

# Department of the Interior Departmental Manual

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**Effective Date:** 3/12/84

**Series:** Financial Management

**Part 336:** Certifying Officers

**Chapter 4:** Informal Inquiries, Notice of Exceptions, and Settlements

**Originating Office:** Office of Financial Management

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This chapter has been given a new release number.* No text changes were made.
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## 336 DM 4

**4.1 Informal Inquiries.** Informal inquiries during audits by the General Accounting Office (GAO) are made orally or by issuance of GAO Form 3010, Informal Inquiry (see 3 GAO 63.1). This form is used when certain supporting data, documents, and information are needed pertaining to the propriety of charges to or payments from public funds. If, however, the individual circumstances indicate that the informal inquiry will not suffice, a letter is written to the bureau/office under audit by GAO.

Bureaus/offices must use the reverse side of the GAO Form 3010 for replying to the informal inquiry. It must be signed, dated, and promptly forwarded to the organizational unit of GAO from which the inquiry was received. When satisfactory replies have not been received by GAO within a reasonable time, or when the account is scheduled for settlement, these inquiries will be subject to restatement on GAO Form 1100, as a formal Notice of Exception.

**4.2 Notice of Exception.** GAO uses GAO Form 1100, Notice of Exception, to notify certifying officers of exceptions taken in the audit of accounts. The notice is forwarded to the location where the bureau/office records are maintained unless otherwise requested by the Department, bureau, or office. Space is provided in the lower part of this form in making reply to the exception by the certifying officer. The original of the Notice of Exception, with the reply stated thereon, will be signed by the responsible certifying officer and returned promptly to the GAO audit activity which issued the exception (see 3 GAO 62.1 and 62.2). Bureaus/offices will attach a copy of the Notice of Exception and the certifying officer's reply, together with any other correspondence related to the exception, to the basic voucher. The date of the notice of removal of the exception must be noted on the voucher when received from GAO.

Notices of Exception must be given prompt consideration by the certifying officers against whom they are issued, or by their successors, and by all other interested bureau/office officials with a view to furnishing GAO (a) accounting evidence of repayment by the payee or the certifying officer, or (b) an explanation believed to be sufficient to cause removal of the exception.

**4.3 Settlement of Accounts.** Subject to certain exceptions, all claims and demands by the

United States or against them, and all accounts whatever in which the United States is concerned, whether as debtors or creditors, will be settled and adjusted in GAO (31 U.S.C. 3702 (1982)). The head of an agency is authorized to compromise claims that do not exceed \$20,000 (31 U.S.C. 3711 (1982)). No accountable officer may be held liable for an amount which cannot be recovered because of a compromise by the person primarily responsible (31 U.S.C. 3711(d) (1982)).

**4.4 Settlement Process.** It is the responsibility of GAO to audit and settle the accounts of disbursing officers who are accountable for the proper payment of vouchers certified and presented to them for payment and for cash and related assets in their custody or control. Also, settlements are required to be made with certifying officers when there are exceptions on the basis of which charges are to be raised against such officers.

The term Asettlement@ was defined in Illinois Surety Co. v. Peeler, 240 U.S. 214 (1916) as:

The word Asettlement@ in connection with public transactions and accounts has been used from the beginning to describe administrative determination of the amount due \* \* \*. The words Asettled and adjusted@ (as used in the Act of March 3, 1817, c. 45, sec. 2, 3 Stat. 366) were taken to mean the determination in the Treasury Department for administrative purposes of the state of the account and the amount due \* \* \*.

Settlements are made by GAO as follows:

Where, on the consideration of accounts, including the testing of transactions, the examination of systems, the review of administrative surveillance, and the effectiveness of collection and disbursement procedures, GAO determines that the procedures, controls, and surveillance are adequate for proper protection of the Government, the accounts may be considered proper and closed upon expiration of the period allowed for settlement except to the extent of outstanding exceptions or other forms of advice to agencies of outstanding irregularities. Notification will be issued withholding credits or raising charges for the amounts of any specific transactions that are questioned either through administrative action and report, or GAO audit action. This settlement does not preclude issuance of appropriate audit reports to such management levels as may be warranted in the circumstances.

Where audit results indicate that procedures, controls, or surveillance are not adequate to assure proper protection of the funds and property of the Government, and further inquiry is warranted, GAO will notify the agency that administrative action is necessary to correct the inadequacies.

The following types of certificates of exceptions outstanding may be issued, either to disbursing, certifying, or collecting officers: (a) periodic certificates, (b) closed account certificates, and (c) supplemental certificates.

**4.5 Statutory Time Limit for Settling Accounts.** Exceptions found in an audit must be stated and included in settlements within a three-year period (31 U.S.C. 3526 (1982)). The issuance of a settlement before the expiration of the three-year period does not preclude the stating of additional exceptions, if any are found, before the end of the three-year period. The

main factor considered is that the exceptions must be stated and included in a settlement within the three-year time limit.

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