

AUDITS  
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## 1. GENERAL

1.1 Purpose. The purpose of this manual is to provide policies and procedures necessary for the Bureau to establish and maintain a formal process for responding to audit reports which includes follow-up corrective action. This directive applies to audits performed by the Office of Inspector General (OIG), independent public accountants under cognizant assignments of the OIG, and the General Accounting Office (GAO).

1.2 Authority. This manual is issued pursuant to the provisions of the Inspector General Act of 1978 (92 Stat. 1101); The Single Audit Act of 1984 (Pub. L. 98-502); Office of Management and Budget (OMB) Circulars A-50, A-73 A-128, A-110 and A-123; the Supplemental Appropriations and Rescissions Act of 1980 (Pub. L. 96-304); Parts 360 and 361 of the Department Manual; 43 CFR Part 12 and authority delegated to the Assistant Secretary - Indian Affairs in accordance with 209 DM 8.

1.3 Policy. It is the policy of the Bureau of Indian Affairs to give prompt and objective consideration to the findings, recommendations, and suggestions contained in audit reports. All reports will be addressed in accordance with this policy by the offices responsible for the programs, functions, and activities addressed in the audit reports. All time constraints shall be consistent with legislative and/or Executive mandates and with Bureau requirements. Failure to implement and enforce standards of performance for audit resolution shall result in appropriate personnel actions.

1.4 References. The following information should be referenced when guidance is needed to process audit reports.

A. Inspector General Act of 1978. This Act establishes objectives to promote economy, efficiency, and effectiveness in the administration of programs and operations of the Department of the Interior; to prevent and detect waste, fraud, abuse, and mismanagement in such programs and operations; and to keep the Secretary and Congress informed about problems and deficiencies relating to the administration of such programs as well as the necessity for corrective actions.

B. Office of Management and Budget Circular A-50. This OMB Circular provides the policies and procedures for use by Executive Agencies when considering audit reports prepared by the organizations identified in 1.1 of this Manual. These OMB policies and procedures define and outline the follow-up and tracking required on audit recommendations. In accordance with this circular, the Bureau is expected to provide timely and objective consideration of and action on audit findings and recommendations within six months of issuance.

C. Office of Management and Budget Circular A-73. This circular sets forth policies to be followed during the conduct of an audit of Federal opera-

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tions and programs. Its objectives are to promote improved audit practices, achieve more efficient use of audit staff, improve coordination of audits, and require the application of audit standards issued by the Comptroller General.

D. Single Audit Act Of 1984 (Pub. L. 98-502). This law establishes the audit requirements for State, local and Indian tribal governments that receive Federal assistance. It requires that financial and compliance audits of organizations receiving federal assistance be made by independent auditors on an entity-wide basis rather than on an individual grant or contract award basis.

E. Office of Management and Budget Circular A-128. This Circular is pursuant to Public Law 98-502. It establishes audit requirements for State and local governments that receive Federal aid, and defines Federal responsibilities for implementing and monitoring those requirements.

F. 43 CFR Part 12. This regulation defines the Department's responsibility for monitoring and implementing Public Law 98-502 and OMB Circular A-128.

G. Office of Management and Budget Circular A-123. This Circular sets the standards for internal controls and directs each Federal agency to review and update its present system of control, and provides for periodic reviews thereafter by entities not directly involved with the agency's business. It should be noted that internal audits are not a substitute for internal control responsibilities of Bureau programs and operations. Administrators shall continue to provide adequate organization, policy, day-to-day operating procedures and administrative reviews.

H. Departmental Manual Part 360, Departmental Audits. These instructions provide guidelines and procedures for implementing the duties and responsibilities for audits of programs and operations of the Department, as required by the Inspector General Act of 1978.

I. Departmental Manual Part 361, Audit Followup. This directive implements the provisions of OMB Circular A-50. It provides policies and procedures for use by Departmental organizations when responding to audit reports issued by the Inspector General.

### 1.5 Types of Audits

A. External Audits. These are audits of non-Bureau activities, such as non-federal programs conducted by governments, contractors, grantees, concessioners, and lessees. It also includes audits of revenue producing activities such as mineral leasing, timber sales, and other sources of income generated from public or trust lands. These reports are classified according to their purpose and include: Interim and Final Cost Audits; Indirect Cost Proposal

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Audits; Preaward Audits; A-128 Attachment P Audits; Contractor Claims and Costs Incurred Audits; Post Award Audits; and Contract Price Proposal Audits. Further explanation and definition of the contractual audits may be found in Title 41 of the Code of Federal Regulations. Draft reports are not issued for external audits. The Bureau has 90 days to respond to the findings and recommendations contained in the external audit report.

