

PART 2012 - AUDITS AND INVESTIGATIONS

SUBPART A - Audits

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PART 2012 - AUDITS AND INVESTIGATIONS

Subpart A - Audits

§ 2012.1 Purpose.

This Instruction establishes the procedures for audits conducted on United States Department of Agriculture (USDA) Rural Development activities by the Office of Inspector General (OIG), Government Accountability Office (GAO), and the Single Audit Clearinghouse (SAC). It provides the policies, procedures, and responsibilities for achieving management decisions and taking final actions on recommendations resulting from audit reports.

§ 2012.2 Policy.

Rural Development employees will request official identification from anyone visiting their offices that identifies themselves as OIG or GAO auditors. Employees will be cooperative with the auditors and provide all requested information, files, records, and correspondence. Managers will: promptly evaluate findings and recommendations reported by the auditors, determine proper actions in response to audit findings and recommendations, and complete, within established timeframes, all actions that correct or otherwise respond to the matters brought to management's attention. When a potential problem or significant weakness is reported by auditors before issuance of a report, managers will take prompt corrective action when sufficient information is provided. Managers will take all necessary actions to fully comply with the requirements for a management decision on recommendations resulting from audit reports and on final actions, including the establishment and disposition of monetary claims. Management decisions include a determination or a plan for those actions deemed necessary to be taken on each recommendation, proposed dates for implementation, and agreement on the monetary amounts. For any monetary amounts that are owed to the Government, an accounts receivable must be established before reaching management decision. In addition, a Letter of Determination must have been sent to individuals found to have received unauthorized financial assistance notifying them of the debt and the amount owed. The OIG audit process for management decisions and final actions is described in the flow chart in Exhibit A of this Instruction.

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§ 2012.3 Scope.

(a) OIG and GAO have authority to audit all program operations and administrative functions within Rural Development at any time. OIG has authority to oversee the work of other auditors performed in connection with Rural Development programs.

(b) OIG audit findings may include irregularities that could result in formal adverse action requiring fiscal charges and disciplinary, civil, or criminal actions. However, such adverse actions are usually made as a result of investigations. (See RD Instructions 2012-B and 2012-C.)

(c) States, Local Governments, and Non-Profit Organizations that expend \$500,000 or more in Federal awards per fiscal year must undergo a single audit conducted in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133.

(d) GAO is the investigative arm of Congress and is charged with examining all matters relating to the receipt and disbursement of public funds. GAO performs a variety of services; the most prominent being audits of Government programs and activities.

§ 2012.4 References.

The following acts, regulations, and directives define authorities and responsibilities, and establish procedures, timeframes and other requirements for management decisions and final actions on audit recommendations:

(a) Public Law (Pub. L.) 96-304, "Supplemental Appropriations and Rescission Act of 1980" (Section 305).

(b) 31 U.S.C. 3711 et seq., "Federal Claims Collection Act of 1966."

(c) 31 Code of Federal Regulations (CFR) Parts 900-904, Chapter IX, "Federal Claims Collection Standards." November 22, 2000.

(d) OMB Circular A-50 Revised, "Audit Follow-up."

(e) OMB Circular A-129 (Rev.), "Managing Federal Credit Programs."

(f) OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

§ 2012.4 (Con.)

- (g) 5 U.S.C. App. "Inspector General Act Amendments of 1988." (Pub. L. 100-504), as amended.
- (h) Departmental Regulation (DR) 1700-2, "OIG Organization and Procedures."
- (i) DR 1720-1, "Audit Follow-up and Management Decisions."
- (j) Treasury Financial Manual (TFM) 6-8000.
- (k) 31 U.S.C. 1105, 1113, 3512, "Federal Managers' Financial Integrity Act of 1982" (Pub. L. 97-255).
- (l) 31 U.S.C. 7501 et seq., PUB. L. 98-502, "Single Audit Act of 1984" (PUB. L. 98-305) and PUB. L. 104-156, "Single Audit Act Amendments of 1996."
- (m) 7 CFR 3052, "Subpart B - Audits."
- (n) National Finance Center, Title III, Billings and Collection Manual, Bulletin Number 87-1, "Utilization of the Administrative Billings and Collections (ABCO) System."
- (o) The Debt Collection Improvement Act of 1996, April 26, 1996.
- (p) The Federal Financial Management Improvement Act of 1996.
- (q) GAO-03-232SP, GAO's Agency Protocols, December 2002.
- (r) 31 U.S.C. 718, "Availability of Draft Reports" under Chapter 7, GAO (Pub. L. 97-258).
- (s) 31 U.S.C. 720, "Agency Reports" under Chapter 7, GAO (PUB. L. 97-258).

§ 2012.5 Definitions.

Assistant Inspector General - Audit (AIG-A). The National Office OIG official that is responsible for the audit assignment.

