

**EXAMINATION OF FEDERAL ELECTION COMMISSION'S
OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-123
INTERNAL CONTROL AND
ENTERPRISE RISK MANAGEMENT PROGRAMS
AS OF SEPTEMBER 30, 2024**



June 1, 2026

**Prepared by:
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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

June 1, 2026

Susan Ruge-Hudson, Inspector General
Federal Election Commission
Office of the Inspector General
1050 First Street, NE
Washington, DC 20463

Dear Ms. Ruge-Hudson:

Subject: Transmittal of Examination Report - Examination of Federal Election Commission's Office of Management and Budget Circular A-123 Internal Control and Enterprise Risk Management Programs as of September 30, 2024

Brown & Company CPAs and Management Consultants, PLLC is pleased to submit the attached examination report titled, "Examination of the Federal Election Commission's (FEC) Office of Management and Budget (OMB) Circular A-123 Internal Control and Enterprise Risk Management (ERM) Programs as of September 30, 2024."

We conducted this direct examination engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA), including Statements on Standards for Attestation Engagements (SSAE) No. 21, AT-C Section 206, *Direct Examination Engagements, Government Auditing Standards* issued by the Government Accountability Office (GAO), and Generally Accepted Government Auditing Standards (GAGAS).

The objective of the examination was to evaluate the design and implementation of the FEC's internal control and enterprise risk management processes and determine whether the programs were operating in accordance with applicable criteria, including OMB Circular A-123, OMB Circular A-11 Section 200, the GAO *Standards for Internal Control in the Federal Government* (Green Book) and applicable provisions of the Government Performance and Results Modernization Act 2010 (GPRAMA), and Federal Managers' Financial Integrity Act of 1982 (FMFIA).

The report includes the results of our examination, observations regarding the maturity and integration of the FEC's ERM and internal control processes, and recommendations intended to strengthen governance, risk management, and internal control activities.

We appreciate the cooperation and assistance provided by the FEC Office of the Inspector General, Office of the Chief Financial Officer, and agency personnel throughout the examination. We are available to discuss the report and respond to any questions or comments you may have.

Sincerely,

Brown & Company CPAs and
Management Consultants, PLLC


Gail Jenifer, Member

**EXAMINATION OF FEC’S OMB CIRCULAR A-123 AND ERM PROGRAMS
AS OF SEPTEMBER 30, 2024**

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INDEPENDENT ACCOUNTANT’S REPORT

To the Commissioners and Management of the
Federal Election Commission:

We have examined the Federal Election Commission’s (FEC) Office of Management and Budget (OMB) Circular A-123 Internal Control and Enterprise Risk Management (ERM) Programs as of September 30, 2024. The FEC’s management is responsible for the agency’s internal control and enterprise risk management programs and processes. Our responsibility is to obtain reasonable assurance by measuring and evaluating the FEC’s OMB Circular A-123 Internal Control and ERM Programs as of September 30, 2024, against the following criteria:

- OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, (July 15, 2016);
- OMB Circular A-11, *Preparation, Submission, and Execution of the Budget: Section 200*;
- Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book), September 2014;
- Government Performance and Results Modernization Act 2010 (GPRAMA); and
- Federal Managers’ Financial Integrity Act of 1982 (FMFIA).

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA), including Statements on Standards for Attestation Engagements (SSAE) No. 21, AT-C Section 206, *Direct Examination Engagements*, and in accordance with *Government Auditing Standards* issued by the GAO and Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we obtain reasonable assurance by measuring and evaluating the FEC’s OMB Circular A-123 Internal Control and ERM Programs as of September 30, 2024, against the established criteria listed above.

We also performed other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement and evaluation of the FEC’s OMB Circular A-123 Internal Control and ERM Programs. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the FEC’s OMB Circular A-123 Internal Control and ERM Programs were not in accordance with the stated criteria in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the FEC and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our examination engagement.

Because of inherent limitations in internal control and enterprise risk management processes, errors or deficiencies may occur and not be detected. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

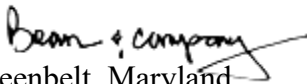
Our direct examination included evaluating the design and implementation of internal controls and ERM processes; reviewing policies, procedures, risk assessments, and supporting documentation; conducting interviews with agency personnel; assessing governance and oversight activities; and performing such other procedures as we considered necessary in the circumstances.

Adverse Opinion

In our opinion, the FEC’s OMB Circular A-123 Internal Control and ERM Programs as of September 30, 2024 were not designed and operating effectively, in all material respects, to provide reasonable assurance that the FEC’s objectives would be achieved in accordance with the criteria established in OMB Circular A-123, OMB Circular A-11 Section 200, GAO Green Book, and applicable provisions of GPRAMA and FMFIA.

Basis for Adverse Opinion

As discussed in the *Examination Findings and Recommendations* section of this report, the FEC did not, in all material respects, (1) establish governance and performance leadership roles consistent with applicable requirements, (2) perform risk assessments using a disciplined, documented methodology that evaluates likelihood, impact, and residual risk, (3) maintain current policies and procedures necessary to support implementation of internal control requirements, and (4) document and evaluate internal controls—including control specificity, evidence traceability, deficiency evaluation, and corrective action planning—in a manner sufficient to support a conclusion that controls were designed and operating effectively. Accordingly, the FEC’s OMB Circular A-123 Internal Control and ERM Programs were not designed and operating effectively, in all material respects, to meet the stated criteria as of September 30, 2024.


Greenbelt, Maryland
June 1, 2026



EXECUTIVE SUMMARY

The Office of the Inspector General (OIG) of the Federal Election Commission (FEC) engaged Brown & Company CPAs and Management Consultants, PLLC, to conduct a direct examination of the FEC’s internal control program in accordance with Office of Management and Budget (OMB) Circular No. A-123 *Management’s Responsibility for Enterprise Risk Management and Internal Control* (OMB Circular A-123, revised July 15, 2016), and the Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* (Green Book), GAO-14-704G, September 2014, for fiscal year (FY) 2024. The Examination of the FEC’s OMB Circular A-123 and Enterprise Risk Management (ERM) Programs was conducted as a direct examination under the FEC Blanket Purchase Agreement Number 9531BP22A0006, Purchase Order Number 9531BP25F0027. Our direct examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA), including Statements on Standards for Attestation Engagements (SSAE) No. 21, AT-C Section 206, *Direct Examination Engagements*, and in accordance with *Government Auditing Standards* issued by the GAO.

