

# Grants Management Training: Preparing for An Audit

Introduction to Federal Audit  
Resolution Policy



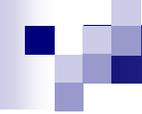
# General Tips

- Be prepared. Provide the auditor what is requested in the confirmation letter.
- Expect to spend time meeting with and providing information to the auditor.
- Document, document, document. Request any changes to your grant in writing.



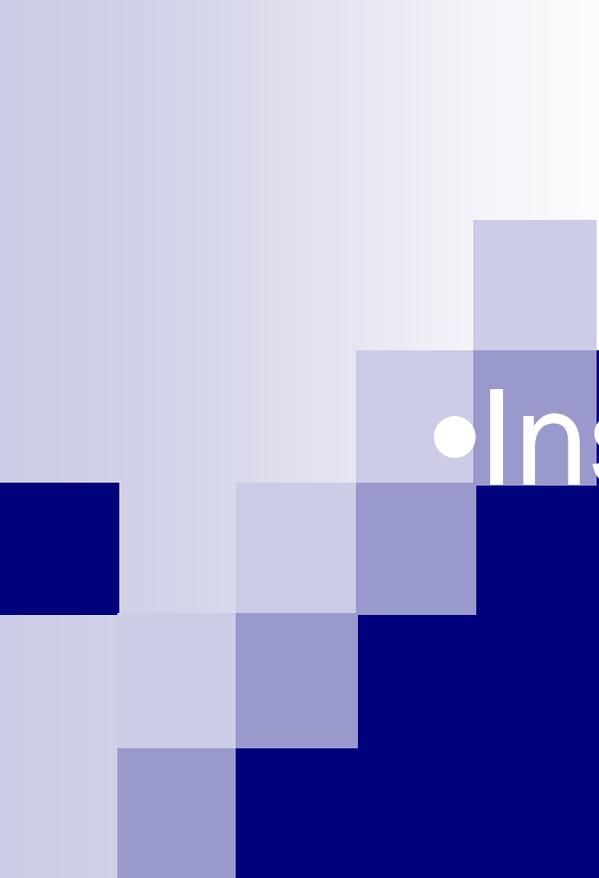
# COPS Audit Liaison Division Audit Resolution Policy

- The Inspector General Act of 1978
- OMB Circular A-50
- DOJ Order 2900.6A



# Inspector General Act Introduction

- Purpose of Inspectors General
- Definitions
  - Questioned Costs
  - Funds to Better Use
- Reports to Congress



# • Inspector General Act Introduction

- Purpose of Inspectors  
General

# Inspector General Purpose

- To conduct and supervise audits and investigations relating to programs and operations of establishments:
  - Internal Operations
  - External Grantees
  
- To provide leadership and coordination and recommend policies for activities to:
  - (a) promote economy, efficiency, and effectiveness in administration of, and,
  - (b) prevent and detect waste, fraud, and abuse in such programs and operations.
  
- To provide a means for keeping the United States Attorney General (AG) and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the progress of necessary corrective action.



# Office of the Inspector General

- Specific to COPS Office programs
- Grantees audited by staff of OIG, not COPS
- Record Keeping – Critical!



# Inspector General Act Introduction

- Definitions

# Inspector General Act

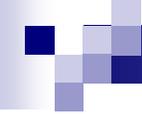
## Questioned Costs

- ❖ Questioned Costs
  - An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
  
- ❖ Unallowable Costs
  - Costs that management in a management decision, has sustained or agreed should not be charged to the Government.
  
- ❖ Unsupported Costs
  - Costs questioned by the auditors because the auditors found, at the time of the audit, such costs were not supported by adequate documentation.

# Funds to Better Use

## Funds to Better Use

- The term "recommendation that funds be put to better use" means a recommendation by the OIG that funds could be used more efficiently if management takes the following actions:
  - (a) reductions in outlays;
  - (b) de-obligation of funds;
  - (c) withdrawal;
  - (d) costs not incurred by implementing recommended improvements;
  - (e) avoidance of unnecessary expenditures; or
  - (f) any other savings which are specifically identified;



# The OIG Reports to Congress

- The OIG is required to report to Congress on a semi-annual basis.
- They do so in the form of a semi-annual report which summarizes the results of OIG Audits, Inspections, and Investigations.



# OMB Circular A-50

## Audit Follow-Up

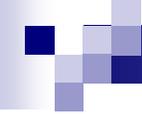
- Purpose
- Policy
- Definitions
  - Responses to Audit Reports
  - Resolution
- Responsibilities
- Follow-Up Systems
- Accounting Collection and Controls



# OMB Circular A-50

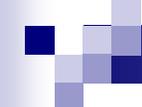
## Purpose

- OMB Circular A-50 provides the policies and procedures for use by executive agencies when considering reports issued by the Inspectors General, other executive branch audit organizations, the General Accountability Office (GAO), and non-Federal auditors where follow-up is necessary.



