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Agency for International Development

Audit Follow-up and Resolution

Policy and Procedures

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AUDIT FOLLOW-UP AND RESOLUTION POLICY AND PROCEDURES

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1. PURPOSE

This Notice describes the responsibilities of the Agency and Bureau Follow-up Officials, the Office of the Inspector General, and the Agency's management officials in establishing procedures for follow-up actions on findings and recommendations of audit reports. These revised procedures are designed to ensure compliance with Public Law 96-304, the Supplemental Appropriation and Rescission Act of 1980; Public Laws 95-452 and 96-452, Inspector General Act of 1978; Public Law 100-504, the Inspector General Act Amendments of 1988; and Office of Management and Budget Circular A-50, Audit Follow-up.

This Notice applies to all audit findings and recommendations contained in audit reports issued by or under the auspices of the Inspector General, or the General Accounting Office, except those applicable to contract price proposals. Audits include external audits of contracts or grants and internal audits of A.I.D. programs.

2. SCOPE

These policies and procedures are applicable throughout the Agency.

3. BACKGROUND

Public Law 96-304, the Supplemental Appropriation and Rescission Act of 1980, which was effective on July 8, 1980, requires that audits involving questioned expenditures arising after October 9, 1980, shall be resolved within 6 months of completing the final audit report.

House Report No. 97-279, issued October 20, 1981, by the Committee on Government Operations recommends that all audits with reported findings or recommendations (not just those involving questioned expenditures) be included in agency tracking and control systems and elevated for resolution when there are delays or disagreements between auditors and program officials.

Public Law 100-504, the Inspector General Act Amendments of 1988, requires agency heads to report to the Congress the completion status of all open audit recommendations over 1 year old; that is, all resolved recommendations where corrective actions had not been completed within 1 year from the date of resolution.

Office of Management and Budget (OBM) Circular No. A-50, Audit Follow-up, revised September 29, 1982, requires that each agency establish systems to assure the prompt and proper resolution and implementation of audit recommendations. It specifies the role of the designated follow-up official and strengthens the procedures for resolution of audit findings and corrective action on recommendations contained in audit reports issued by the Inspector General, the General Accounting Office, and other audit organizations.

Follow-up is a continuous process to ensure that prompt and responsive action is taken on findings and recommendations contained in final reports. The system of follow-up control starts when the final report is issued and continues until all the findings have been resolved and corrective actions completed.

4. DEFINITIONS

AUDIT REPORT: This term refers to either a draft or final report. A draft report contains draft findings and recommendations which may be changed or omitted in the final report. A final report contains the final findings, recommendations and, to the extent possible, the comments and actions taken or planned by the management official. Audit reports include audits made by the Inspector General, external audits made by private accounting firms or contractors and certified by the Inspector General, audits made by other Government agencies such as Health and Human Services and Defense Contract Audit Agency, and audits made by the General Accounting Office.

AGENCY FOLLOW-UP OFFICIAL: The Agency Follow-up Official is the Assistant to the Administrator, Bureau for Personnel and Financial Management.

BUREAU FOLLOW-UP OFFICIAL: Assistant Administrators shall be the follow-up officials in each Bureau. The Assistant Administrator may designate another Bureau official to assist in fulfilling this responsibility. The Bureau Follow-up Official shall be the single point of contact appointed by the Assistant Administrator in each Bureau and shall be the counterpart to the Agency Follow-up Official.

INDEPENDENT OFFICE FOLLOW-UP OFFICIAL: Heads of independent offices shall be the follow-up officials in each Office. The head of an independent office may designate another official to assist in fulfilling this responsibility. The

independent office Follow-up Official shall be the single point of contact appointed by the head of an independent office and shall be the office's counterpart to the Agency Follow-up Official. Functions are analogous with those of the Bureau Follow-up Official.

MISSION FOLLOW-UP OFFICIAL: Mission Directors shall be the Follow-up Official at the Mission level. The Mission Director may designate another Mission official to assist in fulfilling this responsibility. The Mission Follow-up Official has the primary responsibility to ensure an effective follow-up system in the respective Mission, and to provide this information to the Bureau Follow-up Official.

MANAGEMENT ACTION OFFICIAL: A Management Action Official is either the official to whom the audit report is addressed, or the Agency head who is ultimately responsible for the program or activity being audited. The management official has primary responsibility for ensuring the implementation of corrective actions.

RESOLVED RECOMMENDATIONS: For most audits, recommendations are resolved at the time that the management official and the Inspector General agree on the action to be taken on reported findings and recommendations. In the event of disagreement, audit resolution occurs when the Agency Follow-up Official determines the matter to be resolved. In some instances, however, disagreements may require resolution by the Administrator. A recommendation may be considered resolved despite the right of persons outside the Agency to negotiate, appeal, or litigate. Agreement on a finding by parties outside the Government neither precludes further consideration of issues in the finding by Agency management, nor is such agreement to be considered resolution of the issues.

CLOSED RECOMMENDATIONS: Recommendations are closed when the corrective actions are satisfactorily accomplished, including the recovery of the unsupported portion of questioned costs, substantiation of unsupported costs, or management action to implement the management efficiency. As part of the close-out process, Bureaus and independent Offices shall document the completion of corrective actions and shall advise the Inspector General that completion has in fact been satisfactorily accomplished.

TYPES OF AUDIT FINDINGS: The types of findings contained in the Inspector General's and other audit reports may be classified as follows:

(1) Questioned Costs Finding: These findings identify costs which the auditor considers to be potentially unallowable because of the following: (a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement or document governing the expenditure of funds; (b) a finding that, at the time of audit, such cost was not supported by adequate documentation; or (c) a finding that the expenditure of funds for the intended purpose may be unnecessary or unreasonable.