The primary objective of this direct examination was to assess whether the FEC’s internal control program was adequately designed, effectively implemented, and operate sufficiently to provide reasonable assurance that risks to the achievement of agency objectives were identified and mitigated in accordance with federal requirements. The examination also evaluated the extent to which ERM principles were integrated into the internal control framework and supported management’s annual Statement of Assurance.

Overall, we conclude that the FEC has implemented foundational components of an OMB Circular A-123 internal control program, including an annual Internal Control Review (ICR) process, documented control activities, and management certifications. In addition, FEC’s management demonstrated alignment of its risk profile to the agency’s strategic goals and objectives. These elements demonstrate management’s awareness of internal control responsibilities and its effort to comply with federal internal control standards.

However, the internal control program is not operating with consistency to fully comply with OMB Circular A-123 and the GAO Green Book. Deficiencies in governance, risk assessment practices, internal control evaluation methodologies, documentation, corrective action planning, and workforce continuity limit management’s ability to reasonably conclude that internal controls are effective and that key risks are adequately mitigated.

OMB Circular A-123 states that agencies should integrate risk management and internal control into agency operations and decision-making processes. In addition, the GAO Green Book, Principle 7, states that management should identify, analyze, and respond to risks related to achieving defined objectives. While the FEC has established ERM structures and documented risk, risk information is not consistently integrated into internal control design, testing, evaluation, or

remediation activities. As a result, ERM currently functions as a developing process rather than an embedded component of the OMB Circular A-123 internal control framework.

The FEC continues to operate in a resource-constrained environment characterized by increasing workload demands, evolving regulatory responsibilities, and limited personnel resources. According to the FEC FY 2024 Agency Financial Report, personnel costs account for approximately 70 percent of total agency expenditures, reflecting the labor-intensive nature of the agency's mission. Recent FEC FY 2025 reporting and oversight documents noted continuing challenges related to workforce capacity, resource optimization, and the need to maintain mission operations under constrained staffing and budget conditions. These conditions increase the importance of maintaining effective internal controls, workforce planning, and enterprise risk management processes to support operational resilience and informed decision-making.

The FEC has experienced:

- Growth in campaign finance activity and reporting volume
- Increasing reliance on information technology systems
- Ongoing modernization efforts, including cloud migration and system upgrades

At the same time, the OIG has identified persistent management challenges, including budget limitations, information system modernization, and workforce-related risks.

The FEC's OIG has consistently identified key management challenges that directly impact internal control and ERM effectiveness. These include:

- Budget constraints limiting operational capacity and modernization efforts
- Information system modernization and cybersecurity risks
- Growth in campaign finance transactions
- Human capital challenges, including attrition and workforce planning

These challenges highlight the importance of a mature and well-integrated internal control and ERM framework to support effective governance and risk management.

We issued four findings during this examination. Collectively, these findings represent systemic internal control deficiencies rather than isolated issues and affect the reliability of information supporting management's FY 2024 Statement of Assurance. We made eleven (11) recommendations to improve the FEC's operations.

The draft report was provided to FEC's management for response before the release of this report and the responses are included in the body of this report starting on page 12. Please see Appendix 1 – Management's Response for the full response.

BACKGROUND

Overview of the Federal Election Commission

The FEC is an independent regulatory agency established to administer, enforce, and interpret the Federal Election Campaign Act. The FEC's core mission is to promote transparency in federal campaign finance and ensure compliance with campaign finance laws through disclosure, enforcement, and public education.

The FEC is governed by six Commissioners appointed by the President and confirmed by the Senate, with no more than three Commissioners from the same political party. Official FEC actions require a majority vote, ensuring bipartisan decision-making in the administration of campaign finance laws. Currently, the FEC is operating with only two Commissioners and thus operating without a quorum.

The FEC is broken down into four primary offices: the Office of the Staff Director, Office of General Counsel, Office of the Chief Information Officer, and Office of the Chief Financial Officer (OCFO). The FEC's operations are supported by a centralized organizational structure headquartered in Washington, D.C., with no regional offices. As described in the FY 2024 Agency Financial Report¹, the FEC is responsible for processing and disclosing campaign finance data, conducting compliance and enforcement activities, and administering public funding programs for presidential elections.

The FEC's internal control program is governed by:

- Federal Managers' Financial Integrity Act of 1982 (FMFIA);
- OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016; and
- Government Accountability Office's *Standards for Internal Control in the Federal Government*.

Under this framework, management is responsible for establishing and maintaining effective internal control over operations, reporting, and compliance; identifying and assessing risks; designing and implementing control activities; and monitoring and remediating deficiencies.

To comply with the 2016 version of OMB Circular A-123, the FEC established a governance structure intended to support enterprise-wide internal control and risk management activities, including the formation of the Senior Management Council (SMC). The SMC is chaired by the Chief Financial Officer (CFO) and includes two other senior agency officials (Staff Director and Acting General Counsel) as voting members. The SMC is responsible for oversight of internal control, risk management, and strategic operations. The SMC's role includes reviewing enterprise risks and updating the annual Risk Profile which identifies the most significant risks to the agency's mission, strategic goals and objectives. The SMC is also responsible for monitoring internal control activities, supporting the annual assurance process (also known as the Internal Control Review), and promoting coordination between ERM and internal control functions across the agency. The SMC meets at least quarterly and other senior leaders and mission critical staff

¹ FEC, FY 2024 Agency Financial Report, November 2024

members participate in the meetings and provide input. The Commission has delegated the CFO with overall responsibility for the annual ICR process.

The FEC conducts an annual ICR process through which program offices, which are identified as “assessable units,” assess internal controls against the GAO Green Book principles. During the period under review, there were seven assessable units. Management also maintains an ERM framework intended to identify enterprise level risks and support strategic decision making. OMB Circular A-123 requires these processes to be integrated so that risk assessment informs control design and evaluation, and control results inform risk management and assurance activities.

As part of the annual ICR process, the FEC has identified seven assessable units across agency operations and requires applicable programs/offices to complete a detailed ICR template. These templates are consolidated for each assessable unit and forwarded to the OCFO. The ICR is designed to document control objectives, risks, control activities, testing, and evaluation results aligned to the Green Book’s five components of Internal Controls along with the 17 underlining principles.

The OCFO is responsible for compiling the data from the ICR submissions and prepares an annual ICR Summary Report. The results of the ICR process, together with ERM activities and other supporting information, are used to support management’s annual Statement of Assurance submitted in accordance with OMB Circular A-123 requirements.

