

SECTION 4 CHAPTER 1 OVERVIEW

Audit Follow-Up is the process of ensuring that Office of Inspector General (OIG) and Government Accountability Office (GAO) audit recommendations are implemented in a timely manner and that disagreement regarding audit findings and corrective actions between management and the OIG are resolved. Office of Management and Budget (OMB) Circular A-50, "Audit Follow-Up," (see Addendum A) directs each federal agency to "establish systems to assure the prompt and proper resolution and implementation of audit recommendations."

The Department firmly believes that timely implementation of OIG and GAO audit recommendations is essential to improving efficiency and effectiveness of its programs and operations, as well as achieving integrity and accountability goals. To demonstrate the importance of its commitment to the timely implementation of OIG and GAO audit recommendations, the Department has established goals for meeting the requirements of GPRA. The GPRA goal is based on the number of audit recommendations at the beginning of the fiscal year that have targeted implementation dates during the fiscal year as well as any audit recommendations referred during the fiscal year with target implementation dates during the fiscal year.

The Department has established a comprehensive audit follow-up program to ensure that policy and direction regarding the resolution and implementation of audit recommendations is promulgated for the Department's managers, that audit recommendations are implemented in a timely and cost-effective manner, and that audit-related debt and other funds due the federal government from contractors and grantees are collected, offset, or written-off, as appropriate.

This section of the handbook discusses the roles and responsibilities of all components of the audit follow-up process, procedures for responding to audit reports, the Department's audit follow-up tracking system, reporting, and references to key OMB, GAO, and Departmental guidance pertaining to the Audit Follow-Up Program.

ROLES AND RESPONSIBILITIES

The Department's Audit Follow-Up program provides for the clear responsibility of all components involved in reviewing, responding to, and implementing of audit recommendations in a timely and effective manner. These roles and responsibilities are outlined below and in Section 1.4A of Departmental Chapter 361 DM 1.

The Office of Inspector General

The OIG, under the general supervision of the Secretary, is responsible for conducting, supervising, and issuing audit reports of programs, operations, activities and functions conducted by the Department as well as programs funded by the Department. The OIG is also responsible for conducting or supervising audits of insular area governments' programs and operations. It

determines when audits can be carried out by organizations outside the OIG, such as state and local auditors. In addition, the OIG issues audit reports that it has conducted or that have been conducted by other audit organizations.

Government Accountability Office

GAO is the investigative arm of Congress that supports the Congress in meeting its Constitutional responsibilities and assists in improving the performance and accountability of the federal government.

Assistant Secretary - Policy, Management and Budget

The Assistant Secretary - Policy, Management and Budget (AS/PMB) is the Department's Chief Financial Officer (CFO), and, as such, discharges the authority of the Secretary for all phases of management and administrative activities and serves as a principal policy advisor to the Secretary. The AS/PMB is also the Chair, Internal Control and Audit Follow-Up (ICAF) Council and Audit Follow-Up Official. In this capacity, the Assistant Secretary is responsible for overseeing the Department's Audit Follow-Up Program, including the resolution of disputed audit recommendations and corrective actions.

Office of Financial Management

The Assistant Secretary - Policy, Management and Budget has delegated day-to-day responsibility for carrying out the responsibilities of the Audit Follow-Up Program to the Office of Financial Management (PFM). PFM is responsible for establishing Departmental policy regarding the Departmental Audit Follow-Up Program, for assisting the Audit Follow-Up Official in resolving disputed audit recommendations, for establishing and maintaining the Departmental audit follow-up tracking system, and for providing training and technical assistance to bureaus and offices regarding the Department's Audit Follow-Up Program.

Departmental Management (Program Assistant Secretaries and Bureau and Office Directors)

Assistant Secretaries and bureau/office directors are primarily responsible for responding to and ensuring the implementation of audit recommendations. They are responsible for designating an audit liaison officer to be responsible for day-to-day audit and audit follow-up functions, and for ensuring that systems are in place that provide for the prompt and thorough response to audit recommendations and for the implementation of audit recommendations.

Audit Liaison Officers

Audit Liaison Officers, appointed by program Assistant Secretaries and/or bureau/office directors, serve as points of contact for all audit activities for their organizational component.

Senior Management Council/Internal Control and Audit Follow-up Council

The Council is chaired by the AS/PMB and is comprised of all program assistant secretaries, the Solicitor, and the Inspector General (ex officio), Deputy Assistant Secretary – Business Management and Wildland Fire, Chief Information Officer, and Senior Procurement Official.