(2) Management Efficiency Finding: These findings identify cost avoidances which include reductions or eliminations of payments, costs, or expenses that would have been made or incurred by the Federal Government. Estimates rather than precise determinations may be used for these findings . This category also includes savings from such items as reprogramming or recapture of unliquidated obligations, and more effective contract negotiations.

(3) Procedural or Internal Control Finding: These findings identify a weakness or breakdown in procedures or internal controls. The findings include recommendations for making A.I.D. programs and operations more effective. In many instances, these findings are more significant in terms of long-range impact than cost recoveries. The Inspector General audit reports shall indicate which of these findings meet the criteria for materiality, in connection with reporting pursuant to the Federal Managers' Financial Integrity Act.

(4) Unsupported Costs Finding: These findings identify costs for which the auditor, at the time of the audit, is unable to gather sufficient, competent, or relevant evidence to determine their allowability. Examples of these costs are unaudited third party contracts or costs unsupported by adequate documentation. The audit follow-up process will assure the recovery of unsupported costs if the cost cannot be documented within a reasonable period of time, as agreed upon by the Inspector General and management.

SPECIAL DEFINITIONS: Special definitions are to be used in semiannual reports required by Congress pursuant to Public Law 100-504. Special definitions are:

(1) Disallowed cost: This term means a questioned cost that management, in a management decision, has sustained and agreed should not be charged to the Government.

(2) Recommendation that funds be put to a better use: This term is synonymous with "Management Efficiency Finding" and means a recommendation by the Inspector General that funds could be used more efficiently if management took action to implement and complete the recommendation, including:

(2a) Reduction in outlays;

(2b) Deobligation of funds from programs or operations;

(2c) Withdrawal of interest subsidy costs on loans, loan guarantees, insurance, or bonds;

(2d) Costs not incurred by implementing recommended operational improvements;

(2e) Avoidance of unnecessary expenditures noted in preaward reviews of contracts or grant agreements;

(2f) Any other savings which can be specifically identified.

(3) Management Decision: This term means the evaluation by the responsible Agency management official of the findings and recommendations included in the Inspector General's audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including appropriate corrective actions, or a statement with supporting reasons as to why no action is considered necessary.

(4) Final Action: This term means the completion of all actions that management has concluded are necessary with respect to the findings and recommendations in the Inspector General audit report. If management concludes no action is necessary, final action occurs when a management decision has been made that no action is necessary.

5. POLICY

Audit follow-up is an integral part of good management and is a shared responsibility of management officials and the Inspector General. Corrective action by management

officials on resolved findings and recommendations is essential to improve the effectiveness and efficiency of the Agency's operations. The Assistant Administrator in each Bureau, and the Director of each independent office shall assign the necessary responsibilities and resources, and establish a process to assure prompt responses to audit reports and proper resolution and implementation of audit recommendations. These processes shall provide a complete record of actions taken on both monetary and non-monetary findings and recommendations. This record must be provided to the Administrator and the Agency Follow-up Official in a timely and uniform manner in order that the Agency may meet information and reporting requirements. It is A.I.D.'s policy that all findings contained in a final audit report be resolved within six months after the report issuance date. Further, it is A.I.D.'s policy that corrective actions on resolved audit findings will be completed as quickly as possible in accordance with the management official's commitment, and reported to the Inspector General upon completion. A reasonable effort shall be made to complete corrective actions within one year from audit resolution.

6. RESPONSIBILITIES OF THE AGENCY FOLLOW-UP OFFICIAL

Designation of the Agency Follow-up Official. The Agency Follow-up Official has been designated by the Administrator as having responsibility for the Agency's follow-up system and for ensuring that this system is given a high priority. The function includes oversight, reporting, establishing Agency policy, and active involvement in all aspects of the follow-up process.

a. Assuring Compliance with the Office of Management and Budget's (OMB) Circular A-50: The Agency Follow-up Official shall assure that each Bureau and Office's system of audit follow-up is documented, in place, and in accordance with the provisions of OMB Circular A-50, and that necessary information is provided regarding corrective actions on each audit recommendation, with estimated and actual completion dates.

b. Resolving Audit Disagreements: The Agency Follow-up Official is normally the highest management level for determining the resolution of audit findings and recommendations when the Inspector General and management officials disagree. This responsibility for resolving recommendations does not apply to contract audits discussed in paragraph 7g. Contracting officers are responsible for negotiating the settlement of contract audit recommendations

except for disputes referred to an appropriate board of contract appeals for decision. (41 U.S.C. 601-613, as implemented in FAR Part 33, and as provided in FAR 1.6 and Subpart 701.6 of the AIDAR.)

c. Coordinating the Audit Resolution Effort: The Agency Follow-up Official shall coordinate the resolution effort to assure that final audit reports are resolved within 6 months after their issuance, and where appropriate, will make final resolution determinations during a 90-day period following the Inspector General's referral of unresolved recommendations.

d. Processing Quarterly Corrective Action Status Reports: The Agency Follow-up Official shall process quarterly corrective action status reports furnished by the Inspector General by providing the reports to the Bureau Follow-up Official and furnishing updated information to the Inspector General.

e. Disagreements between the Inspector General and the Agency Follow-up Official: As suggested above, the Agency Follow-up Official's decision will normally be final in resolving disputed audit findings and recommendations. In exceptional cases, however, such as those involving large amounts of money or the setting of significant precedent, the Inspector General may choose to appeal the Agency Follow-up Official's decision to the Administrator. In such cases, the Inspector General shall take the lead in processing such an appeal, including obtaining statements from Agency management, for decision by the Administrator. It is the intention that such documentation will be read for decision by the Administrator within forty-five days after the decision by the Agency Follow-up Official.