The internal control and ERM framework described above forms the basis for this examination. The examination evaluates whether the FEC has:

- Established governance structures consistent with federal requirements
- Implemented risk assessment processes aligned with OMB Circular A-123
- Designed and documented internal controls in accordance with the GAO Green Book
- Effectively integrated ERM and internal control processes

The findings presented in this report identify areas where the FEC’s implementation of these requirements does not fully align with federal standards and best practices.

History of OMB Circular A-123

The FMFIA requires the head of each executive agency to annually provide the President and the Congress with a statement on whether there is reasonable assurance that the agency’s internal controls are achieving their intended objectives, along with a report on material weaknesses in those controls. The resulting assurance statement represents the agency head’s informed judgment regarding the overall adequacy and effectiveness of internal control over operations, reporting, and compliance, based on information from management assessments, supporting documentation, and input from oversight entities, including the OIG.

OMB Circular A-123 was first established in 1981 to provide government-wide guidance for implementing FMFIA requirements for internal control and risk management. In July 2016, OMB issued Memorandum M-16-17², which revised OMB Circular A-123 to modernize internal control

²OMB, Memorandum M-16-17, *Management’s Responsibility for ERM and Internal Control*, July 15, 2016

requirements and formally integrate ERM into agency governance and decision-making. Under that framework, agencies are responsible for adopting an enterprise-wide approach that integrates risk management with strategic planning, performance management, budgeting, and internal control activities, and for ensuring senior-level involvement beyond the traditional financial management function.

In March 2026³, OMB further revised OMB Circular A-123, superseding all prior versions and strengthening emphasis on fraud, waste, and abuse prevention, operational accountability, and stewardship of taxpayer resources. The 2026 revision clarifies that internal control is a core management responsibility at all organizational levels and that all federal employees share responsibility for identifying and reporting risks. The revised Circular streamlines implementation guidance that reinforces the need for continuous monitoring and requires agencies to establish governance structures to oversee internal control processes, conduct risk-informed assessments, remediate identified deficiencies, and report annually on internal control effectiveness through the Agency Financial Report, Performance and Accountability Report, or other designated management reports.

During the period under review, the FEC was required to comply with the 2016 version of OMB Circular A-123. The updated 2026 OMB Circular A-123 version was issued towards the end of fieldwork for this examination. While we acknowledge the new version of OMB Circular A-123 has provided more flexibility to agencies in how to implement the guidance, the new version continues to rely on principles derived from the GAO Green Book, which defines internal control as a process designed to provide reasonable assurance that objectives related to operations, reporting, and compliance will be achieved. Together, FMFIA, the 2016 and 2026 updates to OMB Circular A-123 establish a unified framework requiring agencies to integrate risk management, internal control, and performance management in a manner that enhances transparency, mitigates risk, and supports effective federal program execution. We carefully considered the revised Circular to ensure that all recommendations in this report conform with the updated requirements.

³ OMB Circular A-123, *Management's Responsibility for Internal Control* (Revised March 10, 2026), <https://www.whitehouse.gov/wp-content/uploads/2026/03/OMB-Circular-No.-A-123-2026.pdf>

EXAMINATION RESULTS

Internal Control Assessment

The examination results indicate that the FEC's internal control program is partially effective. While foundational OMB Circular A-123 components are in place, they are not mature or consistently applied to ensure that internal controls effectively mitigate risk across the organization.

Our overall assessment of the program identified significant control deficiencies that were noted across multiple GAO Green Book components, including the control environment, risk assessment, control activities, information and communication, and monitoring. These control deficiencies limit the reliability of management's conclusions regarding internal control effectiveness.

We are reporting four findings and eleven (11) recommendations to assist the FEC in strengthening its internal control program. Specifically, we recommend the FEC:

1. Formally designate a Chief Operating Officer (COO).
2. Formally document the COO's roles and responsibilities.
3. Integrate the COO role into the enterprise performance framework.
4. Establish and implement a formal fraud-risk assessment process.
5. Establish and document an enterprise-wide policy governance framework for policy, directive and procedures.
6. Update outdated directives, policies, and procedures.
7. Integrate enterprise policy governance with the ICR and ERM process.
8. Establish and implement a formal, risk-based methodology for evaluating internal controls of deficiencies.
9. Redesign the ICR assessment template to improve control specificity, deficiency evaluations, and usability.
10. Implement a quality assurance review process for ICR submissions.
11. Provide formal training and detailed guidance to assessable unit staff on documenting internal controls and risk assessments.

ERM Maturity Assessment – Methodology and Results

Issued by the Chief Financial Officers Council and the Performance Improvement Council in July 2016, the OMB *Federal Enterprise Risk Management (ERM) Maturity Model V1.0 (1/2020)* provides guidance to help federal agencies meet the requirements of OMB Circular A-123 and to support the development of comprehensive and effective ERM programs. Consistent with OMB Circular A-123, the OMB ERM Maturity Model emphasizes that ERM should be integrated with internal control processes to support risk-based decision-making and management assurance.

As part of this examination, we utilized the OMB Maturity Model as supplemental guidance to assess the extent to which ERM principles are embedded within the FEC's internal control program. The maturity model was not used as a stand-alone evaluation of the ERM program; rather, it was applied to determine whether ERM practices effectively support internal control design, risk assessment, control evaluation, and remediation in accordance with OMB Circular A-123 and the GAO Green Book.

OMB Maturity Model

The OMB ERM Maturity Model has five levels, from Initial to Advanced:

1. Initial – Risk management is ad hoc, reactive, and siloed; limited integration with strategy.
2. Emerging – Risk awareness is beginning to be embedded in planning; some processes are standardized but not fully integrated.
3. Integrated – ERM is embedded in strategic planning and decision-making; risk appetite and tolerances are defined; processes are monitored.
4. Institutionalized – ERM is fully standardized, integrated with tools/data, and proactive; risk response is predictable; governance is strong.
5. Advanced / Optimized – ERM is anticipatory, leveraging horizon scanning, scenario analysis, and continuous improvement; risk management is everyone’s responsibility; oversight entities are active partners.