Audit finding. Statement of problem(s) identified by the auditors during an audit and having a condition, effect, and cause that meet the objectives of the audit.

Audit follow-up. The process to ensure that prompt and responsive action is taken once management decision has been reached on recommendations contained in final audit reports. Final action should be taken on audit recommendations by the estimated completion date agreed to in the management decision or within one (1) year of the management decision date.

Audit recommendation. A course of action recommended by the auditors to correct an audit finding or set of findings.

Change in management decision. A change in the originally agreed-upon corrective action(s) to be taken to implement an audit recommendation and/or estimated completion date. Both changes must be approved by OIG.

Corrective action plan. A written statement from the auditee in response to each reportable condition, audit finding, or questioned cost in an audit report, and the action(s) management has taken or will take to correct the situation.

Departmental GAO Audit Liaison. Within USDA, OIG's Food and Marketing Division of the AIG-A is designated as the Departmental GAO Audit Liaison. The Secretary of Agriculture has designated OIG to provide liaison and coordination on audit matters between USDA agencies and GAO.

Departmental OIG Audit Liaison. The Office of the Chief Financial Officer (OCFO) is the Departmental OIG Audit Liaison for audit follow-up.

Departmental Single Audit Liaison. The OCFO is the Departmental Single Audit Liaison. OMB Circular A-133 single audit reports are initially received within USDA by the OCFO. The OCFO's Planning and Accountability Division is responsible for forwarding OMB Circular A-133 single audit reports pertaining to Rural Development to the Financial Management Division (FMD) for resolution.

Disallowed costs/loans. A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government. A questioned cost is also defined as:

- (1) A cost that is questioned by OIG because of a reported violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document including loans governing the expenditure of funds;

Disallowed costs/loans (continued).

- (2) A finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- (3) A finding that the expenditure of funds for the intended purpose is unnecessary, unreasonable or fictitious/false.

Discussion draft. A written audit report prepared by OIG at the completion of their field work. OIG issues the discussion draft to Rural Development prior to the exit conference. The discussion draft is the basic document used at the exit conference for obtaining agency and auditors' verbal agreement or disagreement on findings and recommendations.

Engagement letter. A letter from OIG to Rural Development management, issued prior to the start of an audit specifying the nature, scope, terms and conditions of the audit engagement in order to minimize any possible misunderstandings.

Entrance conference. A conference requested by OIG or GAO to inform Rural Development management of the beginning work on a survey or an audit. During this conference, OIG or GAO identifies the objectives, scope, and methodology of the audit and estimated timeframes for completion of the field work and issuance of the report.

Exit conference.

- (1) A conference requested by OIG with Rural Development management after a discussion draft has been issued. This conference permits the agency and auditors to verbally agree or disagree with findings and recommendations prior to the issuance of the official draft and final report.
- (2) A conference requested by GAO with Rural Development management and other Departmental officials, if applicable, to discuss GAO's Statement of Facts (SOF). This conference permits the agency and auditors to verbally agree or disagree with GAO's SOFs prior to the issuance of the official draft and final report.

Final action.

(1) For each audit recommendation, the measures taken by Rural Development to comply/implement the specific actions of the management decision. Final action is achieved on OIG audits when the OCFO has accepted the agency's corrective actions on all recommendations included in the audit report. Final action is achieved on GAO audits when GAO accepts the agency's corrective actions on all recommendations included in the audit report.

(2) In the event that OIG and Rural Development conclude that no additional action is necessary, the Rural Development Audit Liaison will provide a written request for final action to the OCFO. See Exhibit A of this Instruction for the processing steps for final action on OIG audits.

Final audit report. A report issued by OIG or GAO that includes Rural Development's written comments to the official draft report and further auditor comments. This report is transmitted to Rural Development by memorandum, and it includes the status of the report and follow-up actions needed to reach management decision and final action.

Funds be put to better use. A recommendation by the auditors that funds could be used more efficiently if management took actions to implement and complete the audit recommendation, including:

- (1) Reductions in outlays;
- (2) De-obligation of funds from programs or operations;
- (3) Withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- (4) Costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee;
- (5) Avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or
- (6) Any other savings which are specifically identified.

§ 2012.5 (Con.)

Management Alert of program or administrative deficiency. A report issued by OIG to Rural Development management, prior to the issuance of the discussion draft and resolution of report recommendations, covering audit matters considered to be of sufficient importance to warrant immediate attention or corrective action.

Management decision. An agreement between Rural Development and the auditor on the action(s) taken or to be taken to address recommendations cited in an audit report.

(1) For OIG audits, management decision is reached when OIG approves Rural Development's proposed corrective action to the audit recommendations. The management decision must include the agreed upon dollar amount affecting the recommendation and an estimated completion date. See Exhibit A of this Instruction for the process needed to reach management decision on each recommendation and on the entire OIG audit.

