respond, as appropriate, to information received through the OIG hotline and other sources.

Objective D: Implement efficient, effective, and consistent resolution and follow-up procedures.

Strategy:

- ensure that IG follow-up procedures are followed and that management is aware of their role in the process;
- establish common OIG standards for terminology, date maintenance and communications.

Objective E: Establish a positive and productive working environment.

Strategy:

- reengineer or streamline OIG procedures to achieve the most effective use of resources; and,
- ensure that necessary technologies, evolving and otherwise, are made available to staff as needed.

Performance Measures: An annual audit plan is issued; strategic plan is periodically reviewed; and, necessary technology is provided to staff to enable them to most efficiently perform their duties.

OIG Staff: *To maintain a skilled and motivated work force in an environment that fosters accountability, communications, teamwork, and personal and professional growth.*

Objective A: Attract and retain well-qualified, diverse and motivated employees.

Strategy:

- develop and implement a comprehensive recruiting program that attracts a broad population with the knowledge, skills, abilities, and expertise necessary to make meaningful contributions to the OIG;
- assess employee satisfaction and develop strategies to address employee concerns;
- identify reasons for staff departures and develop plans to foster greater staff retention; and,
- adhere to EEO principles and strive to maintain a diverse work force.

Objective B: Provide training and developmental opportunities to employees.

Strategy:

- assess training needs in relation not only to employee but also office needs as well;
- ensure that Government Auditing Standards in relation to training are adhered to; and,
- maintain a reporting system to ensure that educational requirements are met.

Objective C: Assess, recognize, and reward, when possible, performance that contributes to achieving the OIG mission.

Strategy:

- develop and articulate expectations for each employee's performance, including contributions in meeting the mission & goals of the OIG; and,
- ensure that rewards, when possible, are given in recognition of exceptional employee performance.

Objective D: Create and maintain a working environment that promotes teamwork and effective communication.

Strategy:

- ensure that communication between employees is open;
- provide employees with the tools and incentives they need to adequately perform their duties.

Performance Measures: All employees meet the training requirements; all employees have performance standards; and all employees meet the basic requirements for the position in which they were hired to perform.