

## Department of the Interior Departmental Manual

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**Effective Date:** 9/28/07

**Series:** Audits

**Part 360:** Departmental Audits

**Chapter 2:** Audits and Related Services

**Originating Office:** Office of Inspector General

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### 360 DM 2

**2.1 General.** The OIG provides various audit and other services for the bureaus. Audit services include performance audits, financial audits, and attestation engagements. The OIG also conducts evaluations of bureau programs and operations, insuring quality control over Single Audit reports, and conducts peer reviews of the other Federal OIG offices.

#### **2.2 Types of Audits.**

A. Performance Audits. Performance audits are objective and systematic assessments of an agency's programs, functions, operations, and activities against specified criteria or best practices. Program audits determine if desired results or benefits established for a program are being achieved; the organizations, programs, activities, or functions are operated effectively; the program is complying with significant laws and regulations; and if the program is operated economically and efficiently.

B. Financial Audits. Financial audits are primarily concerned with whether the entity's principal financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

C. Attestation Engagements. Attestation engagements concern examining, reviewing or performing agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results. The subject matter may take many forms, including historical or prospective performance or condition, analyses, and systems and processes. Attestation engagements can cover a broad range of financial or non-financial subjects and can be a part of a financial audit or performance audit. Potential subjects of attestation engagements include reporting on an entity's internal control over financial reporting; an entity's compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the allowability and reasonableness of proposed contract amounts, of royalty payments made by lessees, and of fees paid by concessionaires.

#### **2.3 Audit Services.**

A. Audit Services from OIG. All requests for final audits of incurred costs and audits of claims for equitable adjustment, termination settlement proposals, and other contractor claims

must be submitted to the OIG Director of External Audits. Although bureaus and offices should generally submit requests for audits of pricing proposals, interim incurred costs, and overhead reviews, to the Defense Contract Audit Agency (DCAA), or contract out for such services, they may also request these audits from the OIG. All requests to the OIG should be made on Form DI-1902, "Request for Audit." If the OIG cannot perform the audit, it will advise the bureau to seek assistance from other auditors. Bureaus and offices should notify the OIG of all audits that it plans to contract for with non-Federal auditors.

B. Requesting Audit Services from DCAA. Requests to DCAA for audit services, which are performed on a reimbursable basis, must be made in writing, and a copy of the request must be submitted to the OIG Director of External Audits. The request must include the name and address of the requester and the contractor; the contract, solicitation, or cooperative agreement number; the type of contract awarded or proposed; and the reason the audit is needed. The request should instruct DCAA to send copies of the final report to the requestor, the Department's Audit Follow-up and Management Control Official, and the External Audits Director. As with audits performed by the OIG, the Department will be responsible for tracking the resolution of any recommendations or questioned costs included in DCAA audit reports.

2.4 **Non-audit Services.** Auditors may provide non-audit services that are not covered by Generally Accepted Government Accounting Standards (GAGAS), such as (1) perform tasks requested by management that directly support the entity's operations, such as developing or implementing accounting systems; determining account balances; developing internal control systems; or (2) provide information or data to a requesting party without providing verification, analysis, or evaluation of the information or data, and, therefore, the work does not usually provide a basis for conclusions, recommendations, or opinions on the information or data. These services may or may not result in the issuance of a report.

## 2.5 **Other Types of Services.**

A. Evaluations. Evaluations are systematic limited-scope examinations of practices, organizations, events, or conditions to assess the efficiency, vulnerability, risk, and/or effectiveness of programs or activities.

B. Advisory Services. Advisory services are initiated by a request from management and are aimed at providing management with quick responses to specific questions, objective advice as members of task forces, or monitoring assistance on ongoing initiatives. Requested services may be for assistance in reviewing a program, operation, or activity; fact-finding; or collecting data for management decision-making or deliberation. The results of advisory services can be provided to management in report, briefing, or outline formats.

2.6 **Single Audit Reports.** The Single Audit Act of 1984, as amended, and OMB Circular A-133 establish the audit requirements for states and local governments, Insular Area governments, Indian tribal organizations, and nonprofit organizations that receive Federal financial assistance. These organizations must arrange for independent audits of the Federal funds received and prescribe the scope of the audits, in accordance with the requirements of OMB Circular A-133. Audits are to be made on an organization-wide basis rather than an individual grant basis. The

OIG is responsible for insuring quality controls over single audits for organizations for which the OIG is the Federal cognizant audit agency as designated by the OMB. As such, the OIG focuses its efforts on conducting comprehensive desk reviews and onsite quality control reviews and sends letters to the auditors and auditees identifying any deficiencies noted during the reviews.

**2.7 Peer Reviews.** The OIG is responsible for performing peer reviews of the other Federal Offices of Inspector General in accordance with the guidelines established by the President's Council on Integrity and Efficiency. Peer reviews are performed on a 3-year cycle.

**2.8 Annual Work Plan.** The OIG publishes an annual work plan prior to the beginning of each fiscal year to provide a framework for the focus areas for the coming year.

A. The annual work plan includes planned audits and other services to promote efficiency, economy, and effectiveness; to evaluate performance against planned outcomes; and to prevent and detect fraud, waste, and abuse in bureau programs and operations.

B. The annual work plan includes audits required by law, such as financial statement audits required by the Chief Financial Officers Act of 1990; audits and other reviews requested by the Department, the Congress, or other OIG clients; and discretionary audits, reviews, and other services that address the Department's top management challenges, emerging problems and issues, and audits and key mission areas identified by the DOI's strategic plan and GPRA performance goals.

C. The work plan is flexible and may be modified during the year to accommodate higher priority audits identified by the OIG or other services requested by the Department, the Congress, or other OIG clients. In that regard, the Department and bureau managers are encouraged to submit suggestions or requests for audits or other reviews throughout the year.