# OMB Circular A-50 Policy

- Audit follow-up is an integral part of good management, and is a shared responsibility of agency management officials and auditors.
- Each agency shall establish systems to assure the prompt and proper resolution and implementation of audit recommendations.



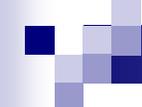
# OMB Circular A-50 Policy Continued

- Agency systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations.

# OMB Circular A-50

## Definitions

- Responses to Audit Reports
  - Unresolved - No agreement on the recommendation or a proposed corrective action.
  - Resolved - Agreement on the recommendation and the proposed corrective action.
  - Closed - Agreed upon corrective action complete.
  
- Corrective Action (Non-Monetary Findings)
  - Policies and procedures.
  - Accounting and tracking system improvements.
  - Other administrative action.



# OMB Circular A-50

## Definitions Continued

- Corrective Action (Monetary Findings)
  - Collection
    - Payment
    - Installment Payment
    - Offset
  - Alternative Remedy
    - Non-Cash Resolution

# OMB Circular A-50

## Responsibilities

### ■ Agency Head

- Designating a top management official to oversee audit follow-up, including resolution and corrective action.
- Assuring that management officials throughout the agency understand the value of the audit process and are responsive to audit recommendations.

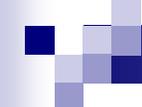


# OMB Circular A-50

## Responsibilities (Continued)

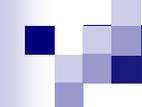
- Audit Liaison Division

- Ensure systems of audit follow-up, resolution, and corrective actions are documented and in place.
- Ensure timely responses are made to all audit reports.
- Ensure disagreements are resolved.
- Ensure corrective actions are actually taken.



# OMB Circular A-50 Follow-up Systems

- Audit Management System-AMS: (Internal System that helps COPS):
  - Tracks Suspense Dates
  - Tracks follow-up Actions
  - Tracks Recommendation and Audit Status



# OMB Circular A-50

## Accounting and Collection Controls

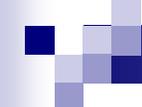
- Controls
  - Recording Receivables
  - Tracking interest charges
  - Allowance for Uncollectible Debts
  - Payment of Debts
  - Exceptions (Withholding of payments)



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

- Purpose
- Policy
- Definitions
- Audit Resolution Committee
- Responsibilities



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Purpose

The order establishes:

1. The Department of Justice (DOJ) policies for the follow-up and resolution of audit findings and recommendations;
2. DOJ's policies on establishing and collecting claims arising from audit findings;
3. An Audit Resolution Committee;
4. The responsibilities for implementing this order; and,
5. The general criteria for the resolution of audit findings and recommendations.



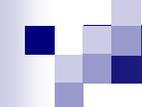
# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Policy

The order establishes that:

1. An audit follow-up and resolution system be established within DOJ that assures that all OIG audit reports are adequately and timely resolved;
2. An effective accounting and collection controls system be established for any amounts due the Government as a result of audit findings;
3. All resolution actions will be consistent with the governing laws and regulations and include, as appropriate, written justification and legal basis for decisions not to seek recovery of monies due the Government; and,
4. There be close coordination of all affected organizations throughout the resolution process.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Policy (continued)

5. Departmental Components shall assign a high priority to the immediate implementation of this order so that DOJ will be in full compliance with the legislative and regulatory requirements pertaining to the timely resolution of audits and the collection of claims arising from them.
6. The DOJ strongly encourages the resolution of differences at the lowest practicable management level to avoid the need to refer resolution issues to a higher authority within DOJ for resolution.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

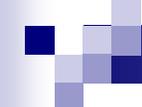
### Definitions

#### 1. Departmental Component

The organizational unit to which the audit report is addressed and which is responsible for responding to, and taking actions on, the audit findings and recommendations.

#### 2. Audit Follow-up

The tracking of audit reports by the OIG and the component from the issuance of a final report to the closing of that report. The tracking requires the receipt by the OIG from all affected parties of supportive evidence of actions taken or not taken on audit report recommendations.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Definitions (continued)

#### 3. Management Decision

The prepared detailed response to the final audit report findings and recommendations. Such response shall be made within a maximum of 4 months after issuance of the audit report. The response shall be keyed to each recommendation and shall include:

a) the specific corrective actions that have or will be taken to address each recommendation;

b) milestones for commencing and completing each of the corrective actions, and

c) the title of the management official(s) directly responsible for ensuring that corrective actions are taken.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

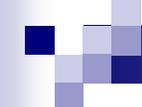
### Definitions (continued)

#### 4. Final Decision

A final decision is reached when:

a) The DOJ component has prepared a management decision, the OIG has provided written concurrence on the corrective actions taken or to be taken, and all disagreements on audit findings and/or recommendations have been resolved; and

b) If agreement is not reached between the OIG and DOJ component within 4 months of the audit issuance date, the Audit Resolution Committee shall render the final decision.



