



Council of the
INSPECTORS GENERAL
on INTEGRITY and EFFICIENCY

Federal Audit Executive Council
Audit Resolution Survey Summary Report
December 2016

Preface

This report summarizes the results of the Federal Audit Executive Council (FAEC) Audit Resolution Survey that was conducted with the Office of Inspector General (OIG) community during the spring of 2016. The goal of the survey was to identify audit followup processes and associated challenges as OIGs coordinate with agencies in their efforts to address audit recommendation corrective actions.

Response Rate and Survey Questions

- The survey had a 67% response rate.

- Survey Questions
 - 1) Please briefly describe your office's follow-up process for ensuring audit recommendations are properly addressed and corrective actions are implemented. Also, please note any differences in this process for internal audits of the agency (ex. performance audits, the financial statement audit, etc) versus external audits (ex. grantee audits, contractor audits, etc.), if applicable.
 - 2) How does your office handle situations where the agency's corrective actions aren't fully responsive to an audit's recommendations?
 - 3) If the agency continues to be non-responsive to a recommendation, what additional steps would your office take (ex. 7-day letter, media notification, write-up in Semi-Annual Reports to Congress, etc.)?
 - 4) Please describe who makes the final decision (ie. agency, OIG, joint process, other) as to when a recommendation has been fully addressed and final action has occurred?
 - 5) Any additional feedback or general comments/observations?

Additional Discussion Themes Identified in the Survey

- Process Related Themes
 - o Follow-Up Audits
 - Many OIGs utilize follow-up audits to ensure compliance with recommendations.
 - Follow-up audits are also conducted as a quality control mechanism to measure the impact of prior recommendations and as a means to gather further information related to contested audits/recommendations.
 - o Starting Resolution During the Reporting Process
 - Multiple OIGs stated they start the audit resolution process prior to issuing the final report.

- This includes receiving Corrective Action Plans from the agency during the exit conference, identifying milestone dates for corrective action, and classifying recommendations as either unresolved, resolved, or closed at the time the final audit report is issued.
 - Strong Working Relationship Between the OIG and Agency
 - Multiple OIGs stated that having a strong working relationship with the agency has been crucial in successfully implementing recommendations.
 - Characteristics of a strong working relationship include frequent communication, helping the agency adopt ownership over the recommendations, building trust between the OIG and agency, and setting a strong expectation for cooperation from senior management in both the OIG and the agency.
 - Centralized vs Decentralized Resolution Process
 - OIGs use a myriad of processes to resolve audit recommendations, including resolution being conducted by a centralized unit versus having the audit team that conducted the audit also oversee the resolution.
 - Many OIG's also implement different resolution processes depending on the type of finding (ex. internal agency finding vs external grantee finding), including several variations of hybrid models that incorporate both centralized and decentralized characteristics.
 - Auditing the Agency's Resolution Process
 - Multiple OIGs stated that they have audited or are considering auditing the agency's process for resolving recommendations.
 - Audit objectives include determining if departmental controls over the final action on audit recommendations are adequate, and determining if departmental resources provided to achieve final action are sufficient.
 - TeamCentral
 - Multiple OIGs stated that they use TeamCentral (a module within the TeamMate audit management software) to track their recommendations. All of them mentioned that it has been very successful.
 - Recommendation tracking systems also vary across the community in regards to who operates them (OIG vs agency) and whether or not the OIG and agency share the same tracking systems.
- Recommendation Related Themes
 - Closing Unaddressed Recommendations and Acknowledging Acceptance of Risk
 - Some OIGs stated that when the agency disagrees with the recommendation, the recommendation will ultimately be closed, but a formal memo will be created stating that the agency is accepting the risk of not implementing the recommendation.

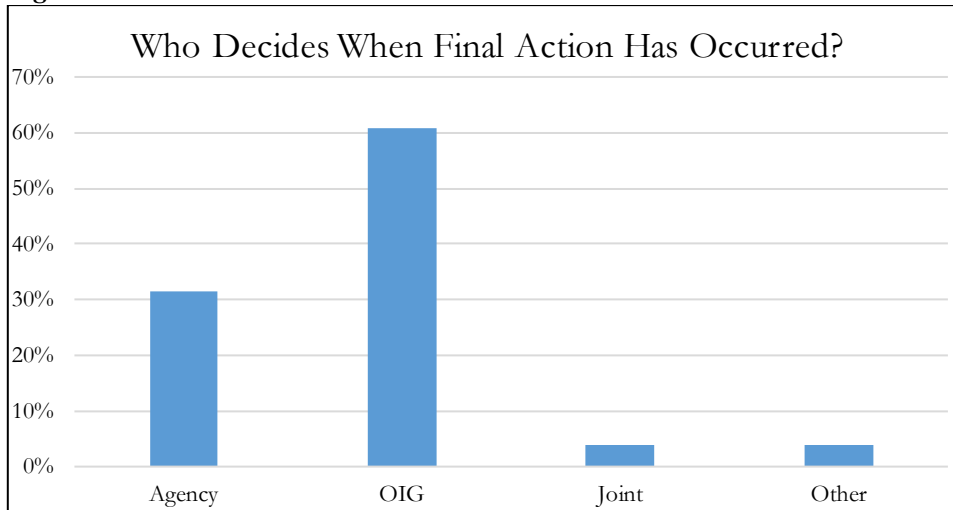
- Creating Multiple Levels of Recommendations (ex. Significant vs Non-Significant)
 - Multiple OIGs stated that they have multiple levels of recommendations including those that are significant and non-significant.
 - The level of the recommendation is used to determine how the recommendation will be tracked and escalated in case of disagreement with the agency.
 - Some OIGs employ objective criteria for delineating significant findings, and some OIGs use more subjective criteria.
- Leaving Recommendations Open Indefinitely
 - Some OIGs indicated that if there is disagreement about recommendations, they will simply leave the recommendation open indefinitely.
- Agency Tracking System and OIG Tracking System Can Diverge
 - One OIG stated that it has a separate recommendation tracking system from the agency. In some cases the tracking systems will diverge when the agency thinks the recommendation has been implemented but the OIG disagrees.
- Other
 - Debarment as a Tool
 - One OIG stated that debarment should be used as a tool more often for external auditees that do not implement recommendations.

