

Federal Election Commission
Office of Inspector General



Fiscal Year 2017
Work Plan

Lynne A. McFarland
Inspector General

TABLE OF CONTENTS

A Message from the Inspector General----- 1

OIG FY 2017 Work Plan----- 3

 Audits / Inspections / Reviews----- 3

 Investigative Program----- 5

 Special Projects / Other Work Assignments----- 6

 Additional Requirements / Professional Commitments----- 7

The Federal Election Commission----- 8

Office of Inspector General----- 9

OIG Strategic Planning----- 10

Annual Planning and Methodology Strategies----- 10

Attachment

FEC OIG Strategic Plan – Fiscal Years 2016 - 2020



FEDERAL ELECTION COMMISSION

WASHINGTON, D.C. 20463

Office of Inspector General

A Message from the Inspector General

I am pleased to present the Federal Election Commission (FEC) Office of Inspector General's (OIG) fiscal year (FY) 2017 Annual Work Plan. This work plan includes a description of audit, inspection, investigative and special projects planned for FY 2017. The plan also sets forth the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2017. 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 ensuring their resources are being expended in a responsible and reasonable manner and their programs are being run in an efficient and effective way.

The OIG substantially completed the work planned for FY 2016 in the audit and investigative programs as well as special projects; some assignments are in process and span FY 2016 and 2017. During this fiscal year we experienced an increase in our investigative workload as the number of hotline complaints received multiplied. One of the major projects completed this fiscal year which had agency wide implications, was the *Root Causes of Low Morale at the Federal Election Commission*. We also completed the FY 2015 Financial Statement Audit and the inspection of the *FEC's Travel and Purchase Card Programs*. We began the *Contract Management and Oversight by the Federal Election Commission's Operational Units Audit*. The OIG continued to devote resources during FY 16 to audit follow-up and working with agency management toward the goal of closing outstanding Inspector General recommendations.

The investigative program accomplished much of the work planned for 2016, which included responding to hotline complaints, OIG briefings to new employees, and oversight of the OIG's hotline service. In FY 2016, twenty three hotline complaints and seven investigations were opened; eleven hotline complaints were closed, as were two investigations.

The OIG staff was actively involved in several professional working groups during FY 2016, including the CIGIE Leadership Development Subcommittee, the Council of Counsels to Inspectors General, the CIGIE Leadership Community of Practice, and the DATA Act working group. I continued as a member of the CIGIE Executive Committee, the Professional Development Committee and Vice Chair of the CIGIE Budget Committee. I also continued to participate in CIGIE's New Leadership Program, conducted by American University, as the speaker for the session *Lunch with the IG*.

Shayla Walker was hired in July 2016 to fill the newly created Inspector General Specialist position and is supporting our investigative, audit and administration functions.

Based on the results of the OIG's planning process, as described in the Annual Planning and Methodology Strategies section, the OIG's annual work plan is divided into four primary categories:

- (1) Audits / Inspections / Reviews;
- (2) Investigative Program;
- (3) Special Projects; and
- (4) Additional Requirements / Professional Commitments

The development and continual updating of the OIG's work plan is a critical aspect of accomplishing the OIG's objectives to promote economy and efficiency in FEC programs and to detect and prevent fraud, waste and abuse. Effective work planning ensures that all OIG resources, including audit and investigative resources, are used effectively and efficiently. I look forward to another successful year of providing the highest quality support and service to our stakeholders.



Lynne A. McFarland
Inspector General
Federal Election Commission

October 3, 2016

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. 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.

The following audit, inspection, and review assignments are planned for FY 2017:

1. Audit of the Federal Election Commission’s 2016 and 2017 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 FY 2016 and 2017 audits 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 periods of audit: May 2016 – November 2016;
May 2017 – November 2017.*

2. Audit of Contract Management and Oversight by the Federal Election Commission’s Operational Units.

The OIG is conducting an audit of contract management and oversight by the FEC’s operational units. This audit is concentrating on the larger dollar amount contracts. The focus of the audit is on multiple phases of agency operational unit involvement, roles, and responsibilities in the contract process, with an emphasis on acquisition planning, contract implementation and management, and oversight

by agency components. An audit plan was finalized in August 2016 after preliminary and planning work was accomplished.

Planned period of audit: August 2016 – March 2017.