f. Reporting the Results of Completed Corrective Action: Pursuant to P.L. 100-504, the Inspector General's Act Amendments of 1988, the Agency Follow-up Official shall, on a semiannual basis, report to the Administrator and to the Congress the results of completed corrective actions contained in management decisions made on audit reports issued by the Inspector General. The Agency Follow-up Official shall coordinate with the Inspector General and the follow-up officials to assure that the information to be included in the report is accurate and collected in a timely manner. The first report shall be furnished after the semiannual reporting period ending March 31, 1990, and shall be entitled "Semiannual Report on Audit Recommendations." Corrective action status reports maintained by the Inspector General and audit close-out reports maintained by the follow-up officials shall comprise the primary data base for preparation of the semiannual report.

g. Semiannual Report on Audit Recommendations: The Agency Follow-up Official is responsible for preparing or providing input for A.I.D.'s Semiannual Report on Audit Recommendations. Semiannual reports of the Inspector General shall be furnished to the Agency Follow-up Official not later than April 30 and October 31 of each year, and shall be transmitted by the Agency Follow-up Official to the Administrator and to the appropriate committees or subcommittees of the Congress within 30 days after the receipt of the report, together with a report by the Agency Follow-up Official containing:

(1) any comments the Agency Follow-up Official determines appropriate;

(2) statistical tables showing the total number of audit reports and the total dollar value of disallowed costs for:

(2a) audit reports on which final action has not been taken by the commencement of the reporting period;

(2b) audit reports on which management decisions were made during the reporting period;

(2c) audit reports for which final action was taken during the reporting period, including (1) the dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise, and (2) the dollar value of costs disallowed that were written off by management; and

(2d) audit reports for which no final action had been taken by the end of the reporting period.

(3) statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision for:

(3a) audit reports for which final action had not been taken by the commencement of the reporting period;

(3b) audit reports on which management decisions were made during the reporting period;

(3c) audit reports for which final action was taken during the reporting period, including (1) the dollar value of recommendations that were actually completed, and (2) the dollar value of recommendations that management had subsequently concluded should not or could not be implemented or completed; and

(3d) audit reports for which no final action has been taken by the end of the reporting period.

(4) a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year, containing;

(4a) a list of such audit reports and the date each such report was issued;

(4b) the dollar value of disallowed costs for each report;

(4c) the dollar value of recommendations that funds be put to better use agreed to by management for each report; and

(4d) an explanation of the reasons final action has not been taken with respect to each audit report, except audit reports that are under formal administrative or judicial appeal or those which management has agreed to pursue a legislative solution, but shall identify the number of reports in each category so excluded.

(5) Sixty days after the transmission of the semiannual report to Congress, the Agency Follow-up Official shall make copies of the report available to the public upon request and for a reasonable fee.

(6) The Inspector General shall immediately report all serious or flagrant problems, abuses, and deficiencies relating to the administration of programs and operations of A.I.D. to the Administrator. The Administrator shall transmit all such reports to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report by the Agency Follow-up Official containing any comments the Agency Follow-up Official deems appropriate.

(6a) Nothing in this section shall be construed to authorize the public disclosure of information which is (1) specifically prohibited from disclosure by any other provision of law; (2) specifically required by Executive order to be protected from disclosure in the interest of national defense, of national security, or in the conduct of foreign affairs; or (3) a part of an ongoing criminal investigation except if such ongoing criminal investigation information has been included in a public record.

(7) Nothing in this section or in any other provision of the Act shall be construed to authorize or permit the withholding of information from the Congress, or from any committee or subcommittee thereof.

7. RESPONSIBILITIES OF BUREAU AND INDEPENDENT OFFICE FOLLOW-UP OFFICIALS

Designation of Bureau and Independent Office Follow-up Officials. Assistant Administrators and independent Office Directors are the responsible officers to ensure proper follow-up of audit findings in their respective areas. In carrying out this responsibility these officials shall designate an appropriate senior officer to act as the Office or Bureau's Follow-up Official for A.I.D./W. This officer shall have appropriate authority and responsibility to establish a follow-up system, assure timely resolution and implementation of corrective actions, and provide requested information to the Agency Follow-up Official. In addition, this responsibility shall include the maintenance of accurate follow-up records and the establishment of accounting controls over audit disallowances.

The Mission Director or the Mission Director's designee at each USAID Mission is accountable for the above described follow-up responsibilities at the Mission level and shall also support the Bureau Follow-up Official. However, the Bureau Follow-up Official serves as the single point of contact on all follow-up matters.

a. Taking Action on Unresolved Audits: To assure efficient control over the audit resolution process, follow-up officials shall take timely action in response to consolidated listings of unresolved audit recommendations furnished monthly by the Inspector General. Follow-up

officials shall review the listing by confirming the resolution status for each unresolved audit report contained in the listing with the appropriate Action office within the Agency.

b. Preparing Audit Close-out Reports: Once resolution has been achieved, follow-up officials shall maintain a record of corrective action taken on each resolved audit finding and recommendation. Upon completion of corrective action, the Follow-up Official shall advise the Inspector General accordingly. The close-out report shall contain the audit report number, the report title, the title of the findings, open recommendations, corrective actions agreed upon, and date completed. Further, the close-out report shall summarize any monetary amounts recovered as a result of questioned or unsupported costs, and any dollar benefits resulting from cost avoidances or other management efficiencies recommended by the Inspector General's audit recommendations. The close-out report shall be maintained by the appropriate Follow-up Official and shall be made available for review by representatives of the Inspector General and the Agency Follow-up Official.

c. Responding to Corrective Action Status Reports: To assure control over the follow-up process, follow-up officials shall respond to corrective action status reports furnished quarterly by the Agency Follow-up Official. This follow-up report shall list all resolved audit recommendations that remain open one year after the date of the audit report and a target completion date shall be entered by follow-up officals on the status report.