Results of the ERM Maturity Assessment

Based on our examination, we determined that the FEC’s ERM capability, as it relates to alignment with internal control and assurance practices, we conclude the FEC is rated Level 2 – Emerging maturity level. The following limitations prevent the ERM program from meeting the criteria of an Integrated (Level 3) maturity level:

- Governance is not fully established and there are role-clarity gaps (e.g., no formally designated COO) consistent with developing enterprise governance and decentralized responsibility (Level 2). See Recommendations 1 – 3 below.
- Risk assessments are not performed using consistent likelihood/impact scoring and residual risk determinations (explicitly noted for fraud risk) consistent with Level 2 characteristics where processes exist but are not disciplined or standardized. See Recommendations 4 and 8 below.
- Documentation to support internal control and ERM processes is not sufficient to demonstrate effective integration (ICRs are not consistently risk-based and do not demonstrate a clear linkage among risks, controls, supporting evidence, and corrective action plans) consistent with Level 3, where execution is often siloed and uneven rather than enterprise-integrated. See Recommendations 8, 9, 10, and 11 below.
- The policy framework is outdated, and enterprise policy governance is not fully implemented indicating the program is not institutionalized (Level 4/5) and does not yet demonstrate consistently defined and coordinated practices (strong Level 3 behavior). See Recommendations 5, 6, and 7 below.

As a result, we conclude that ERM currently operates as a developing process rather than as a fully integrated component of the OMB Circular A-123 internal control framework. Specifically, enterprise risk identified through the ERM process are not consistently linked to control objectives, control activities, testing procedures, or remediation efforts within the annual ICR process. OMB Circular A-123 emphasizes that risk management and internal control should operate as an integrated framework in which identified risks inform the design, implementation, and evaluation

of internal controls. OMB Circular A-123 states that “effective enterprise risk management and internal control are components of an integrated management approach that supports agency mission and strategic objectives.” Because the FEC’s ERM and internal control activities are largely performed as separate processes, management’s ability to use ERM information to support risk-based internal control assessments and the annual OMB Circular A-123 Statement of Assurance is limited.

EXAMINATION FINDINGS AND RECOMMENDATIONS

Finding 1: The FEC Has Not Formally Designated the COO Role as Required by the GPRAMA.

Condition:

The FEC has not formally designated a COO responsible for improving mission and management performance as required by the Government Performance and Results Act (GPRA) Modernization Act (GPRAMA) and OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, Part 6 (OMB A-11).

Although the FEC FY 2024 Financial Statement states that “[t]he Office of Management and Administration is responsible for the FEC’s strategic planning and performance and works with the Commission to ensure the agency’s mission is met efficiently,” this organizational responsibility does not satisfy the statutory requirements for formally designating the COO role.

Additionally, while the FEC has established a SMC—which includes senior officials from all divisions to oversee internal control and ERM activities—the Council structure does not replace or fulfill the legally required designation of the COO position. The agency has not identified or documented any individual serving in the COO role.

Criteria:

GPRAMA (31 U.S.C. § 1123(a)) requires agencies to name its deputy head (or equivalent) as the agency’s COO. The COO must be accountable for improving how the agency is managed and how well it performs, using goals, performance measures, and results of information to guide decisions.

OMB Circular A-11, Part 6 (Section 280) requires agencies to keep key performance leadership roles in place (including the COO) and to tell OMB when those roles change.

Cause:

The FEC has not formally documented and implemented the required designation for the COO role.

Effect:

Failure to designate a COO role introduces potential significant governance, compliance, and operational risks, including:

- Reduced senior-level accountability for improving agency performance and management outcomes due to unclear ownership of performance leadership responsibilities.
- Noncompliance with GPRAMA and OMB Circular A-11, Part 6 requirements for performance leadership designations and performance governance.
- Weakened performance management operations (e.g., less consistent strategic/performance planning, data-driven performance reviews, follow-up and corrective actions, and use of performance information in decision-making) due to the

absence of formally accountable officials.

- Increased likelihood of repeated deficiencies or stalled performance improvement efforts because required governance structure and leadership continuity are not institutionalized.

Recommendation 1:

We recommend the FEC formally designate a COO role in accordance with the statutory requirements of GPRAMA and the implementing guidance in OMB Circular A-11, Part 6. This includes ensuring that the COO is the deputy agency head or equivalent.

Recommendation 2:

We recommend the FEC formally document the COO designation through an internal directive, organizational order, memorandum, or leadership charter, and notify OMB of the designations as required by OMB Circular A-11. Documentation should clearly define the responsibilities, reporting relationships, and authority of the role to ensure compliance with federal performance governance requirements.

Recommendation 3:

We recommend the FEC ensure the COO role is integrated into the agency's enterprise performance framework, including participation in strategic planning, development of Annual Performance Plans and Reports, leadership of data-driven performance reviews, and coordination of performance improvement activities. This integration should support effective execution of GPRAMA and OMB Circular A-11 performance requirements and strengthen accountability for agency-wide performance.

Management's Response:

Management concurs with the recommendations to formally designate a COO and acknowledges that such designation is required by statute. Management stated that implementation is contingent upon restoration of a Commission quorum. Once a quorum is restored, management intends to formally designate the role and notify OMB accordingly.

Auditor's Evaluation of Management's Response:

Auditor noted that management concurred with the recommendations and described planned corrective actions contingent upon restoration of a Commission quorum.

Management's full response is provided in Appendix I.

Finding 2: Fraud Risk Assessment Does Not Align with GAO Green Book and OMB Circular A-123.

Condition:

The FEC fraud risk assessment process does not align with OMB Circular A-123⁴ and GAO Green Book and the requirements. While the agency conducts an annual enterprise risk assessment and documents limited fraud-related considerations within office-level ICRs, these analyses are not comprehensive and do not align with federal fraud-risk management requirements.

The following gaps were noted:

- Likelihood and impact were not assessed or scored.
- Control activities are not evaluated for design effectiveness or mapped to fraud scenarios.
- Residual fraud risk levels were not calculated.
- Fraud risk registers are not maintained.
- Monitoring, trend analysis, and periodic evaluation activities are not documented.
- Formalized fraud-risk assessment methodology was not adopted.

As a result, the fraud-risk assessment does not meet OMB Circular A-123 or GAO Green Book documentation and evaluation requirements.

Criteria:

Federal guidance requires agencies to design, implement, and operate internal controls using the principles in the GAO Green Book, as mandated by OMB Circular A-123. Consistent with Green Book Principle 7, management is required to identify, analyze, and respond to risks related to achieving defined objectives, including considering the significance, likelihood, and impact of those risks and implementing appropriate risk response.

The guidance also requires agencies to consider fraud as part of their risk management process. In accordance with 31 U.S.C. § 3357, agencies must assess fraud risks, implement controls to mitigate those risks, and use data from monitoring, audits, and investigations to continuously improve fraud prevention, detection, and response efforts.

Cause:

The FEC relies on a high-level risk assessment process focused primarily on operational and administrative risks. While management indicated that the ERM was intended to include fraud-risk considerations, fraud risks were not independently evaluated, scored, or documented as required by OMB Circular A-123 and GAO Green Book.