(2) For GAO audits, management decision is reached when the Secretary of Agriculture signs the Statement of Action (SOA).

Notification of Assignment (NOA). GAO's written notification to Rural Development of the start of an audit. The NOA includes a brief description of the objectives and scope, assignment number, requester, agency(ies) to be contacted, and the start and completion dates.

Official draft.

(1) A report issued by OIG after the exit conference corrections have been made to the discussion draft. The official draft requires a written proposed management decision by Rural Development usually within 30 calendar days unless otherwise specified by OIG. Rural Development's response to the official draft will become a part of the final audit report and is the beginning basis for reaching management decisions on the audit recommendations.

(2) A report issued by GAO after the exit conference corrections have been made. This report requires a written reply from Rural Development usually within 7 to 30 calendar days from receipt of the official draft report. The Rural Development or Departmental response to the official draft will become a part of the final audit report and is the beginning basis for reaching management decisions on the audit recommendations.

Questioned costs/loans.

- (1) A cost that is questioned by OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document (including loan documents) governing the expenditure of funds;
- (2) A finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- (3) A finding that the expenditure of funds for the intended purposes is unnecessary or unreasonable.

Regional Inspector General - Audit (RIG-A). The OIG official for the region of the country that is responsible for the audit assignment. Exhibit B of this Instruction is a directory for all of the OIG regions.

Resolved audit. An audit report where management decision has been reached for all audit recommendations contained in the report, but final action has not been completed.

Rural Development Audit Liaison. The Director of FMD is the Rural Development Audit Liaison. FMD is located in the National Office.

Schedule of Expenditures of Federal Awards. A schedule, included in OMB Circular A-133 single audit reports, of all Federal expenditures for the fiscal year, usually shown by Federal agency, Federal Grantor/Pass-through Grantor/Program Title, Catalog of Federal Domestic Assistance (CFDA) Number, Grantor or Pass-through Grantor Number, and amounts.

Schedule of Findings and Questioned Costs. A schedule, within OMB Circular A-133 single audit reports, detailing Findings and Questioned Costs by Major Federal Award Programs. This schedule may also include a Summary of Audit Results; Findings - Audited Financial Statements; and Findings and Questioned Costs for specific projects or areas.

Single audit. An audit conducted in accordance with the requirements of OMB Circular A-133, for Non-Federal entities (States, local governments, and non-profit organizations) that expend \$500,000 or more per fiscal year in Federal awards.

Single Audit Clearinghouse (SAC). An entity established by the Single Audit Act, and assigned the responsibility for processing OMB Circular A-133 single audit report packages and distributing those reports with audit findings to individual Federal agencies for audit resolution. The SAC is administered by the U. S. Department of the Census.

§ 2012.5 (Con.)

Statement of Facts (SOF). GAO's critical facts and key information used to formulate their analysis and findings and prepare the official draft audit report.

Statement of Action (SOA). The agency or Departmental response to the recommendations in GAO's final audit report.

Unsupported cost/loan. A cost that is questioned by OIG because it is not supported by adequate documentation.

§§ 2012.6 - 2012.10 [Reserved]

§ 2012.11 Frequency of audits.

(a) GAO conducts audits in response to specific Congressional requests, the requirements of law, or in accordance with GAO's basic legislative responsibilities.

(b) OIG prepares an annual plan of audit activity to be conducted each year. The annual plan includes both scheduled and requested audits. However, OIG may also elect to conduct audits that are not in the plan or are not requested by Rural Development.

(1) The Rural Development Audit Liaison will notify the Agency Administrators, Associate Administrators, Deputy Administrators, Assistant Administrators, and State Directors in writing of OIG's audit plans.

(2) Rural Development managers may request changes to OIG's audit plans and request special audits as needed. Requests for audits should be directed to the appropriate RIG-A, with a copy to the Rural Development Audit Liaison. See Exhibit B of this Instruction for a directory of OIG's RIG-A.

§ 2012.12 Responsibilities.

(a) Secretary of Agriculture. The Secretary is responsible for signing the agency or Departmental SOA.

(b) Departmental Audit Resolution Official. The Deputy Secretary is the Departmental Audit Resolution Official. The Deputy Secretary will:

- (1) Render management decisions on recommendations, resulting from audit reports when agreement is not reached between OIG and the Under Secretary for Rural Development and the agency; and
- (2) Ensure that final actions resulting from management decisions are achieved.

(c) Under Secretary for Rural Development. The Under Secretary will:

- (1) Review and attempt to resolve disagreements on management decisions before elevation to the Deputy Secretary; and
- (2) Sign agency or Departmental responses to GAO official drafts and SOAs.