(1) If corrective action is completed, the date of completion shall be entered in the status report, along with any cost disallowances recovered, or monetary benefits achieved.

(2) If no corrective action has been accomplished or none is planned, the Bureau Follow-up Official shall attach a written explanation to the status report. A review of the explanation will determine whether the recommendation should be reclassified as unresolved or considered to be closed.

(3) If follow-up officials are aware of other audit recommendations that have been closed during the current quarter, but are not identified as closed in the status report for the current quarter, the status report will be updated by including the information requested in subparagraph 2, above.

(4) The status report shall be returned to the Agency Follow-up Official as soon as the update is completed.

d. Recording and Collection of Audit Related Debt: Each Bureau and independent Office shall develop implementing guidance to ensure the timely recording by the Office of Financial Management of accounts receivable generated from cost-questioned audit findings, and collection of all amounts owed the U.S. Government in accordance with Government debt collection standards and Agency policies. Development of such guidance shall be coordinated with the Bureau for Personnel and Financial Management, and copies of the final guidance will be provided to the Agency Follow-up Official.

e. Evaluation of Management Performance: Each Bureau, Office and Mission shall ensure the accomplishment of audit follow-up responsibilities. The performance standards and plans will include a description of follow-up duties and the performance appraisals/employee evaluation reports of employees assigned responsibilities under this notice will be evaluated on their effectiveness in carrying out these responsibilities.

f. Compliance with OMB Circular A-123: Each Bureau and independent Office shall ensure that the audit resolution and follow-up process is identified as a component of a Management Control Plan pursuant to OMB Circular A-123, as revised. Accordingly, each Bureau Follow-up Official shall be responsible for conducting a periodic evaluation of the audit resolution and follow-up process, as prescribed by the Circular and as implemented by Agency guidance.

g. Following-up on Contract Audits: Each contracting officer or office shall respond to requests for information contained in the Inspector General's memoranda transmitting the results of audits of contracts. Contract audits include preawards, overhead, incurred costs, close out or other special audits related to contract administration and are advisory in nature. The information to be furnished to the Inspector General to close the audits shall consist of a memorandum from the contracting official summarizing the negotiations or action taken to settle the cost reductions or avoidances included in any recommended audit adjustments. This information shall fulfill the new follow-up reporting requirements prescribed by P.L. 100-504, the Inspector General's Act Amendments of 1988. As provided by the Act, recommendations that funds be put to a better use (i.e., management efficiencies) are defined as including

the avoidance of unnecessary expenditures noted in audits of contract or grant agreements. The contract audit shall be considered as unresolved until such time as the requested information has been formally provided to the Office of Inspector General. Upon receipt of the information the Inspector General shall close out the audit with no further follow-up action necessary.

8. RESPONSIBILITIES OF THE MANAGEMENT ACTION OFFICIALS

a. Establishment of Audit Follow-up Controls: Primary responsibility for responding to, resolving, and implementing audit recommendations rests with the responsible management action official. Timely action by management officials on recommendations is an integral part of the audit follow-up system, and has a direct bearing on its effectiveness.

b. Responding to the Inspector General's Draft Reports: The management action official shall respond to the Inspector General's draft reports within 30 days by (1) setting forth their agreement or disagreement with the audit findings and each recommendation, and monetary amounts including questioned or unsupported costs, and estimates of management efficiencies, and (2) providing estimated target dates for completion of corrective actions on recommendations with which they agree. On a case-by-case basis the Inspector General shall consider limited response time extensions where clearly justified.

c. Responding to the Inspector General's Final Report: For those audits which remain unresolved at the time the final report is issued (including final reports not issued in draft), the management action official shall inform the Inspector General within 30 days as to what further or alternative action, if any, they propose. The response to the Inspector General shall include target dates for completing corrective action. If a management official disagrees with the audit findings, recommendations, questioned or unsupported costs of management efficiency estimates, the Inspector General shall be given an explanation of the reasons. On a case-by-case basis the Inspector General shall consider limited response time extensions where clearly justified.

d. Handling Audit Reports: Management officials may transmit the audit report to the grantee or host government officials requesting comments on the auditor's finding and recommendations. Management officials should provide

technical assistance to resolve deficiencies identified in audit reports and assist grantees in resolving underlying causes of reported findings. In cases of audit findings involving the application and/or interpretation of law or regulation, consideration should be given to obtaining legal opinion when a decision is made not to disallow or recover questioned costs. The audit report shall in the first instance state the prima facie basis for disallowed or recovering costs.

9. RESPONSIBILITIES OF THE OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General shall have the following responsibilities:

a. Audit Findings: The Inspector General shall ensure that any audit finding that alleges a violation of law, regulation or other document shall state the specific provision, e.g. section 604(a) of the Foreign Assistant Act and not merely the Foreign Assistance Act.

b. Issuance of Draft Reports: The Inspector General shall formally issue a draft report which describes the audit findings and recommendations. The draft report is used to confirm the facts presented, foster understanding of the findings and recommendations; alert management to material weaknesses in underlying systems of internal control which should be reported under OMB Circular A-123; provide management with an opportunity to comment on the findings, recommendations, questioned or unsupported costs, and other potential management dollar benefits contained in the report; and request from management an outline or plan for implementing corrective actions on agreed upon recommendations. The Inspector General shall ensure that sufficient supporting criteria are included in the audit report to permit management an opportunity to evaluate whether identifiable monetary benefits associated with the audit findings and recommendations are, in fact, realizable. The response to the draft report is required within 30 days and shall be included in the final report. If a response is not received within required time frame, the final report shall be issued by the Inspector General with a statement that a response to the draft was requested but not received.