# DOJ Order 2900.6A

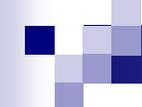
## Audit Follow-Up and Resolution

### Definitions (concluded)

#### 5. Final Action

a) Final action is completed when all corrective actions detailed in the DOJ component's management decision have been completed or waived by the appropriate authority; and

b) The closure by the OIG will be based on the receipt from the DOJ component of adequate documentation showing the actions are completed. In findings that involved monies owed the Government, closure will be based on written evidence of actual payment or the waiving or termination of the claim.



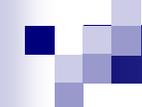
# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Audit Resolution Committee

#### a. Responsibilities

1. Resolve within 6 months of the issuance of the audit report, significant disagreements between the OIG and the DOJ component regarding audit findings and recommendations or corrective actions taken.
2. Review and direct action on audit findings and recommendations to which the DOJ component has failed to make written comments within the 4 month period.
3. Review and direct action on corrective actions promised by the DOJ component that were not taken within a reasonable period of time.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Audit Resolution Committee (continued)

#### b. Resolving Disputes

To ensure that the Committee focuses its attention on matters of major significance or substantive disputes. Every effort shall be taken by the DOJ component and the OIG to resolve any difference at the lowest management level practicable.

# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Audit Resolution Committee (concluded)

#### c. Participants

1. Deputy AG (Chairperson)
2. Inspector General
3. Component Head
4. Assistant Attorney General for Administration

**Note:** The Audit Resolution Committee is an internal policy committee, and is not an appeals body. There are no rights under this order flowing to grantees, sub-grantees or contractors.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Responsibilities

a. Deputy Attorney General

The Deputy Attorney General is the DOJ's audit follow-up official and has the responsibility for audit follow-up, including final decision and final action.

b. Office of the Deputy Attorney General

This office is responsible for tracking of and reporting to Congress final actions on audits for the periods ending March 31, and September 30 of each year. (**Most of the work is done by the Audit Liaison Division under the Assistant Attorney General for Administration**).



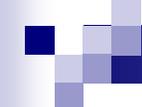
# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Responsibilities (continued)

#### c. Office of the Inspector General

1. Formulates policies on the DOJ audit resolution and follow-up system.
2. Establishes and maintains the OIG audit resolution and follow-up tracking system.
3. Coordinates with the DOJ component during the audit report resolution process and respond to management decisions within 30 days of issuance.
4. Submits semi-annual reports to the AG and Congress.
5. Conducts periodic evaluations of the DOJ audit follow-up and resolution system.



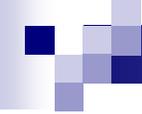
# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Responsibilities (continued)

#### c. Office of the Inspector General (continued)

6. After notifying the affected DOJ component, forward to the ARC, within a maximum of 5 months after issuance of the audit report, all major disagreements that remain on audit findings and/or recommendations as well as all audit reports in which the DOJ component has failed to make written comments or initiate corrective action.
  
7. Monitor the implementation of resolved audit recommendations in order to assure that promised corrective action is actually taken.



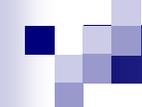
# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Responsibilities (continued)

#### c. COPS

1. Maintains accurate records of all audit findings until final action.
2. Provides management decisions promptly, but not later than the 4-month period on all findings, and initiate corrective action and inform the OIG of the status of the resolution actions.
3. Submits to the OIG adequate documentation showing that the agreed upon corrective action detailed in the management decision has been completed.
4. Coordinates with the OIG throughout the audit resolution process.



# DOJ Order 2900.6A

## Audit Follow-Up and Resolution

### Responsibilities (continued)

#### c. COPS (concluded)

5. Assures that resolution actions are consistent with laws, regulations, and policies.
6. Establishes appropriate accounting and collection controls for amounts due the Government as a result of resolved audit findings and recommendations.



# *Audits -FAQs*

- What is the process for responding to an OIG audit report?
- What do the terms “unresolved,” “resolved,” and “closed” mean for audit report recommendations?
- What do the terms “questioned costs” and “funds to better use” mean when used in audit recommendations?
- What kind of issues are currently being raised by the OIG in recent audits?

# *CONTACT INFORMATION*

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OIG Program Audits