B. Internal Audit Reports. These are audits of specific Bureau programs, activities, and functions conducted by the OIG to furnish information on the effectiveness, efficiency and economy of Bureau programs; to determine if programs are conducted in compliance with laws, regulations, and Department or Bureau policies, and to determine if financial operations are properly conducted. Internal reports are usually issued in two phases. The auditor usually issues a draft report for comments before issuing the final report. The Bureau is usually given 30 days to respond to a draft report. After the OIG reviews the Bureau's response to the draft audit report, the final audit report is issued. The final report reflects any corrections, revisions, additions and deletions provided in the Bureau's response. The Bureau has 60 days to respond to the findings and recommendations contained in the final audit report.

C. General Accounting Office (GAO) Audits. This is a special type of internal audit that is performed and issued by the GAO to the Department. The Bureau's role is normally to provide comments to the Department on issues that affect the Bureau and thereafter comply with the directions issued by the Department. Part 361 of the Department Manual fully outlines the audit process and responsibilities.

1.6 Definitions. The following definitions are applicable to Bureau audit reports.

A. Closed Audit. An audit is closed after the OIG informs the Bureau that it agrees that all findings and recommendations are implemented.

B. Collateral Respondent. The collateral respondent is an official who provides remarks to the lead respondent to address aspects of the audit for which it has responsibility.

C. Cognizant Audit Agency. The Federal agency that is assigned audit responsibility by the OMB for a particular recipient organization.

D. Implementation of Corrective Actions. The implementation of corrective actions occurs when the Bureau actually takes certain actions to resolve the audit.

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E. Lead Respondent. The lead respondent is the official assigned primary responsibility to prepare the Bureau's response to the audit report. This individual is held accountable for providing a timely and comprehensive document that is prepared in the format outlined in Section 2 of this manual.

F. Resolved Audit. An audit is resolved after the OIG/PBA has reviewed the Bureau's audit response and has agreed with the Bureau that all findings and recommendations are adequately addressed. This does not necessarily mean that all actions taken to resolve the findings and recommendations have been completed, but only that the Bureau has agreed to take the action.

### 1.7 Responsibilities.

A. Assistant Secretary - Indian Affairs. The Assistant Secretary - Indian Affairs through the Bureau Audit Liaison Officer is responsible for Bureauwide audit policies and procedures.

B. Audit Liaison Officer. The Deputy to the Assistant Secretary - Indian Affairs (Operations) is the Bureau Audit Liaison Officer (ALO). The Audit Liaison Officer:

(1) Designates lead and collateral respondents for preparation of the Bureau's response to specific audit reports.

(2) Assures that the performance standards for all appropriate management officials contain factors that reflect accountability for resolving audit and implementing corrective action in accordance with the policy stated in 1.3 above.

(3) Provides semiannual reports to the Assistant Secretary - Policy, Budget and Administration on the status of all unresolved audit recommendations over six months old.

(4) Provides for periodic analysis of audit recommendations, resolution, and corrective action, to determine trends and problems, and to recommend solutions.

(5) Provides for periodic evaluations of whether the audit follow-up system results in efficient, prompt, and proper resolution and corrective action on audit recommendations.

C. Lead Respondent. The designated lead respondent:

(1) Secures comments from other organizations, as required.

(2) Prepares the Audit Response (see Section 2) and attaches the appropriate support documentation, e.g., Findings and Determinations and Bill for Collection.

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(3) Transmits the response for external audits directly to the OIG provided the report has not been referred to the Office of Policy, Budget and Administration for resolution. See Illustration 1 for a sample transmittal memorandum.

(4) Prepares the transmittal memorandum for signature of the Deputy to the Assistant Secretary - Indian Affairs (Operations) forwarding the audit response to the appropriate agency for all internal reports and for external reports that have been referred to the Office of Policy, Budget and Administration for resolution. See Illustration 2 for a sample memorandum.

(5) Ensures audits are answered by the dates established by the audit agency or the Audit Liaison Officer.

(6) Provides quarterly audit status reports by the last day of the quarter, beginning with September 30, 1986, (See Section 3.1A). Form BIA-1403 will be used to provide the data.

(7) Provides a semiannual report to the Audit Liaison Officer covering the status of all audits in the implementation phase, resolved but not closed (See Section 3.1B). Form BIA-1404 will be used for the report.

D. Collateral Respondent. The collateral respondent provides substantive and timely comments and supporting documentation to the lead respondent by the date established by the Audit Liaison Officer or lead respondent. If the collateral respondent is asked to provide input to specific findings and recommendations he/she will follow the instructions contained in Section 2. Negative responses are required if the collateral respondent has no input.