c. Issuance of Final Reports: The Inspector General's memorandum which transmits the final audit report will identify whether each audit recommendation is resolved

or unresolved. It will take into account the Agency response to the draft report and state the basis for any disagreement with the Agency response. For those findings resolved, the final report shall describe the agreed-upon action and a time frame for implementation. If findings remain unresolved or a more detailed response is needed, a formal response shall be requested and will be due within 30 days of issuance of the final report. Unresolved issues not responded to within 120 days shall be referred to the Agency Follow-up Official for appropriate action; see Section 7 above.

d. Reviewing Responses to Final Reports: The Inspector General shall review management's responses to recommendations on all final reports and will work with management action official to resolve any differences. The Inspector General shall complete action on management's response during a 45-day period following receipt of the response. Any remaining disagreements shall be referred to the Agency Follow-up Official for resolution.

e. Maintaining Audit Follow-up Data: The Inspector General shall maintain a data base of findings and recommendations on all audit reports until the findings and recommendations have been resolved and closed. The information maintained shall be as follows:

(1) Each recommendation shall be categorized as supporting a finding of a questioned cost, unsupported cost, a management efficiency, or a procedural or internal control problem;

(2) Each recommendation shall be identified as to whether it is open (unresolved or resolved) or closed;

(3) Each recommendation shall include the date for completion of corrective action agreed to by the management officials and the actual date of completion of corrective action, where applicable;

(4) Each recommendation shall reflect the amount of costs questioned or estimated dollar benefits, and the amount agreed to by management. In addition, actual recoveries of costs or benefits shall be recorded based on information contained in close-out reports furnished by the Bureau Follow-up Officials.

f. Sharing Audit Resolution Data: On a monthly basis, the Inspector General shall provide listings of all open audit recommendations to the Agency Follow-up Official

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and the Bureau or Office follow-up officials for their information and necessary action. The recommendations will be listed chronologically for each Bureau and independent Office and will segregate the recommendations which will be open over six months at the end of the current semi-annual reporting period, and will identify the number of days open in each case.

g. Sharing Audit Follow-up Data: For follow-up control purposes, the Inspector General shall provide the Agency Follow-up Official with a quarterly corrective action status report. The report shall list all open recommendations that have remained open for at least a year.

h. Semiannual Reporting of Audit Results: Pursuant to Public Law 100-504, the Inspector General Act Amendments of 1988, the Inspector General shall, on a semiannual basis, furnish to the Administrator a report for transmission to the Congress. The report shall describe the results of audit activity during the period, including the resolution status of audit reports issued. Regarding audit activity the semi-annual report shall include:

(1) A detailed listing of all audit reports issued or transmitted by the Inspector General during the period, and for each audit report when applicable, the total dollar value of questioned costs,unsupported costs, and the dollar value of recommendations to put funds to a better use (i.e., management efficiency findings);

(2) A discussion of each particularly significant audit report issued by the Inspector General during the period;

(3) Statistical tables accounting for the number and dollar value of audit reports containing monetary findings. Specifically, the tables shall account for (a) audit reports without management decisions (i.e., unresolved) at the beginning of the period; (b) audit reports issued during the period; (c) audit reports on which management decisions were made (i.e., resolved) during the period; and (d) audit reports on which no management decisions were made at the end of the period. One table shall be prepared for audit reports containing questioned costs and unsupported costs, and another table shall be prepared for audit reports containing recommendations to put funds to a better use;

(4) A summary of each audit report issued in prior periods for which a management decision has not been made by the end of the current reporting period. The summary shall include a discussion explaining why a management decision has not been made, and a timetable for a achieving a management decision;

(5) A discussion of any significant management decision with which the Inspector General is in disagreement;

(6) A description and explanation of any significant revised management decision made during the period.

10. RESOLUTION OF AUDIT FINDINGS AND RECOMMENDATIONS

The management action official shall take action to resolve audit findings and recommendations. An audit report is resolved at the time that management officials and the Inspector General agree on the appropriate corrective action to be taken in response to the report recommendations; the reasonableness of the amount of questioned or unsupported costs or potential management efficiencies to be disallowed; and the estimated target dates for completion of corrective action. In the event of disagreement, resolution occurs based upon either the determination of the Agency Follow-up Official or, exceptionally, the Administrator (see Section 7 above) or acceptance by the Inspector General and management of an alternative action or dollar benefit estimate, cost disallowance, or target completion date.

11. CLOSING AUDIT FINDINGS AND RECOMMENDATIONS

The OMB Circular No. A-50 defines resolution of audit recommendations as the point at which the audit organization and Agency management or contracting officials agree on action to be taken on reported findings and recommendations or, in the event of disagreement, the point at which the Agency Follow-up Official determines the matter to be resolved. The Inspector General's standards require appropriate action to be taken to either correct, improve, or demonstrate that action is not necessary before recommendations are considered closed. The actions reported by management must provide reasonable assurance that the deficiency, as described in the finding, has been or is being corrected. A recommendation shall not be closed without satisfactory evidence or assurances from responsible management officials that corrective action has been fully implemented. (Procedures for closing audit findings and recommendations are the same as those for resolving audit recommendations, see Section 7 above.)

a. Questioned or Unsupported Cost Recommendations: When a recommendation involves a potential monetary recovery, the appropriate basis for closing is:

(1) Evidence of actual offset or monetary in-kind collection;

(2) A copy of the bill for collection; or

(3) A written statement which establishes a satisfactory legal basis for non-recovery, (i.e., appropriate documentation provided to evidence support of a claim by grantee or contractor).