The Council's responsibilities are to:

- Ensure Interior's commitment to an appropriate internal control environment;
- Approve Interior's implementation plan for assessing and reporting on internal controls over financial reporting;
- Assess and monitor correction of deficiencies in internal control;
- Identify and ensure correction of systemic weaknesses;
- Review and approve management's annual assertion on effectiveness of internal controls over financial reporting;
- Recommend to the AS/PMB which control deficiencies are material to disclose in the annual Federal Managers Financial Integrity Act (FMFIA) assurance statement and PAR;
- Oversee implementation of corrective actions related to material weaknesses; and
- Determine when sufficient action has been taken to declare a reportable condition or material weakness corrected.

Senior Assessment Team/Management Initiatives Team

The team is responsible to:

- Ensure assessment objectives are clearly communicated throughout the agency;
- Ensure adequate funding and resources are made available to comply with the requirements of OMB A-123, as revised;
- Ensure assessments are planned, conducted, documented, and reported upon in a thorough effective, and timely manner;
- Identify staff and/or secure contractors to perform assessments;
- Determine the scope of assessments and materiality thresholds in accordance with the requirements of OMB A-123, as revised; and
- Determine or approve assessment design and methodology for each entity and the Department.

SECTION 4
CHAPTER 2
ACCOUNTABILITY AND REPORTING

The Department places a high priority on improving and promoting accountability and integrity in the Departmental Audit Follow-Up Program and in achieving GPRA performance goals. To evaluate the effectiveness of (1) the Audit Follow-Up Program and (2) the Department managers and program officers in implementing audit recommendations, PFM works in partnership with bureaus, PMB offices, the OIG, and the GAO to monitor and track activities to ensure the prompt resolution and implementation of audit recommendations, and to reduce any backlog of unimplemented audit recommendations. Corrective action plans, periodic reporting, and progress meetings provide opportunities to monitor the effectiveness of the Audit Follow-Up Program.

Corrective Action Plans

The development of corrective action plans and target implementation dates precedes periodic reporting; however, it is integral to the Department's Audit Follow-up Program. Per OMB Circular A-50, responses indicating agreement on final reports shall include planned corrective actions and, where appropriate, dates for achieving actions. To facilitate prompt implementation of recommendations and to reduce slippage, bureaus and offices must make every effort to:

- Provide responses to recommendations that include target implementation dates;
- Ensure that subject matter experts are involved in establishing the target dates;
- Ensure that current and future financial resources are considered and set aside in establishing those dates;
- Ensure that human resources (headquarters and field-level, if applicable) are assigned to ensure completion of the required actions; and
- Ensure that quarterly milestones are achieved.

Monthly Audited Financial Statement Status Reports and Audit Recommendation Implementation Progress

To facilitate the prompt resolution of audited financial statement recommendations and implementation of other audit recommendations, bureaus/offices are required to provide monthly status reports on all financial statement material weaknesses and non-compliance issue corrective actions and open audit recommendations at the end of each calendar month. Information from these reports is included in PFM's monthly scorecard reports to senior management. Bureau/office status reports formats should adhere to the PFM fiscal year guidance regarding material weaknesses and noncompliance reporting and open audit recommendations.

To prevent/reduce backlogs of unimplemented audit recommendations, to ensure the accuracy of the Departmental Audit Follow-Up Tracking System, and to achieve the annual GPRA performance goal for the Audit Follow-Up Program, bureaus and offices are required to provide detailed status reports on implementation progress for each pending OIG, GAO, and financial statement audit. Appropriate closure documentation should be forwarded to PFM at the same

time. Where targeted implementation dates for pending audit recommendations have slipped, a concise statement of the reasons for the slippage and the revised target dates should be included. Monthly updates must be signed by a bureau/office director or Assistant Director for Administration, as appropriate (some bureaus have been directed to have this information routed through their respective Assistant Secretary before submission to PFM). Information from these reports will also be included in PFM's monthly scorecard reports to senior management

Bureaus/Offices may be advised that they may report on a quarterly basis if monthly reports are consistently submitted on time and a green status on achievement is indicated each month.

Quarterly Status Reports

Quarterly Status Reports contain the same information as that provided during the monthly cycle (status of material weakness, non compliance, and open audit recommendation correction) with the addition of a summary of audits closed and recommendations implemented during the reporting period and the disposition of disallowed costs. Appropriate closure documentation should be forwarded to PFM at the same time. Where targeted implementation dates for pending audit recommendations have slipped, a concise statement of the reasons for the slippage and the revised target dates should be included. Quarterly updates must be signed by a bureau/office director or Assistant Director for Administration, as appropriate (some bureaus have been directed to have this information routed through their respective Assistant Secretary before submission to PFM). Information from these reports will also be included in PFM's quarterly scorecard reports to senior management.