(d) Agency Administrator. The Agency Administrator will:

- (1) Ensure that responses to OIG and GAO official draft and final audit reports and SOAs are submitted to the Rural Development Audit Liaison within the required timeframe;
- (2) Ensure that OIG Management Alert responses are submitted to the Rural Development Audit Liaison within the required timeframe;
- (3) Ensure that management decisions are achieved and final actions are taken in accordance with the management decisions. The Agency Administrator will also attempt to resolve all disagreements regarding management decisions for nationwide and state audits before elevation to the Under Secretary;
- (4) Ensure management decisions and final actions are consistent with the agency's laws and regulations;
- (5) Ensure management decision is reached and corrective actions completed for all OMB Circular A-133 single audit reports within the required timeframe;
- (6) Delegate authority for management decision and final action within the agency, as appropriate;

§ 2012.12(d) (Con.)

- (7) Review final action documentation to ensure that it:
 - (i) Supports the corrective action implementing the agreed-upon management decision;
 - (ii) Is well organized and explains the materials being submitted;
 - (iii) Identifies any principal and interest amounts collected; and
 - (iv) Highlights the specific final action documentation that applies to the management decision;
- (8) Ensure that timeliness and quality of management decisions and final actions are a factor in determining bonuses for members of the Senior Executive Service.

(e) Rural Development Audit Liaison. The Rural Development Audit Liaison will:

- (1) Coordinate and facilitate all OIG and GAO entrance and exit conferences;
- (2) Notify selected State Offices of inclusion in a nationwide audit and upcoming auditor visits to field offices;
- (3) Ensure that the Informational Memorandums regarding OIG and GAO entrance and exit conferences are provided to the Under Secretary for Rural Development in a timely manner;
- (4) Ensure that responses to OIG Management Alerts are rendered within the required timeframe;
- (5) Ensure that agency responses to OIG and GAO official draft and final audit reports and SOAs are submitted within the required timeframe;
- (6) Ensure that all agency or Departmental responses to GAO official draft reports are cleared through the appropriate Agency Administrator, Operations & Management (O&M), Office of General Counsel (OGC), Office of Budget and Program Analysis (OBPA), signed by the Under Secretary for Rural Development and provided to GAO within the required timeframe;

- (7) Ensure that written management decisions on audit recommendations are submitted to OIG for audits having nationwide jurisdiction or state audits that have been elevated to the Agency Administrator for achieving management decision;
- (8) Work with OIG to achieve management decisions on audits having nationwide jurisdiction or state audits that have been elevated to the Agency Administrator;
- (9) Alert the appropriate Agency Administrator of the possibility that an audit may be elevated by OIG if management decision has not been reached within 90 calendar days of the audit release date;
- (10) Ensure that management decisions are reached on a timely basis and that final actions fully comply with the management decisions, which includes compliance with timeframes and agreement on monetary amounts on audits having nationwide jurisdiction or state audits that have been elevated to the Agency Administrator;
- (11) Coordinate with the OCFO from the date of the management decision through completion of the final actions on audits having nationwide jurisdiction or state audits that have been elevated to the Agency Administrator;
- (12) Provide the OCFO with documentation on final actions on audits having nationwide jurisdiction or state audits that have been elevated to the Agency Administrator;
- (13) Review final action documentation to ensure that it:
 - (i) Supports the corrective action implementing the agreed-upon management decision;
 - (ii) Is well organized and explains the materials being submitted;
 - (iii) Identifies any principal and interest amounts collected; and
 - (iv) Highlights the specific final action documentation that applies to the management decision;

§ 2012.12(e) (Con.)

(14) Provide quarterly status reports to the OCFO for audits that have not reached final action one (1) year or more past the management decision date. The status reports will include explanatory language on revised management decision dates and dollar amounts associated with recommendations, and any deviations to the corrective action plan;

(15) Monitor and track all audit activity in the Automated Reports Tracking System (ARTS) to ensure that:

(i) Draft and final audit report responses are rendered within the required timeframe,

(ii) Management decisions are rendered within the legislatively mandated 6-month period after report issuance,

(iii) Final actions resulting from management decisions are completed within one (1) year of the management decision date, and

(iv) At a minimum, ARTS will provide:

(A) Accurate and complete documentation of management decisions rendered on audit recommendations, the status and progress related thereto, and status on final actions, and

(B) An audit trail of management decisions and final actions for each audit for use by OIG, GAO, OCFO, and Rural Development;

(16) Coordinate with the OCFO from the date of receipt of OMB Circular A-133 single audit reports through completion of corrective actions, which includes tracking and monitoring of all audit recommendations in ARTS;

(17) Ensure that all agency or Departmental SOAs are cleared through the appropriate Agency Administrator, O&M, OGC, OBPA, signed by the Under Secretary for Rural Development and provided to the Departmental GAO Audit Liaison within the required timeframe;

(18) Ensure that:

(i) The Deputy Chief Financial Officer (DCFO) for Rural Development is an addressee on all OIG and GAO entrance and exit conference memorandums, and included in the courtesy copy (cc) list on all other OIG and GAO correspondence,

(ii) The Director, Legislative and Public Affairs Staff is included in the cc list on all GAO correspondence, and

(iii) The Departmental GAO Audit Liaison is included in the cc list on all GAO entrance, exit, and official draft report correspondence; and

(19) Provide Rural Development's comments to other USDA agencies responsible for responding to GAO official draft reports and SOAs within the required timeframe.