This standard applies to any recommendation involving a potential monetary recovery to be accomplished by A.I.D. or by an A.I.D.-financed intermediary. All written statements concerning a legal basis for non-recovery shall be reviewed and cleared by the Regional Legal Advisor of the General Counsel's Office before issuance. In the normal case, it is expected that the opinion of the Regional Legal Advisor or the Assistant General Counsel, Washington (for the relevant bureau) will resolve the issue on legal grounds where the issue involves interpretation of the Foreign Assistance Act, or other legislation or regulations governing Agency operations. In extraordinary cases, for example, where opinions of subordinate Agency lawyers on the same generic issue differ, the Inspector General's Legal Counsel (IG/LC) may choose to seek the opinion of the General Counsel himself or herself; in such cases, the General Counsel's opinion on the legal issue(s) shall be final.

b. Procedural and Internal Control Recommendations: When a recommendation involves a procedural action that is feasible within one year of report issuance, the appropriate basis for closing is:

(1) A written report from the management action official supported by sufficient documentary evidence to demonstrate that satisfactory corrective action has been fully implemented.

(2) A written report from the management action official which sets forth satisfactory grounds for non-implementation of the recommendation.

When a recommendation involves a procedural action that will require more than one year from the time of report issuance to accomplish, the appropriate basis for closing is:

(3) A written commitment from the management action official to take satisfactory corrective action and, when appropriate, a copy of management's written implementation plan; or

(4) A written report from the management action official which sets forth satisfactory grounds for closing the recommendation without corrective action.

When recommendations are closed based on future corrective action, the management action official shall submit periodic reports which document the progress made in relation to the planned action. The frequency of reports would be dictated by the nature and projected timing of the corrective action.

When a recommendation involves a procedural action related to compliance with laws or regulations, the appropriate basis for closing is:

(5) A written report from the management action official supported by sufficient documentary evidence to demonstrate that satisfactory corrective action has been fully implemented; or

(6) A written report from the management action official to take satisfactory corrective action and, when appropriate, a copy of management's written implementation plan; or

(7) A written statement from the management action official which sets forth satisfactory legal grounds for non-implementation of the recommendation.

All written statements concerning a legal basis for non-implementation of recommendations should be reviewed by the IG/LC. As noted under Section 11 a. above, IG/LC may choose to refer the issue to the Regional Legal Advisor or to the A.I.D. General Counsel for a legal opinion.

c. Contract Audit Recommendations: When a recommendation involves contractor's costs or competence to perform, the appropriate basis for closing is:

(1) A copy of the contracting officer's "Memorandum of Negotiation" which describes the action taken on the recommendations and the reasons for any variation from the recommendations; or

(2) A written notice that the contractor was not considered for the contract or grant award.

Audit report recommendations on contract audits are generally resolved by negotiation and are not subject to the time limits or reporting requirements set forth on OMB Circular No. A-50.

d. Other: Audit closure occurs when agreement has been reached between the Inspector General and management that good reasons exist for not following the audit recommendation. For example, the conditions upon which the recommendations were made have changed to such an extent as to negate implementation, or the recommendations have become invalid due to unforeseen legislative or regulatory developments.

12. VERIFICATION AND EVALUATION OF CLOSED AUDIT RECOMMENDATIONS

a. Role of the Agency Follow-up Official. The Agency Follow-up Official shall periodically evaluate the results of follow-up reviews conducted by the follow-up officials and the Inspector General. As a result of such evaluation, the Agency Follow-up Official shall determine whether any changes to Agency audit follow-up policy and procedures are warranted. Such determinations shall be coordinated with follow-up officials and the Inspector General for necessary action.

b. Role of the follow-up officials. Each Follow-up Official shall be responsible for establishing a centralized system to ensure that agreed-upon corrective actions have, in fact, been completed and shall periodically assess the effectiveness of the system. In addition, samples of closed audit recommendations shall be selected for periodic review to determine the effectiveness of the completed corrective actions. Results of Inspector General follow-up reviews shall be furnished to the Agency Follow-up Official.

13. COLLECTION OF DISALLOWED COSTS

Accounting and collection controls shall be established by the Bureau of Personnel and Financial Management for any amounts due the U.S. Government as a result of audit.