Note: Bureaus/offices are not confined to providing notice of implementation of audit reports/recommendations via monthly reports; bureaus are encouraged to notify PFM of implementation along with the submission of appropriate documentation throughout the year. PFM provides their decision on the closure of OIG recommendations/audits to the appropriate bureaus/offices and the OIG.

Mid-Year and Year-End Progress Meetings

Bureaus/offices are required to participate in a mid-year and year-end progress meeting with PFM, PMB, and OIG; these meetings are usually held in May and September, respectively. The purpose of the meetings is to review program status and discuss and resolve other pertinent audit follow-up issues. Additional progress meetings will be scheduled as necessary by PFM. A senior management official with the authority to make decisions regarding policy issues that affect audit recommendations should be in attendance. It is recommended that individuals designated with the responsibility to correct material weaknesses/noncompliance issues attend these meetings.

Internal Control and Audit Follow-Up Council Meetings (Senior Management Council)

If issues arise at the mid-year progress meetings that cannot be resolved during the meetings, PFM determines whether these issues should be elevated to the ICAF Council for final decision.

If it is determined that audit issues need to be elevated to the Assistant Secretary – PMB and the ICAF Council, PFM will prepare a list of the issues for which agreement/resolution could not be achieved at the mid-year and year-end issue resolution meetings and will schedule the ICAF Council meeting.

Annual Performance and Accountability Report

One of the purposes of the Chief Financial Officers (CFO) Act of 1990 is to ensure the production of reliable and timely financial information for use in the management and evaluation of federal programs. The Government Management Reform Act (GMRA) of 1994 furthered the objectives of the CFO Act by requiring all federal agencies to prepare and publish annual financial reports.

The GMRA also authorized the OMB to implement a pilot program to streamline and consolidate certain statutory financial management and performance reports into a single, annual accountability report.

The objective of the Annual Performance and Accountability Report (PAR) is to provide complete and concise financial and performance information concerning the effectiveness of the Department in achieving its financial program objectives. The information previously reported in the Secretary's FMFIA Annual Report, the Secretary's Semi-Annual Report on Audit Follow-Up, the CFO Act Annual Report, and Civil Monetary Penalties and Prompt Payment Act Reports are condensed into the Accountability Report. A component of the PAR is a compliance section that discusses the ICAF and provides performance data and statistics regarding the effectiveness of bureaus and offices in meeting the requirements of pertinent laws and regulations pertaining to the ICAF and Audit Follow-Up Programs.

The PAR also includes key performance measurement data in accordance with the Government Performance and Results Act (GPRA). The GPRA requires that all federal agencies: (1) Define long-term goals; (2) Set specific annual performance targets; and (3) Annually report actual performance compared to targets. In accordance with the GPRA, the Department has established an objective to resolve audit findings in a timely manner. The PAR now includes both the Appendix A as of June 30 assurance statement, as well as the FMFIA required September 30 assurance statement.

Tools such as the monthly and quarterly updates, the issue resolution meetings, ICAF Council meetings, the PAR, as well as the departmental audit follow-up tracking system, provide tools to measure the Department's effectiveness in meeting the GPRA goals for the Audit Follow-Up Program.

Time Frames for Audit Responses

The appropriate response times for OIG, GAO and other audits are:

Draft Reports

Final Reports

OIG Reports	30 to 45 calendar days for draft reports	30 calendar days
Financial Statement Audits	14 calendar days	30 calendar days
GAO Reports	7-30 calendar days (as directed by GAO)	60 calendar days
External Audits	N/A	90 calendar days

SECTION 4
ADDENDUM A
INTERNET REFERENCES FOR OMB CIRCULARS

The following OMB circulars applicable to internal/external audits and referenced in this section may be obtained from the OMB Web-site: www.whitehouse.gov/omb/circulars.

OMB Circular A-50, Audit Follow-Up

This circular provides the policies and procedures for use by executive agencies when considering reports issued by the Inspectors General, other executive branch audit organizations, GAO, and non-Federal auditors where follow-up is necessary.

OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations

This circular sets forth standards for obtaining consistency and uniformity among federal agencies in the administration of grants to and agreements with institutions of higher education, hospitals, and other non-profit organizations.

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

This circular, issued pursuant to the Single Audit Act of 1984, Public Law 98-502, and the Single Audit Act Amendments, Public Law 104-156, sets forth standards for obtaining consistency and uniformity among federal agencies for the audit of States, local governments, and non-profit organizations expending federal awards.