(f) Rural Development State Director. The State Director will designate oversight responsibility to a State Management Control Officer (MCO) in accordance with RD Instruction 2006-M. The MCO will serve as the state's focal point of contact for all audit activity. The State Director and MCO will:

(1) Participate in all audit entrance and exit conferences either by attendance or teleconference. If the State Director cannot participate in the entrance and exit conferences, he/she should designate someone other than the MCO to serve as their representative;

(2) Ensure that responses to audit reports are rendered within the required timeframe;

(3) After issuance of the OIG final audit report, ensure that a copy of all subsequent correspondence is forwarded to the Rural Development Audit Liaison;

(4) Ensure that written management decisions are made on audit recommendations and provide the information to OIG on audits within their state jurisdiction;

(5) Work with OIG to achieve management decisions on audits within their state jurisdiction;

§ 2012.12(f) (Con.)

(6) Ensure that management decisions are reached on a timely basis and that final actions fully comply with the management decisions, which includes compliance with timeframes and agreement on monetary amounts on audits within their state jurisdiction;

(7) Notify the Rural Development Audit Liaison when an audit has not reached management decision within 90 calendar days of the audit release date. The Rural Development Audit Liaison will then alert the appropriate Agency Administrator that the audit may be elevated by OIG. DR 1720-1, Appendix A, 4(b), provides guidance on the process when OIG disagrees with Rural Development's management decision;

(8) Coordinate with the OCFO from the date of the management decision through completion of the final action on audits within their state jurisdiction;

(9) Provide the OCFO with documentation on final actions on audits within their state jurisdiction, with a copy to the Rural Development Audit Liaison;

(10) Review final action documentation to ensure that it:

(i) Supports the corrective action implementing the agreed-upon management decision;

(ii) Is well organized and explains the materials being submitted;

(iii) Identifies any principal and interest amounts collected; and

(iv) Highlights the specific final action documentation that applies to the management decision;

(11) Work with National Office officials to achieve management decision for each recommendation contained in OMB Circular A-133 single audit reports;

(12) Establish appropriate accounting and collection controls over amounts determined to be due to the Government on audits within their state jurisdiction;

- (13) Monitor and track all audit activity in ARTS to:
 - (i) Provide an audit trail on all GAO on-site visits and/or requests for information using the GAO NOA number (e.g., 250197-SC),
 - (ii) Ensure that draft and final OIG audit report responses are submitted to OIG within the required timeframe,
 - (iii) Ensure that management decisions are rendered within the legislatively mandated 6-month period after report issuance,
 - (iv) Ensure that final actions resulting from management decisions are completed within one (1) year of the management decision date, and
 - (v) At a minimum, ARTS will provide:
 - (A) Accurate and complete documentation of management decisions rendered on audit recommendations, the status and progress related thereto, and status on final actions, and
 - (B) An audit trail of management decisions and final actions for each audit for use by OIG, GAO, OCFO, and Rural Development;
- (14) Inform Area and Local Offices within the state of OIG audit findings and recommendations by written state issuance; and
- (15) Evaluate audit findings to determine training needs when developing the state's Annual Training Plan.

§§ 2012.13 - 2012.20 [Reserved]

§ 2012.21 Distribution of final audit reports.

- (a) OIG will send copies of each final audit report to the Rural Development officials responsible for taking action on the audit recommendations (e.g., state audits to the appropriate State Director; nationwide audits to the Rural Development Audit Liaison). The audit report will be forwarded by transmittal memorandum indicating the approximate due date for initial reply, normally 60 calendar days. Additional copies of nationwide and state audit reports are distributed to the Rural Development Audit Liaison.

§ 2012.21 (Con.)

(b) The Departmental GAO Audit Liaison will deliver copies of the final audit report to the Rural Development Audit Liaison. The Rural Development Audit Liaison will forward the final audit report to the appropriate Rural Development officials.

§ 2012.22 Restriction on distribution of draft audit reports.

(a) OIG and GAO control the release of all draft audit reports. Draft audit reports are not to be released, shared, or discussed with any individual outside the Department except with specific authorization from OIG and GAO. Circulation of draft audit reports within the Department is limited to only those officials who have a need for the information.

(b) Any requests for release of information from a draft audit report should be sent to the National Office, Attention: Rural Development Audit Liaison for referral to OIG or GAO.

§ 2012.23 Action on audit reports.