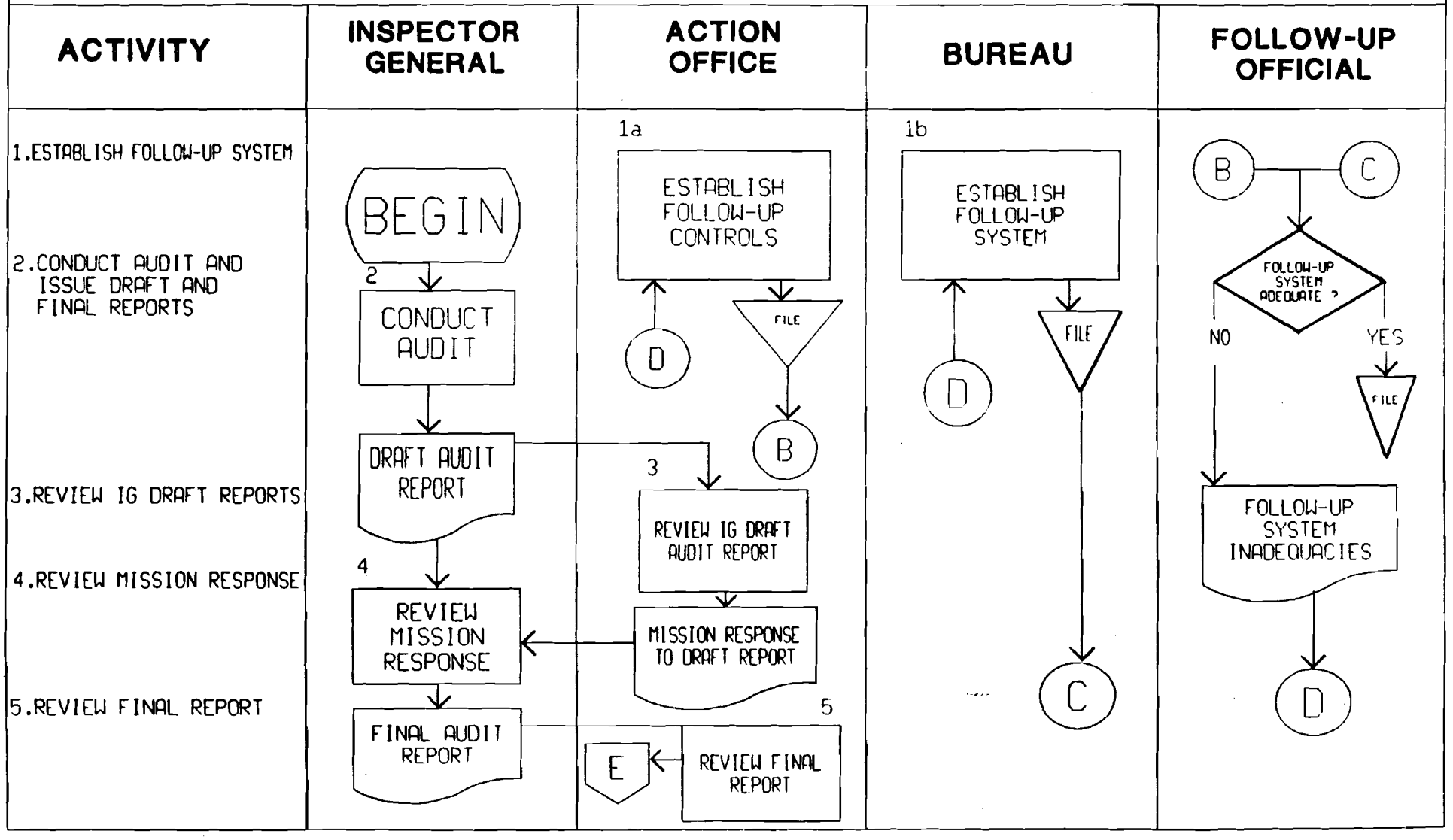
When an audit has revealed an indebtedness of a host country or overpayment to a contractor the management official shall give the accounting station written notice of the Agency's firm claim. The accounting station shall issue a Bill for Collection (normally to be cleared with the Regional Legal

Advisor or General Counsel/Washington for legal sufficiency) and the receivable entered into the accounting system in accordance with Handbook 19, Chapter 7, and related internal Bureau of Personnel and Financial Management directives. These directives provide that audit disallowances as concurred in by Agency management shall be recorded in the financial records with in 30 days after receipt by the accounting station of record as prescribed in OBM Circular A-50.