⁴ OMB Circular A-123, ERM and Internal Control (July 15, 2016) and later versions require fraud risk assessment. However, the OMB Circular A-123 (2026) is less prescriptive of fraud risk assessment requirements.

Effect:

Without a structured fraud risk assessment, the agency is at increased risk of:

- Undetected fraud schemes or control gaps
- Ineffective or misaligned internal controls
- Missed opportunities to mitigate fraud risks
- Incomplete compliance with federal internal control standards
- Potential misreporting in OMB Circular A-123 assurance statements
- Increased vulnerability to procurement fraud, improper payments, timekeeping fraud, and misuse of sensitive systems

This weakens the agency's fraud-risk management capability and increases exposure to financial loss, operational disruption, and reputational harm.

Recommendation 4:

We recommend the FEC establish and implement a formal fraud risk assessment process aligned with OMB Circular A-123 and the GAO Green Book. The process should include identifying and assessing fraud risks, evaluating related control activities, assessing residual fraud risk, documenting results within the annual ICR, establishing formal governance and recurring assessment procedures, and providing fraud risk management training to responsible personnel.

Management's Response:

Management disagreed with the recommendations. According to management, fraud risk considerations are incorporated into existing operational controls and the ICR process and are sufficient given the agency's assessed low inherent fraud risk profile.

Auditor's Evaluation of Management's Response:

Although management disagreed with the recommendations, the auditor continues to conclude that the agency's fraud risk assessment process does not fully align with the intent of OMB Circular A-123 and GAO Green Book guidance related to fraud risk management and documentation. As a result, the agency's ability to demonstrate a systematic, comprehensive, and repeatable approach to fraud risk management is limited.

Management's full response is provided in Appendix I.

Finding 3: FEC Directives and Policies Were Not Updated to Align with Current Laws, Regulations, and Operating Requirements

Condition:

The FEC has not updated several directives, policies, or procedural guides to support the agency’s implementation of the OMB Circular A-123 and enterprise risk assessment processes. As described below, we sampled fourteen (14) documents and identified seven instances where FEC directives, policies and procedures did not reflect current statutes, regulations, government-wide guidance, and operational practices in effect as of September 30, 2024. See Table 1, Directives, Policies and Procedures Gaps. As a result, certain governing documents are outdated and do not fully align with applicable federal requirements.

Table 1 Directives, Policies and Procedures Gaps

Directives, Policies and Procedures	Summary of Gap
Agency Directive 21 – Ethics in Government Act Procedures (2003)	Outdated statutory references and reporting forms; relies on manual processes not aligned with current electronic filing requirements.
NARA Records Disposition Authority (Job No. N1-339-06-1) (2006)	Does not clearly define record types or align with current retention and disposition requirements.
Agency Directive 27 – Maintenance of Official Paper Documents (2006)	Paper-centric and does not address electronic recordkeeping or align with current federal records management standards.
Agency Directive 50 – Audit Follow-Up (2006)	Does not align with current internal control and risk management requirements under OMB Circular A-123.
Agency DVS User Guide (2011)	Reflects outdated workflows and lacks alignment with modern digital recordkeeping practices and responsibilities.
Agency Directive 71 – Records Management Directive (2014)	Does not fully reflect updated records management regulations or electronic recordkeeping requirements.
Agency Travel Card Policy (2015)	The stated expected update frequency is at least annually, with additional updates required when there are material changes. Despite this, the policy does not reflect current program requirements or risk-based oversight practices.
Procurement Procedures 030 – Small Purchase Card Program (2015)	Contains outdated thresholds and legacy system references; not aligned with current procurement and internal control requirements.

Criteria:

As discussed in Finding 2, under OMB Circular A-123, agencies are required to design, implement, and operate internal controls in accordance with the GAO Green Book. These standards require management to periodically review policies, procedures, and control activities

to ensure they remain relevant and effective, particularly when there are changes in personnel, processes, technology, or regulatory requirements. Management must also use accurate and reliable information from both internal and external sources to support decision-making and ongoing monitoring of controls. In addition, agencies are required to continuously monitor the effectiveness of their internal control systems through routine activities and periodic evaluations.

Federal requirements also establish expectations for records management and regulatory compliance. The Federal Records Act, and related regulations found in 36 C.F.R. Chapter XII require agencies to create, maintain, and preserve records—regardless of format—in accordance with approved schedules and modern electronic recordkeeping standards. Records must accurately document agency activities and be retained based on their legal and operational value, with a clear emphasis on managing records electronically.

Additionally, agencies must comply with federal ethics and financial disclosure requirements under 5 U.S. Code Chapter 131 and 5 C.F.R. § 2634.601, which require the use of standardized forms, such as OGE Form 278e, for reporting financial interests.

For government charge card programs, agencies are required to follow current guidance and oversight practices established under the General Service Administration SmartPay Program and OMB Circular A-123 Appendix B. These requirements emphasize risk-based management, transaction monitoring, data analytics, and maintaining up-to-date policies that align with current program standards and reporting capabilities.

Cause:

The FEC has not established or consistently implemented an enterprise-wide policy governance framework that defines ownership, accountability, and requirements for periodic review and updating of directives, policies, and procedures. As a result, documents are not systematically evaluated and revised in response to changes in laws, regulations, guidance, and operating environments.

Effect:

As a result:

- The FEC faces an increased risk of noncompliance with current statutory and regulatory requirements.
- Employees may rely on outdated or incomplete guidance, leading to inconsistent implementation.
- Records management, ethics, procurement, charge card, and audit follow-up activities may not fully align with current federal standards.
- This condition represents a cross-cutting internal control deficiency under OMB Circular A-123, reducing the effectiveness of the FEC’s internal control framework.

Recommendation 5:

We recommend the FEC establish and document an enterprise-wide policy governance framework that defines ownership, accountability, and requirements for periodic review and updating of

directives, policies, and procedures, including mandatory review upon significant legal or regulatory changes.

Recommendation 6:

We recommend the FEC update the identified directives, policies, and procedures to align with current statutes, regulations, OMB guidance, and National Archives and Records Administration approved records schedules.

Recommendation 7:

We recommend the FEC integrate policy governance with internal control and ERM processes to ensure outdated or noncompliant policies are identified, tracked, and addressed as part of the Agency’s risk management and internal control monitoring activities.

Management’s Response:

Management partially concurred with the finding related to policy governance and acknowledged that certain directives, policies, and procedures require updates. Management stated that several policies have been updated subsequent to FY 2024, additional policies are currently under revision or in draft form, and further enhancements will be incorporated into the FY 2026 ICR cycle.