The following requirements are mandatory for all draft and final audit reports:

(a) Management Alert of program or administrative deficiency. Immediately upon receipt of a Management Alert from OIG, action will be initiated by Rural Development to correct the reported condition. A written reply, as outlined by OIG, will be sent by Rural Development to the AIG-A or the applicable RIG-A issuing the Management Alert within the specified action date. A copy of the response will also be sent to the Rural Development Audit Liaison.

(b) Discussion draft. A written audit report prepared by OIG at the completion of their field work. OIG issues the discussion draft to Rural Development prior to the exit conference. The discussion draft is the basic document used at the exit conference for obtaining agency and auditors' verbal agreement or disagreement on findings and recommendations. The discussion draft may be elevated to an official draft by OIG at the time of the exit conference with concurrence of the Rural Development officials responding to the audit. Elevation of the discussion draft to official draft may occur when OIG and Rural Development agree that only minor changes are needed to the discussion draft.

(c) Statement of Facts (SOF). Critical facts and key information prepared by GAO at the completion of their field work and provided to Rural Development prior to the exit conference. Rural Development will review the SOF for accuracy and content. The SOF is the basic document used at the exit conference for obtaining agency/Departmental and auditors' verbal agreement or disagreement on findings and recommendations prior to the issuance of the official draft report.

(d) Official draft.

(1) Immediately upon notification that OIG's discussion draft is elevated to an official draft or upon receipt of an official draft, appropriate action must be taken by Rural Development to reach management decision on each recommendation in the audit. Exhibit A of this Instruction provides the specific processing steps for achieving management decisions and final actions on OIG audits. A written proposed management decision will be sent to OIG, usually within 30 calendar days or within the time specified in OIG's transmittal memorandum. A copy of Rural Development's response will be sent to the Rural Development Audit Liaison in the National Office.

(2) Immediately upon receipt of GAO's official draft report, the appropriate Agency Administrator will prepare the agency or Departmental response to the recommendations. The Rural Development Audit Liaison is responsible for obtaining the official draft response clearances from the Agency Administrator, O&M, OGC, OBPA, obtaining the signature of the Under Secretary for Rural Development and providing the response to GAO within the required timeframe (usually within 7 to 30 calendar days from receipt of the official draft report). If an agency other than Rural Development is responsible for preparing the response, the Rural Development Audit Liaison will provide Rural Development's comments to the responding agency within the required timeframe. If Rural Development is coordinating the Departmental response, including any comments from other USDA agencies, the Rural Development Audit Liaison ensures these comments are incorporated into the Departmental response.

§ 2012.23 (Con.)

(e) OIG final audit report. Immediately upon receipt of the final audit report in Rural Development, action will be taken on each recommendation that is without management decision. The agency's written comments to the official draft report and further auditor comments will be included in the final audit report. The final audit report is transmitted to Rural Development and includes the status of the report and follow-up actions needed to achieve management decision and final action. For those recommendations in the final audit report that have not reached management decision, Rural Development must submit a proposed management decision to OIG within 60 calendar days of the date of report issuance. A copy of Rural Development's response will be sent to the Rural Development Audit Liaison in the National Office. Exhibit A of this Instruction provides the specific processing steps and timeframes for achieving management decisions and final actions on OIG audits. Audit recommendations are legislatively mandated to reach management decision within 6 months after the date the final audit report is issued.

(f) GAO final audit report. Immediately upon receipt of the final audit report, the appropriate Agency Administrator will prepare the agency or Departmental SOA in response to the recommendations. The agency's written comments to the official draft report and further auditor comments will be included in the final audit report. The Rural Development Audit Liaison is responsible for obtaining the SOA clearances from the Agency Administrator, O&M, OGC, OBPA, obtaining the signature of the Under Secretary for Rural Development and providing the SOA to the Departmental GAO Audit Liaison within the required timeframe (usually within 30 days from receipt of the final report). If an agency other than Rural Development is responsible for preparing the SOA, the Rural Development Audit Liaison will provide Rural Development's comments to the responding agency within the required timeframe. If Rural Development is coordinating the Departmental response, including any comments from other USDA agencies, the Rural Development Audit Liaison ensures these comments are incorporated into the Departmental response.

§ 2012.24 Audit correspondence.

- (a) All Rural Development audit correspondence will:
- (1) List the report number and title;
 - (2) Show the distribution of copies;

RD Instruction 2012-A
§ 2012.24(a) (Con.)

- (3) Refer to the audit recommendation and/or audit result being answered; and
 - (4) Include appropriate exhibits and attachments when referenced in the reply.
- (b) A copy of audit correspondence will be provided to the Rural Development Audit Liaison as follows:
- (1) For OIG nationwide audits, a copy of all correspondence should be forwarded to the Rural Development Audit Liaison.
 - (2) For OIG state audits, a copy of all correspondence prepared after the final audit report is issued should be forwarded to the Rural Development Audit Liaison.
 - (3) For GAO audits, a copy of all correspondence should be forwarded to the Rural Development Audit Liaison.
 - (4) For OMB Circular A-133 single audit reports, a copy of all correspondence should be forwarded to the Rural Development Audit Liaison.