3. DATA Act Reviews.

The *Digital Accountability and Transparency Act of 2014* (DATA Act) requires the establishment of government-wide standards for information on spending by Federal agencies, and tasks agency Inspectors General with reviewing and assessing agency compliance. Agencies must begin reporting spending data in compliance with the DATA Act in May 2017. A readiness review, which will assess the agency's progress in preparing to implement DATA Act requirements, will be issued in November 2016. A full review assessing the completeness, timeliness, accuracy, and quality of the FEC's reported spending data will be conducted after May 2017 and issued in November 2017.

*Planned period of review: September 2016 – November 2016;
May 2017 – November 2017.*

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. Over the years, there have been numerous outstanding recommendations relating to audits and inspections. The OIG has implemented an ongoing audit process to work with management to close recommendations in a timely manner. On-going audit follow-up during FY 2017 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; 3) conduct regular meetings throughout the FY with management to discuss progress in implementing audit recommendations; and 4) provide semi-annual reports to the Commission detailing progress made by management and any ongoing OIG concerns.

Planned period of audit follow-up: On-going throughout FY 2017.

5. Monitoring of the Elocen Contract.

The lease for the FEC headquarters building expires on September 30, 2017. The agency has contracted with The Elocen Group LLC to assist with and oversee logistics related to requirements of the new lease. The OIG will monitor the contract and communicate with management, as necessary, consistent with the OIG's statutory obligations to promote economy and efficiency in agency programs and operations, and prevent and detect fraud, waste and abuse.

Planned period of monitoring: On-going throughout FY 2017.

6. Review of Budget and Year End spending for FY 2016.

The FEC Office of Chief Financial Officer publishes monthly budget execution reports. The OIG plans to hire a contractor to review the budget execution reports to ensure they accurately reflect funds expended, proper classification of funds, and funds remaining to be obligated. The contract will also include a review of year end spending.

Planned period of review: January - March 2017.

7. Limited Scope Inspections.

The OIG is planning to complete two limited scope, or short-term, inspections of FEC programs during FY 2017. The goal of the short-term inspections will be to focus OIG resources on very specific areas and provide timely, up-to-date information to FEC management and the Commission on the efficiency and effectiveness of FEC programs.

- An inspection of FEC's invitational travel program, which began in the summer of FY 2016.
- Performance Plan and Appraisal process.
- Additional inspections may be performed, time permitting.

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 warranted, based on OIG criteria. 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.

The following investigative assignments are planned for FY 2017:

1. Manage Hotline Complaints and Investigation Caseload.

The OIG will respond to hotline complaints, assess the information provided and decide on course of action. Investigations will be opened when warranted. Existing matters will continue to be investigated and brought to a resolution. When an investigation is closed, appropriate reports will be issued. The identities of complainants and witnesses will be protected pursuant to *The Inspector General Act of 1978, as amended* (IG Act).

2. Review of the Investigative Manual.

The OIG will conduct a review of its Investigations Manual, and revise and update it as appropriate.

3. Outreach.

The OIG will continue participating in the new employee orientation program to meet with all new employees to discuss the purpose and mission of the OIG, and to update the OIG Skillport training. The OIG will also review and revise, as necessary, the OIG's FECNet (intranet) site, OIG brochure, fraud poster, and post required reports on the OIG public Web site.

SPECIAL PROJECTS / OTHER WORK ASSIGNMENTS

Special projects include reviews and reports required by statute, requested by Congress, or initiated pursuant to guidance from OMB that are more limited in scope than those addressed in the Audits / Inspections / Reviews section. Special projects may also include those undertaken to add value to the agency. When appropriate, special projects will be conducted in accordance with the appropriate quality standards issued by the federal Inspector General community.

The following special projects / other work assignments are planned for FY 2017:

1. Management Challenges.

The OIG is required to report annually on the most serious management and performance challenges facing the agency, and on efforts by the agency to meet these challenges.

2. Purchase and Travel Card Reporting.

The OIG is required to conduct annual risk assessments of FEC purchase and travel cards pursuant to the *Charge Card Abuse Prevention Act of 2012*, Public Law 112-194, and OMB Memorandum M-13-21. The OIG must file a report with OMB by January 31st of each year reporting on any audit recommendations from the previous FY concerning audits of purchase or travel card programs.