Auditor’s Evaluation of Management’s Response:

The auditor acknowledges management’s partial concurrence and ongoing remediation efforts. However, the auditor continues to conclude that outdated policies and procedures, combined with the absence of a formalized policy governance framework, constitute an internal control deficiency requiring corrective action.

Management’s full response is provided in Appendix I.

Finding 4: FEC ICRs Did Not Meet the Control Specificity, Deficiency Evaluation, and Traceability Requirements

Condition:

The FEC’s assessable units completed FY 2024 Internal Control ICRs to support implementation of OMB Circular A-123. We reviewed seven ICRs and determined that documentation for four of the seven did not meet OMB Circular A-123 and GAO Green Book requirements for control specificity, deficiency evaluation, and traceability.

Specifically:

1. **Control activities were not clearly defined or traceable to supportive evidence.**
Assessable units described broad categories of controls (e.g., policies, plans, or reports) rather than discrete control activities with defined objectives and responsible officials. Supporting documentation was provided; however, it was not mapped to specific control activities, limiting the ability to verify control design and operating effectiveness.
2. **Internal control deficiencies were not sufficiently evaluated.**
The FEC used qualitative ratings (e.g., “All,” “Most,” or “Some”) to assess control effectiveness. While these ratings indicate the extent to which control principles were met, they do not constitute a formal evaluation of deficiency significance. The FEC did not document assessments of:
 - Magnitude of deficiencies,
 - Likelihood of occurrence, or
 - Impact on achieving operational, reporting, or compliance objectives.Additionally, the FEC did not evaluate whether deficiencies, individually or in the aggregate, represent significant deficiencies or material weaknesses.
3. **Corrective action plans were not consistently developed.**
For controls assessed as less than fully effective (e.g., “Most” or “Some”), assessable units did not consistently document corrective actions, milestones, or responsible parties.
4. **Control frequency and precision were not documented.**
ICR documentation did not consistently specify how often controls operate or the level of precision applied, limiting the ability to assess whether controls are designed and operating effectively.

Criteria:

As discussed in Finding 2, OMB Circular A-123 requires agencies to implement a risk-based internal control framework, including identifying and assessing risks, mapping risks to controls, documenting control design and operation, and evaluating control deficiencies based on magnitude, likelihood, and impact. Agencies must also determine whether deficiencies, individually or in aggregate, constitute significant deficiencies or material weaknesses and reflect these in management’s assurance.

Consistent with this guidance, the GAO Green Book requires management to:

- Design and implement control activities through documented policies and procedures (Principles 10 and 12);
- Perform ongoing monitoring and separate evaluations (Principle 16); and
- Identify, evaluate, and remediate internal control deficiencies based on their significance (Principle 17).

Cause:

These deficiencies occurred partially because the FEC has not fully established a formal, risk-based methodology for evaluating internal control deficiencies, including defined criteria for assessing magnitude, likelihood, and impact. In addition, during the period under examination, assessable units did not receive sufficiently detailed, standardized guidance and training on documenting controls, including defining discrete control activities, linking supporting evidence, and documenting control frequency and precision. Further, the FEC has not implemented a quality assurance review process to ensure ICR submissions are complete, consistent, and compliant with OMB Circular A-123 and GAO Green Book requirements.

Effect:

Without sufficient documentation to substantiate assessments of internal controls that address risks and control deficiencies, it is difficult to assess the effectiveness of its internal control system or determine whether identified deficiencies:

- Present elevated risks to operational, reporting, or compliance objectives;
- Are appropriately prioritized, classified, and escalated based on risk;
- Require timely remediation through corrective actions; or
- Should be reported as significant deficiencies or material weaknesses.

As a result, this potentially limits management's ability to make risk-informed decisions, weakens integration between internal control and ERM processes, and reduces the transparency and reliability of internal control reporting and assurance.

Recommendation 8:

We recommend the FEC establish and implement a formal, risk-based methodology for evaluating internal control deficiencies, including defined criteria for assessing magnitude, likelihood, and impact, and require consistent application of this methodology to assess deficiencies identified through the ICR process and determine their significance and impact on agency objectives.

Recommendation 9:

We recommend the FEC redesign the ICR template to improve clarity, completeness, and usability by ensuring a logical linkage between control objectives, associated risks (including fraud risks), control activities, and the evaluation of control effectiveness. The revised template should also require documentation of identified control deficiencies and planned corrective actions to support consistent, risk-based internal control assessments in accordance with OMB Circular A-123 and GAO Green Book.

Recommendation 10:

We recommend the FEC implement a quality assurance review process over ICR submissions to ensure documentation is sufficient, complete, and in compliance with OMB Circular A-123 and GAO Green Book requirements, prior to acceptance.

Recommendation 11:

We recommend the FEC provide formal training and detailed guidance to assessable unit staff on how to properly document internal control assessment worksheets in accordance with OMB Circular A-123 and GAO Green Book requirements.

Management's Response:

Management disagreed with the recommendations and stated that the agency's FY 2024 ICR process was adequate and appropriately designed for the agency's size and operational environment. While management acknowledged that opportunities exist to improve the clarity, consistency, and traceability of documentation, it maintained that the current process provides reasonable assurance over the effectiveness of internal controls.

Auditor's Evaluation of Management's Response:

Although management asserted that the ICR process is robust, the auditor continues to conclude that deficiencies remain in the design and documentation of the agency's internal control evaluation process. Accordingly, the auditor continues to conclude that enhancements to the ICR process are necessary to strengthen the consistency, traceability, and overall effectiveness of internal control documentation and evaluation.

Management's full response is provided in Appendix I.

OBJECTIVES, SCOPE & METHODOLOGY

Objectives

The objective of this engagement is to conduct an independent examination of the FEC OMB Circular A-123 internal control and ERM programs to express an opinion on whether the programs comply, in all material respects, with OMB Circular A-123, GAO Green Book, and other applicable criteria.

The objectives of this examination were to:

- Evaluate the FEC’s internal control program, risk assessment processes, and integration of ERM;
- Assess the adequacy and operational effectiveness of the FEC’s OMB Circular A-123 internal control framework, policies, and processes;
- Evaluate whether the internal control program effectively identifies and mitigates key risks in alignment with OMB Circular A-123 and the GAO Green Book;
- Determine the maturity level and extent to which ERM principles are embedded in internal control activities;
- Identify areas for improvement and provide recommendations to strengthen the internal control and risk management function;
- Identify potential significant program changes needed based on proposed updates to the GAO Green Book; and
- Review and validate management’s Statement of Assurance and supporting documentation.