Additional Resources

- Audit Follow-Up Policies and Procedures
 - OMB Circular A-50: https://www.whitehouse.gov/omb/circulars_a050
- Congressional Interest in Audit Follow-Up
 - Senate Hearing, *Implementing Solutions: The Importance of Following Through on GAO and OIG Recommendations*, December 10, 2015: <http://www.hsgac.senate.gov/hearings/implementing-solutions-the-importance-of-following-through-on-gao-and-oig-recommendations>
 - Proposed Senate Bill S. 3109, *Inspector General Recommendation Transparency Act of 2016*, June 29, 2016: <https://www.congress.gov/114/bills/s3109/BILLS-114s3109is.pdf>
- Audit Follow-Up Models
 - The Cooperative Audit Resolution and Oversight Initiative (CAROI) : <http://www2.ed.gov/policy/gen/guid/caroi/index.html>
 - Guide to Improving Program Performance and Accountability Through Cooperative Audit Resolution and Oversight: <https://www.agacgfm.org/AGA/ToolsResources/documents/CAROI.pdf>

Results Related to Non-Responsiveness and Final Action

Figure 1

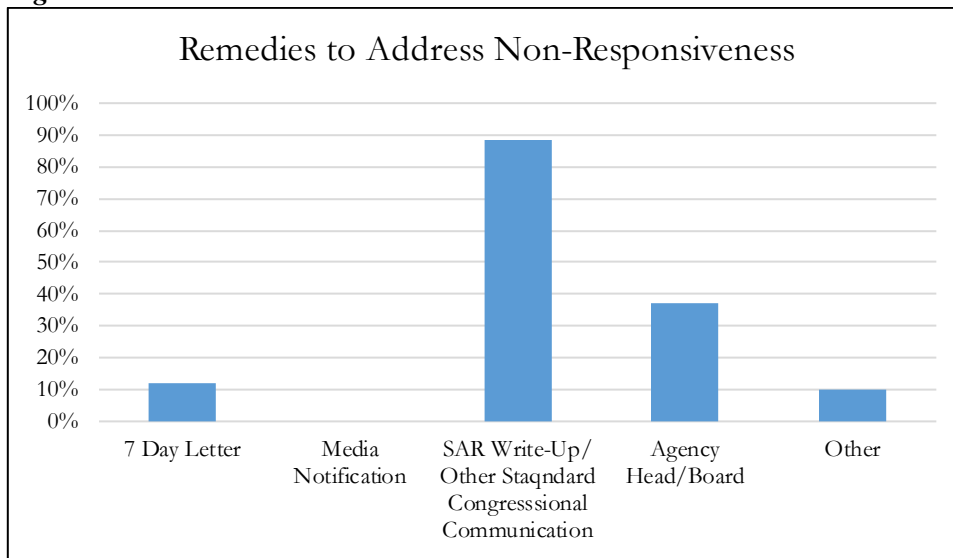


Conclusion: Overall, there is a lack of consensus within the community regarding who has responsibility for deciding when final action for a recommendation has occurred. The responses are distributed as follows: 31% stated the agency is responsible for deciding final action, 61% stated the OIG is responsible for deciding final action, 4% stated it is a joint determination, and 4% indicated a different process is used.

Related Individual Comments from the Survey

- Agency formally transfers this authority to OIG.
- Closure is a management function and OIG has no authority to compel the agency to implement an action.
- OIG has the authority and indeed the responsibility for ensuring final action has occurred.

Figure 2



Conclusion: Overall, the majority of respondents indicated they would primarily use the Semi-Annual Report (SAR) or other communication to Congress to address non-responsiveness. The specific responses were distributed as follows: 12% indicated they would use 7-day letters, 0% said they would notify the media, 88% said they would utilize the SAR, 37% said they would directly address non-responsiveness with the agency head, and 10% said they would use a different method. Note: respondents could select multiple answers.

Related Individual Comments from the Survey

- Grantees with unresolved recommendations do not receive further grant funds.
- OIGs can't force agencies to comply with recommendations.
- Section 5(12) of the IG Act should be utilized more often.
- Should OIGs contest the Office of Management and Budget's position that the agency has final authority?

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Dr. Brett Baker, Chair, Federal Audit Executive Council