§§ 2012.25 - 2012.30 [Reserved]

§ 2012.31 Tracking audit recommendations and follow-up for final action.

- (a) DR 1720-1 establishes the policy that managers will:
- (1) Promptly evaluate findings and recommendations reported by auditors;
 - (2) Determine proper actions in response to audit findings and recommendations; and
 - (3) Within established timeframes, complete all actions that correct or otherwise implement each recommendation included in the final report.
- (b) Follow-up actions are monitored in ARTS to determine the status of recommendations for management decision and final action. After management decision has been achieved, submission of final action documentation for each recommendation is submitted to the OCFO, with a copy to the Rural Development Audit Liaison.

§ 2012.32 Retention of audit reports.

(a) OIG and GAO audit reports and all related correspondence will be retained by the National Office and applicable State Offices for 8 fiscal years after the date final action (closure) has occurred.

(b) Audit reports and related material will be maintained in locked cabinets or other locked repository when not in use.

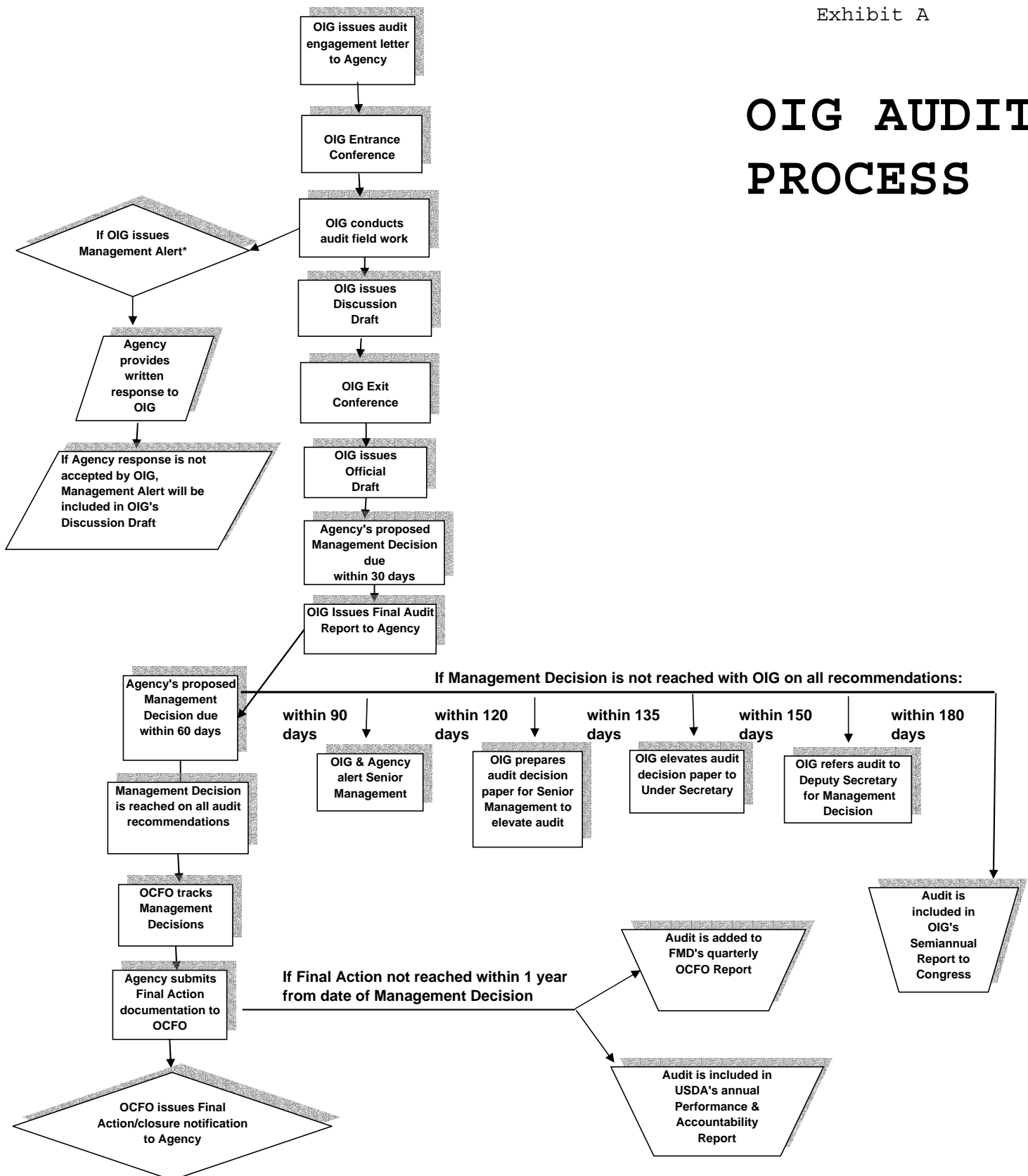
(c) OMB Circular A-133 single audit reports and all related correspondence will be retained by the National Office and applicable State Office for 5 fiscal years after final action (closure) has occurred.