Scope

The scope of this examination covered the FEC’s FY 2024 internal control and risk management activities as of September 30, 2024.

Methodology

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA, including Statements on Standards for Attestation Engagements (SSAE) No. 21, AT-C Section 206, *Direct Examination Engagements*, and in accordance with *Government Auditing Standards* issued by the GAO and GAGAS. Those standards require that we obtain reasonable assurance by measuring and evaluating the FEC’s OMB Circular A-123 Internal Control and ERM Programs as of September 30, 2024 against the criteria established in OMB Circular A-123, OMB Circular A-11 Section 200, GAO Green Book, and applicable provisions of GPRAMA, FMFIA and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement and evaluation of the FEC’s OMB Circular A-123 Internal Control and ERM Programs.

Our methodology included conducting planning and risk assessment procedures, reviewing prior audit reports and relevant federal guidance, and identifying key risk areas related to internal control and ERM. We performed detailed reviews of documentation, including FY 2024 ICRs, ERM risk profiles, policies, directives, and applicable laws and regulations. We conducted interviews and inquiries with FEC personnel responsible for internal control and ERM processes to obtain an

understanding of procedures and practices. We evaluated internal control design and implementation against the GAO Green Book principles and OMB Circular A-123 requirements, including assessments of control specificity, documentation quality, evidence traceability, and control frequency and precision.

AUDITOR'S COMMENT TO MANAGEMENT RESPONSE

The auditor reviewed and considered management's responses, including the agency's explanations regarding resource constraints, organizational size, operational environment, and interpretation of applicable OMB guidance. While the auditor acknowledges management's perspectives and ongoing remediation efforts in certain areas, the auditor continues to conclude that the identified control deficiencies remain valid and warrant corrective action.

The auditor determined that management's responses did not provide sufficient evidence to demonstrate that the underlying control weaknesses were fully addressed or that the existing processes consistently satisfy the intent of applicable federal internal control requirements and guidance. Accordingly, the auditor maintains the original findings, conclusions, and recommendations, and no findings were modified or withdrawn as a result of management's responses.

APPENDIX I – MANAGEMENT’S RESPONSE



THE FEDERAL ELECTION COMMISSION
Washington, DC 20463

May 22, 2026

On behalf of Federal Election Commission (FEC) management, thank you for providing the draft report examining the FEC’s Office of Management and Budget (OMB) Circular A-123 program for fiscal year 2024.

We appreciate the draft report’s acknowledgment that the FEC has implemented foundational elements of its internal control program, including an annual Internal Control Review, documented control activities, and alignment of risk information to strategic goals. These observations reflect management’s continued commitment to meeting federal internal control expectations and strengthening agency governance.

Management’s full response is provided below.

On Behalf of Management,

A handwritten signature in cursive script that reads "John Quinlan".

John Quinlan
Chief Financial Officer

Management Response to Draft Report on FEC's Circular A-123 Program for FY 2024

Management appreciates the opportunity to review and respond to the draft examination report of the Federal Election Commission's (FEC) Internal Control and Enterprise Risk Management (ERM) Programs conducted under OMB Circular A-123. The FEC is firmly committed to maintaining a strong, risk-based internal control framework that ensures accountability, promotes operational effectiveness, and safeguards taxpayer resources.

The agency operates in a unique environment as a small, non-CFO Act independent regulatory agency with a narrowly defined mission and a structurally bipartisan governance model. The FEC's size, workload, resource constraints, and the current absence of a Commission quorum create operational realities that differ significantly from larger executive agencies. These contextual factors are essential to interpreting the nature, scale, and proportionality of internal control processes.

Management acknowledges that continuous improvement is important and welcomes opportunities to refine documentation, strengthen policy governance, and enhance clarity within internal control processes. At the same time, several recommendations in the draft report reflect compliance expectations or documentation models that exceed statutory and OMB requirements or reflect practices suited to larger agencies with different risk profiles. Importantly, the 2026 revision to OMB Circular A-123 reinforces that internal control standards must be applied in a manner tailored to an agency's mission, size, and risk, and it removes Enterprise Risk Management from the internal control framework. What remains is a principle-based approach to risk assessment that agencies may tailor to their mission, size, and operating environment. As a result, ERM maturity models and similar enterprise-level tools developed under the former A-123 ERM mandate are no longer relevant to evaluating internal control effectiveness and should not be used as criteria in an A-123 examination.

The FEC maintains robust controls across financial management, procurement, information security, and mission operations. Annual Internal Control Reviews, quarterly Senior Management Council oversight, fraud-mitigating controls embedded in operational processes, and continuous monitoring through reconciliations, SOC reports, corrective action plans, and risk assessments all demonstrate that the FEC's control environment is functioning as intended. The agency operates with a low inherent fraud-risk profile and recurring independent reviews have consistently validated core elements of internal control effectiveness.

Management also notes that the agency's Internal Control Review (ICR) process already incorporates a level of rigor that may exceed what is typically performed by small, non-CFO Act agencies. Each assessable unit conducts a comprehensive, principle-by-principle evaluation aligned with all 17 Green Book principles; a detailed, function-by-function review of risks, control activities, evidence, fraud considerations, and PII considerations; and participates in a multi-layer review structure involving supervisors, office leadership, OCFO, and the Senior Management Council. These processes are supported by cycle memoranda, SOPs, extensive

reconciliations, and documented monitoring and testing activities across major financial and administrative cycles.

While management agrees that aspects of documentation clarity can be enhanced, the draft report does not fully acknowledge the depth and substance of the internal control work already performed or the fact that FEC's ICR process is substantively aligned with federal internal control standards, especially considering the agency's size, mission, and risk profile.

Management provides the following responses to the four findings in the draft examination report.

Management Response to Finding 1: Chief Operating Officer (COO) Designation

Management agrees with the recommendation to designate a COO consistent with statutory requirements. At present, the Commission is unable to take formal action due to the lack of a bipartisan quorum. Once a quorum is restored, management will recommend that the Commission formalize the COO designation and issue the required documentation, including notification to OMB.

Even without a formally designated COO, many functions associated with COO responsibilities under GPRAMA and OMB Circular A-11 have been carried out through existing structures. Strategic planning, performance governance, quarterly data-driven reviews, ERM leadership, and internal control oversight are already embedded within the responsibilities of the Office of Management and Administration and the Senior Management Council. A formal COO designation will enhance clarity once Commission action becomes possible.