LEGEND

SYMBOL	DESCRIPTION
	BEGIN\END
	ACTIVITY
	DOCUMENT
	ON-PAGE CONNECTOR
	OFF-PAGE CONNECTOR
	FILE
	DECISION <YES OR NO ?>

FLOW CHART
AUDIT FOLLOW-UP AND RESOLUTION



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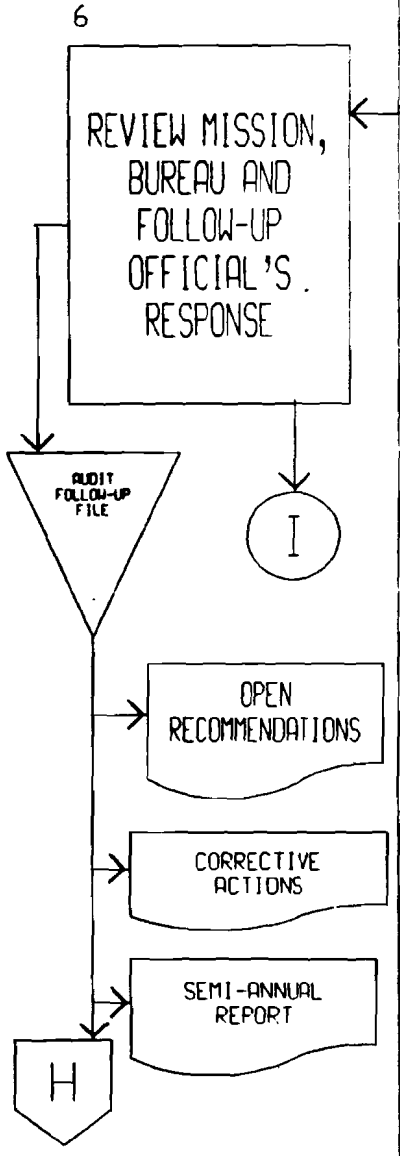
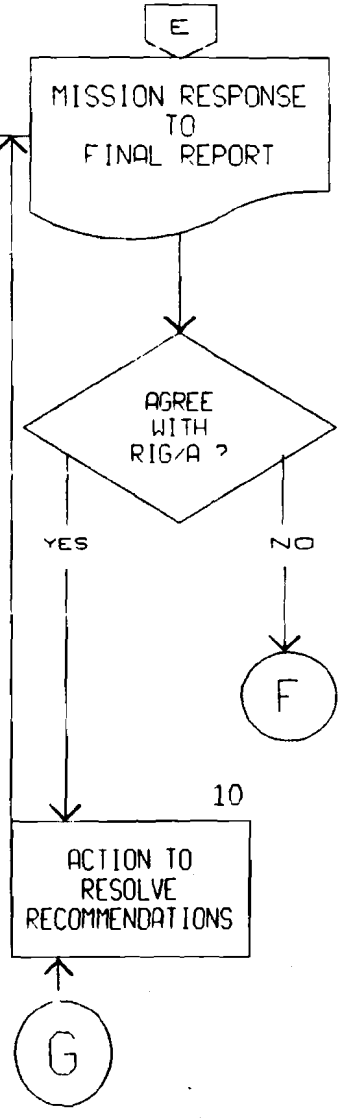
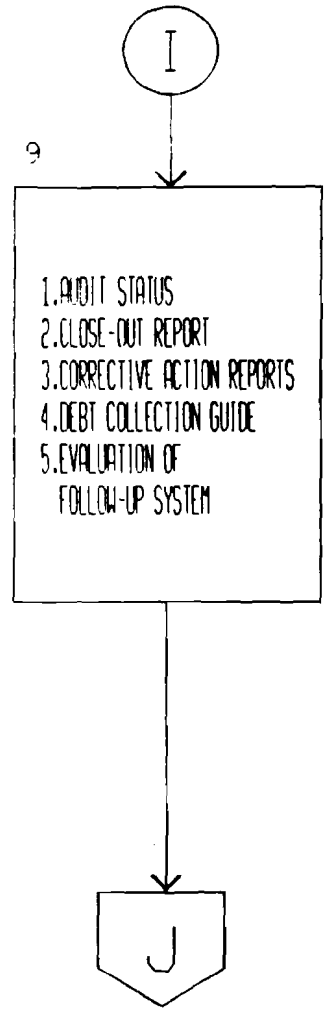
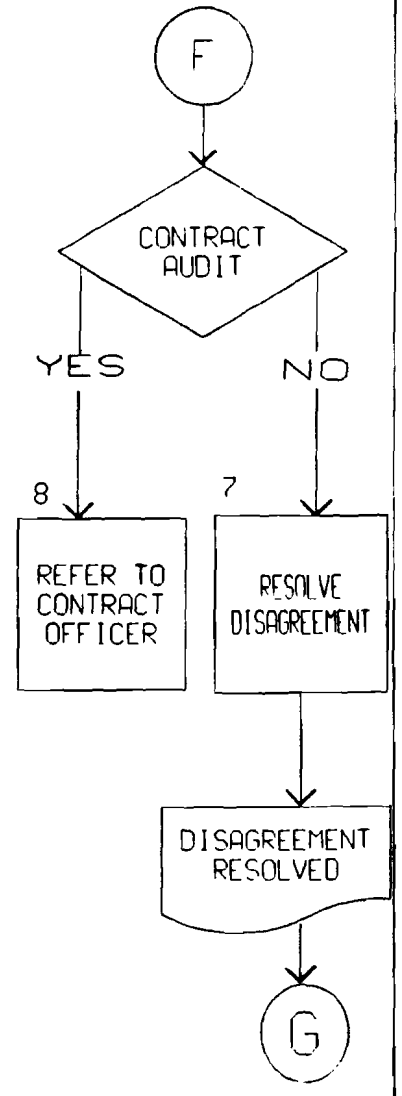
ACTIVITY	INSPECTOR GENERAL	ACTION OFFICE	BUREAU	FOLLOW-UP OFFICIAL
6. REVIEW VARIOUS RESPONSES TO REPORTS AND FOLLOW-UP EFFORTS 7. RESOLVE DISAGREEMENTS BETWEEN IG AND ACTION OFFICE 8. REFER CONTRACT AUDIT DISAGREEMENTS CONTRACT OFFICER 9. BUREAU FOLLOW-UP ACTIONS INCLUDE: *CONFIRM RESOLUTION STATUS *PREPARE CLOSE-OUT REPORT *RESPOND TO CORRECTIVE ACTION REPORTS *DEVELOP GUIDANCE ON AUDIT-RELATED DEBT COLLECTION *EVALUATION OF ACTION OFFICE FOLLOW-UP SYSTEMS 10. TAKE ACTION TO RESOLVE RECOMMENDATIONS				

ACTIVITY	INSPECTOR GENERAL	ACTION OFFICE	BUREAU	FOLLOW-UP OFFICIAL
11.ACTIONS TAKEN BY FOLLOW-UP OFFICIAL: *PROCESS QUARTERLY CORRECTIVE ACTION REPORTS *REPORT ON CORRECTIVE ACTIONS TAKEN *INPUT FOR USAID's SEMI-ANNUAL REPORT *REVIEW EVALUATIONS OF FOLLOW-UP SYSTEMS				
12.CLOSE OUT AUDIT RECOMMENDATIONS AFTER CORRECTIVE ACTIONS HAVE BEEN TAKEN	12 CLOSE AUDIT RECOMMENDATIONS AUDIT RECOMMENDATION CLOSURE CABLE FILE END	FILE REVIEW GUIDANCE ON COLLECTION OF DEBT GUIDANCE ON COLLECTION OF DEBT FILE	J GUIDANCE ON COLLECTION OF AUDIT-RELATED DEBT AUDIT CLOSE-OUT REPORT CORRECTIVE ACTION STATUS K	H K 11 1.PROCESS QUARTERLY CORRECTIVE ACTION REPORTS 2.PREPARE REPORTS ON CORRECTIVE ACTIONS TAKEN 3.PREPARE INPUT FOR AID'S SEMI-ANNUAL REPORT 4.REVIEW FOLLOW-UP EVALUATIONS REPORT ON CORRECTIVE ACTIONS TAKEN INPUT FOR AID'S SEMI-ANNUAL REPORT FOLLOW-UP SYSTEM REVIEWS

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