§§ 2012.33 - 2012.50 [Reserved]

Attachments: Exhibits A (PDF ONLY) and B.

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OIG AUDIT PROCESS



* OIG's interim notification to Agency

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Directory of OIG Regional Offices

	<u>AUDIT</u>	<u>INVESTIGATIONS</u>
REGION & STATES SERVED	REGIONAL INSPECTOR GENERAL ADDRESS/TELEPHONE	SPECIAL AGENTS IN CHARGE ADDRESS/TELEPHONE
NORTHEAST CT, DE, DC, MD, ME, MA, NH, NJ, NY, PA, RI, VA, VT, WV	5601 Sunnyside Ave. Suite 2-2230 Beltsville, MD 20705-5300 (301) 504-2100 FAX (301) 504-2437	
NORTHEAST CT, DE, DC, ME, MD, MA, NH, NJ, NY, NC, PA, RI, VA, VT, WV		5601 Sunnyside Ave. Suite 2-2230 Beltsville, MD 20705-5300 (301) 504-2000 FAX (301) 504-2025
SOUTHEAST AL, FL, GA, KY, MS, NC, PR, SC, TN, VI	401 W. Peachtree St., NW. Room 2328 Atlanta, GA 30308 (404) 730-3210 FAX - (404) 730-3221	
SOUTHEAST AL, FL, GA, PR, SC, TN, VI		401 W. Peachtree St., NW. Room 2329 Atlanta, GA 30308 (404) 730-3170 FAX (404) 730-3181

Directory of OIG Regional Offices (CON.)

	<u>AUDIT</u>	<u>INVESTIGATIONS</u>
REGION & STATES SERVED	REGIONAL INSPECTOR GENERAL ADDRESS/TELEPHONE	SPECIAL AGENTS IN CHARGE ADDRESS/TELEPHONE
MIDWEST		
IL, IN, MI, MN, OH, WI	111 N. Canal St. Suite 1130 Chicago, IL 60606-7295 (312) 353-1352 FAX (312) 353-3017	
MIDWEST		
IN, KY, MI, OH WI - Eastern District IL - Northern District		111 N. Canal St. Suite 1130 Chicago, IL 60606-7295 (312) 353-1358 FAX (312) 353-8963
SOUTHWEST		
AR, LA, OK, TX, NM	101 South Main St. Room 324 Temple, TX 76501 (254) 743-6565 FAX - (254) 298-1373	
SOUTHWEST		
AZ, AR, LA, MS, NM, OK, TX,		101 South Main St. Room 311 Temple, TX 76501 (254) 743-6535 FAX (254) 298-1358
GREAT PLAINS		
CO, IA, KS, MO, MT, NE, ND, SD, WY, UT	8930 Ward Parkway Suite 3016 Kansas City, MO 64114 (816) 926-7667 FAX (816) 926-7676	

Directory of OIG Regional Offices (CON.)

	<u>AUDIT</u>	<u>INVESTIGATIONS</u>
REGION & STATES SERVED	REGIONAL INSPECTOR GENERAL ADDRESS/TELEPHONE	SPECIAL AGENTS IN CHARGE ADDRESS/TELEPHONE
GREAT PLAINS		
CO, IA, KS, MN MO, MT, NE, ND, SD, WY, UT WI - Western District IL - Southern District		8930 Ward Parkway Suite 3016 Kansas City, MO 64114 (816) 926-7606 FAX (816) 926-7699
WESTERN		
AK, AZ, CA, HI, ID, NV, OR Territory of Guam, Trust Territories of Pacific, WA	75 Hawthorne Street Suite 200 San Francisco, CA 94105 (415) 744-2851 FAX (415) 744-2871	
WESTERN		
AK, CA, HI, ID, NV, OR, Territory of Guam, Trust Territories Of Pacific, WA		75 Hawthorne Street Suite 200 San Francisco, CA 94105 (415) 744-2887 FAX (415) 744-2896
FINANCIAL & INFORMATION		
TECHNOLOGY OPERATIONS (FITO)	8930 Ward Parkway Suite 3016 Kansas City, MO 641314 (816) 926-7657 FAX (816) 823-3949	
National Information Technology Center, Kansas City, MO; Farm Service Agency, Kansas City, MO; Fort Collins Computer Center, Ft. Collins, CO; OCFO National Finance Center, New Orleans, LA; Rural Development Finance Office, St. Louis, MO		

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