Management Response to Finding 2: Fraud Risk Assessment

Management respectfully disagrees with the conclusion that the agency's fraud-risk assessment process does not align with OMB Circular A-123 requirements. Both the 2016 and 2026 versions of OMB A-123 afford agencies broad discretion to tailor fraud-risk practices to their missions, operating environments, and inherent risk levels. Neither version mandates a separate fraud-risk register, residual risk scoring, or a uniform likelihood/impact methodology.

The FEC's fraud-related controls are integrated into its operational processes, ICR templates, and Assessable Unit (AU)-level risk assessments. Examples include purchase card oversight, payroll validation, and procurement controls. These controls effectively mitigate the limited fraud risks applicable to a small regulatory agency that does not administer major grants, benefits, loans, or large-scale disbursement programs.

In addition, the ICR process already includes structured fraud-related inquiries and control evaluations across all major program functions. Assessable units identify potential fraud risks, describe existing preventive and detective controls, provide evidence supporting the operation of those controls, and document any residual considerations. This represents a substantive, risk-appropriate fraud-risk evaluation tailored to the FEC's operating environment, and

management believes the draft report does not fully recognize the depth and robustness of these activities.

Management acknowledges that documentation supporting these processes may be strengthened. The agency intends to consider targeted enhancements, including a concise agency-level fraud-risk summary for SMC review, reinforcement of fraud-related attestations within the ICR process, and additional training on identifying and documenting fraud scenarios. These improvements will support visibility and internal communication without imposing prescriptive requirements that exceed federal guidance or the agency's risk profile.

Management Response to Finding 3: Policy Governance and Outdated Directives

Management partially agrees with this finding. Some directives and policies identified in the audit require updates to reflect current statutory or operational practices. Several of these policies, however, have been updated since FY 2024, are currently in revision, or have draft updates in progress. For example, purchase-card procedures were updated after the FY 2024 review period, and a revised travel-card policy is in draft. Other documents, such as user guides or operational manuals, are not intended to serve as enterprise-level policy instruments and should not be interpreted as indicators of policy noncompliance. Regarding records management, paper records are still legally permitted in certain circumstances, despite the government-wide emphasis on electronic recordkeeping.

Management agrees that policy-governance processes can be strengthened. As part of the FY 2026 ICR cycle, the agency will incorporate more explicit policy-status reviews, better documentation of policy updates, and integration of policy review with internal control monitoring and risk-management activities.

For directives requiring Commission approval, updates must await restoration of a quorum. In the meantime, offices have implemented interim operational procedures to ensure compliance with current requirements where possible. Management will continue to prioritize policy modernization in alignment with agency resources and OMB's flexible, risk-based approach.

Management Response to Finding 4: ICR Documentation, Control Specificity, and Evaluation Methodology

Management respectfully disagrees with the conclusion that the FY 2024 ICR process did not meet the requirements of OMB A-123 or guidance provided in the GAO Green Book. The current ICR framework includes multi-layer review by supervisors, senior managers, OCFO, and the Senior Management Council. Control activities, monitoring processes, and evidence are documented in a manner that provides reasonable assurance appropriate to the agency's size and risk profile.

Management further emphasizes that the ICR process is not limited to high-level assertions. The FY 2024 ICR template required each assessable unit to evaluate all 17 Green Book principles,

identify program-level risks, document discrete control activities, and provide supporting evidence. The template also incorporates fraud and PII considerations, links to cycle memoranda and SOPs, and requires supervisory and senior-level certification.

This level of internal control evaluation is detailed and comprehensive, especially considering it is conducted by a small, non-CFO Act agency¹. While management agrees that refinements to the template and guidance could improve clarity and consistency, the draft report does not fully acknowledge the rigor and substantive assurance provided by the current process.

Management agrees, however, that aspects of the ICR template could be clarified to support more consistent documentation of control frequency, direct linkage between controls and evidence, and clearer identification of corrective actions. The 2026 A-123 revision emphasizes flexibility, risk-based evaluation, and management judgment, providing the agency an opportunity to refine and streamline the ICR methodology in a cost-effective manner that preserves limited staff resources for mission work.

Management is considering several practical enhancements, including:

- Streamlining the ICR template to improve clarity and support more precise mapping of controls to risks and evidence.
- Reinforcing expectations for documenting corrective actions when controls are assessed as less than fully effective.
- Providing targeted refresher training for assessable unit staff.
- Strengthening internal guidance to ensure consistency without imposing burdens that exceed the agency's size or the flexibility permitted under OMB A-123.

The agency has already begun implementing improvements. During the last week of April, nearly 10 percent of the agency, including representatives from every AU and the key personnel involved in internal control assessment, completed training on A-123 controls.

Further enhancements will be implemented in a way that supports continuous improvement while preserving management's discretion to tailor internal control processes to the agency's needs.

¹ GAO's *Standards for Internal Control in the Federal Government* (2024 Exposure Draft) GAO-24-106889 recognizes that smaller entities may use different, less formal implementation approaches than larger entities (OV4.12) and often face structural constraints requiring compensating controls (OV4.13). GAO further states that the level and nature of internal control documentation should vary based on the entity's size and the complexity of its processes (OV2.10).

Conclusion

The Federal Election Commission is committed to maintaining strong internal controls and a mature, risk-based internal control assessment program that supports mission delivery, compliance, and stewardship. Management appreciates the auditors' work and values the collaborative dialogue that supports continuous improvement. The agency will implement enhancements where they add clarity, strengthen internal communication, or improve documentation, and will continue to exercise sound judgment where recommendations exceed statutory or current OMB requirements or are not appropriate for an agency of the FEC's size and mission.

The FEC looks forward to continued partnership with the OIG to further strengthen governance, accountability, and performance.

APPENDIX II – ACRONYMS

Acronym	Definition
AICPA	American Institute of Certified Public Accountants
AT-C	AICPA Attestation Standards codification
CFO	Chief Financial Officer
COO	Chief Operating Officer
CPA	Certified Public Accountant
DVS	Document Verification System
ERM	Enterprise Risk Management
FEC	Federal Election Commission
FMFIA	Federal Managers' Financial Integrity Act of 1982
FY	Fiscal Year
GAO	Government Accountability Office
GAGAS	Generally Accepted Government Auditing Standards
GPRA	Government Performance and Results Act
GPRAMA	Government Performance and Results Modernization Act of 2010
ICR	Internal Control Review
NARA	National Archives and Records Administration
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OGE	Office of Government Ethics
OMB	Office of Management and Budget
PLLC	Professional Limited Liability Company
SMC	Senior Management Council
SSAE	Statements on Standards for Attestation Engagements