3. Improper Payments Reporting.

The OIG is required to annually review the FEC's compliance with OMB Memorandum M-15-02, which provides statutory and executive order implementation guidance, for the *Improper Payments Information Act of 2002*, as

amended, *the Improper Payments Elimination and Recovery Act of 2010*, *the Improper Payments Information Improvement Act of 2012*, and Executive Order 13520. The OIG is required to assess agency compliance with M-15-02, and to report the results to Congress, the Comptroller General, and OMB.

4. Responses to Congressional Requests.

The Chairman of the Senate Judiciary and Homeland Security and Governmental Affairs committees have requested semiannual reports on audits, evaluations and investigations conducted by the OIG, and on whether the OIG has been provided with access to all information needed to accomplish its duties and responsibilities. The OIG will respond to other Congressional requests as appropriate.

5. Peer Review Program.

Audit programs of Federal OIG's are required to be peer reviewed once every three years. CIGIE has developed a process to ensure compliance with this requirement. Each OIG undertakes a peer review of another Federal OIG using the guidelines established under the CIGIE peer review program. The OIG will conduct a peer review of the National Endowment for the Arts OIG in the first quarter of FY 2017. This review was originally scheduled for FY16, but was postponed due to a request from the NEA OIG. The FEC OIG's audit program will be peer reviewed in FY 2017 by the Farm Credit Administration OIG. While not required as with audit peer reviews, the OIG is scheduled to have its investigative program peer reviewed through a voluntary program this fiscal year.

Additional special projects / work assignments may be undertaken during FY 2017 based on available OIG resources, benefit to the agency, and other relevant factors. Priorities may be adjusted to reflect emerging issues during the FY.

ADDITIONAL REQUIREMENTS / PROFESSIONAL COMMITMENTS

In addition to the OIG's audit and investigative responsibilities, the OIG has numerous other requirements, activities, and professional commitments during FY 2017. The Inspector General and staff 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. The OIG's workload will be prioritized to respond to additional special projects that may arise throughout the FY.

The following are examples of the activities and commitments planned by the OIG for FY 2017:

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

The Inspector General or OIG staff will regularly attend the following CIGIE professional meetings: monthly CIGIE meetings; monthly CIGIE Executive

Council meetings; CIGIE Professional Development Committee; Budget Committee; CIGIE Leadership Community of Practice; Council of Counsels to the Inspector General; Assistant Inspector General for Investigations; Federal Audit Executive Council; and Financial Statement Audit Network Group meetings.

In addition to CIGIE professional meetings, the Inspector General or staff will attend FEC director level meetings, management and FEC town-hall meetings, if held, and the Institute of Internal Auditors (IIA) DC Chapter meetings.

2. Semiannual and Quarterly Reporting.

In accordance with the IG Act, 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. 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. Our auditors are required to have 80 hours of continuing education units every two years. The attorneys have continuing legal education requirements to maintain bar membership. Other professional designations, such as Certified Fraud Examiner and CPA, held by the OIG staff also have continuing education requirements that need to be met on an annual basis. As a result, the OIG staff will attend professional training during the FY to maintain and improve their knowledge, skills and abilities.

The Federal Election Commission

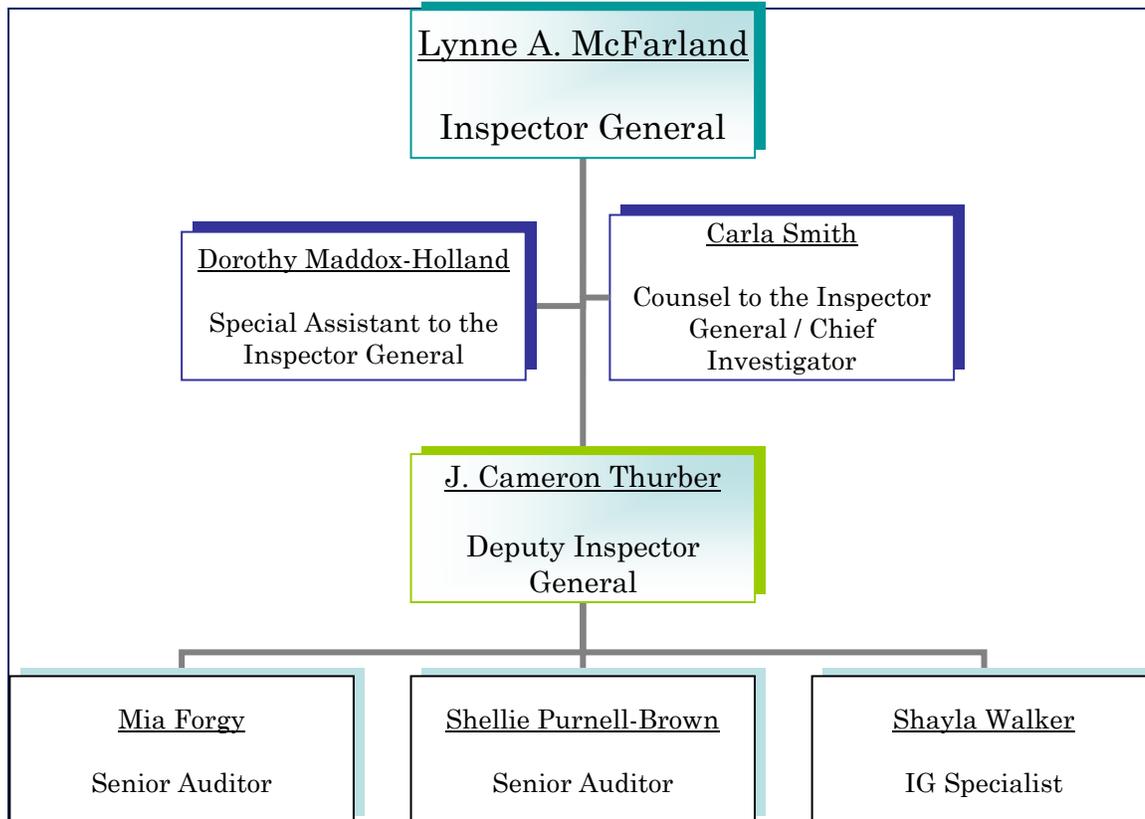
In 1975, Congress created the FEC to administer and enforce the *Federal Election Campaign Act of 1971, as amended*. The duties of the FEC, an independent regulatory agency, are to disclose campaign finance information, enforce the provisions of the law, and oversee the public funding of Presidential elections.

The Commission 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 calendar year, with no member serving as Chair more than once during his or her term. The FEC has a full complement of six Commissioners serving on the Commission – Matthew S. Petersen, Chair; Steven T. Walther, Vice Chair; and Commissioners Lee Goodman, Caroline C. Hunter, Ann Ravel, and Ellen L. Weintraub.

Office of Inspector General

The IG Act 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, mismanagement, and abuse of agency programs and operations while providing leadership and coordination; 3) recommending policies designed to promote economy, efficiency, and effectiveness of the agency; 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 2017 was \$1,347,368, an amount necessary to cover salaries and related expenses for seven current staff members, as well as audit contracts and training. See the OIG's organizational chart at Exhibit 1.

Exhibit 1: FEC - OIG Organizational Chart



OIG Strategic Planning

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 2016 through 2020. Three major categories of OIG-wide goals and objectives are included in the strategic plan, which are as follows:

- **IMPACT:** OIG products and services will be designed to positively impact FEC policies, programs, and operations by promoting integrity, efficiency, and effectiveness.
- **QUALITY:** OIG products and services provided to the FEC will be of the highest quality and meet or exceed applicable standards.
- **EXCELLENCE:** OIG will maintain a skilled and motivated work force and empower employees to maximize their professional and personal potential by fostering accountability, communication, teamwork, and constant growth and development.

In addition, strategies and performance measures for each objective are included in the strategic plan. A detailed version of the OIG's current strategic plan can be found as an attachment of this annual work plan.

Annual Planning and Methodology Strategies

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

In the spring of 2016, the OIG conducted our annual planning process that involved OIG planning meetings to discuss the upcoming FY and OIG work assignments. In addition to risk base planning, the OIG's work plan is also designed to yield work assignments that will identify opportunities for economy, efficiency and effectiveness in FEC programs and operations, and detect and prevent fraud, waste, abuse and mismanagement. The priority for conducting work assignments is based on:

1) mandatory legislative requirements; 2) emphasis by the President, Congress, and the Commission; 3) a program's susceptibility to fraud, manipulation, or other irregularities; 4) dollar magnitude or resources involved in the proposed area; 5) management needs identified through consultation with primary organization heads; 6) newness, changed conditions, or sensitivity of a program or operation; 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.