Toolkit for Identifying and Reporting Monetary Impact

June 18, 2024
PREFACE

This Toolkit for Identifying and Reporting Monetary Impact is designed to aid Federal Offices of Inspectors General (OIGs) in the consideration, estimation, and reporting of monetary impact from audit, inspection, and evaluation work. The information presented within this document is non-binding; rather it is intended to promote consistency within the Federal OIG community and ensure that stakeholders are accurately informed of the monetary impact from OIG efforts.

This toolkit highlights requirements and includes recommendations for consideration, best practices, examples, and lessons learned. This toolkit is intended to apply to monetary impact from OIG audit, inspection, and evaluation disciplines.
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Chapter 1: Monetary Impact Requirements

The Inspector General Act of 1978, as amended (IG Act),1 established Offices of Inspectors General (OIGs) to act as independent and objective units within Federal agencies. While meeting the responsibilities of the IG Act, during audits, inspections, and evaluations of Federal programs and operations, OIGs often find waste, abuse, or other inefficiencies. Consequently, OIGs may be presented with opportunities to determine monetary benefits or associate monetary impact with their assignment results. For the purposes of this toolkit, the monetary amounts that OIGs may associate to their findings and recommendations is broadly referred to as monetary impact. Accuracy, consistency, and transparency in the methods OIGs use to assess and report on the monetary impact stemming from their work are critical to the standards of quality and integrity in the Federal OIG community.

The CIGIE Audit Committee and CIGIE Inspections and Evaluations Committee formed a working group consisting of representatives from 21 OIGs to research the practices across the OIG community regarding the identification and reporting of monetary impact. The working group conducted legislative research; evaluated OIG policies and procedures; reviewed OIG audit, inspection, and evaluation reports; assessed OIG semiannual reports to Congress (SARs); examined OIG submissions to Oversight.gov; and issued a survey to the OIG community. This toolkit was developed to promote greater consistency and accuracy in the reporting of monetary impact.

Revisions to the IG Act to Standardize Monetary Impact Reporting

In 1988, Congress revised the IG Act (P.L. 100-504) and provided technical amendments designed to strengthen the independence and effectiveness of OIGs.2 Section 106 of these technical amendments, Provisions to Ensure Uniformity and Reliability of Reports, established formal definitions for monetary impact to be applied by OIGs within their reports and new semiannual reporting requirements for OIGs in the form of statistical tables.3 Congress’ interest in revising the IG Act was to promote standardization in the terminology and reporting of monetary impact among OIGs and to facilitate uniformity in the tracking of OIG recommendations and results to ensure resolution.4

Types of Monetary Impact

The IG Act establishes two primary forms of monetary impact for OIGs to apply within their audit, inspection, and evaluation reports and their semiannual reports to Congress. Information on these

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1 Inspector General Act of 1978, as amended, 5 U.S.C. §§ 401-424 (the “IG Act”). Note that the IG Act uses the term “audit” in reference to some monetary impact definitions. OIGs should also apply the definitions to any inspection and evaluation.
2 These technical amendments were informed by the results of prior work from the U.S. Government Accountability Office (GAO). See GAO/AMFD-84-57: Audits of Federal Programs: Reasons for the Disparity Between Costs Questioned by Auditors and Amounts Agencies Disallow. (August 1984)
3 The IG Act requirements for semiannual reporting on monetary impact to Congress within statistical tables has since been revised under the National Defense Authorization Act for Fiscal Year 2023. See Chapter 4 for more information on these revisions.
4 See H.R. REP. 100-771 at 18 (1988), as reprinted in 1988 U.S.C.C.A.N. 3154, 3171 (House Committee on Government Operations Report) (“Uniform definitions for terms used in semiannual reports are included in the bill to permit the information provided by the various inspectors general to be analyzed and aggregated more meaningfully. The GAO, in supporting this provision, indicated that uniform definitions will also assist the Congress in measuring agency progress on achieving final action and in other oversight activities.”).
primary forms of monetary impact—questioned cost and recommendation that funds be put to better use—including their full definitions is provided below.\(^5\)

**Questioned Cost (5 U.S.C. § 405(a)(4))**
A cost that is questioned by the Office because of:

(A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
(B) a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
(C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.\(^6\)

The IG Act provides two additional definitions intended to serve as sub-categories of questioned costs for distinguishing and tracking purposes within OIG operations and their associated products: unsupported costs and disallowed costs.\(^7\) Unsupported costs are questioned costs resulting from the absence of supporting evidence. Disallowed costs are dependent upon the agreement from agency management officials (hereafter referred to as agency management) that they should not have been incurred by the Government. In Chapter 3, we explain in detail how unsupported cost and disallowed cost amounts may be lower than the overall questioned cost amounts determined by the OIG at the time of the audit, inspection, or evaluation.

See Figure 1 for a visual representation of questioned costs and these sub-categories.

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\(^5\) See 5 U.S.C. § 405(a)(4) (“Questioned Cost”); id. at § 405(a)(5) (“Recommendation that Funds Be Put to Better Use”).

\(^6\) Note, using the definition of questioned cost as it appears within the IG Act does not conflict with the definition provided in the Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. See 2 C.F.R. § 200.1. In addition, the IG Act definition of questioned cost encompasses the term “unallowable cost” as provided in the Federal Acquisition Regulation (FAR). See 48 CFR 2.101.

\(^7\) See 5 U.S.C. § 405(a)(7) (“Unsupported Cost”); id. at § 405 (a)(1) (“Disallowed Cost”).
Recommendation that Funds Be Put to Better Use (5 U.S.C. § 405(a)(5))

A recommendation that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including:

(A) reductions in outlays;
(B) deobligation of funds from programs or operations;
(C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
(D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
(E) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
(F) any other savings which are specifically identified.

The legislative history for the 1988 revisions to the IG Act provides insight into the Congressional intent and interest in promoting consistent reporting for the recommendation that funds be put to better use category. The House Committee on Government Operations report noted that the Committee intended “that inspectors general report the amounts of funds or resources (emphasis added) that will be used more efficiently as a result of actions taken by management or Congress if the inspector general’s recommendation is implemented.”

Chapter 2 of this toolkit addresses OIG considerations and methods for measuring resources that could be used more efficiently. Further, as discussed throughout this toolkit, OIGs should give special consideration to item (F) - “any other savings which are specifically identified” within the definition of recommendation that funds be put to better use. This element may help OIGs overseeing Federal agencies with unique mission needs to clearly associate the monetary impact from their work, such as waste, lost revenue, or revenue savings, to the official monetary impact categories established within the IG Act.

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9 See Yellow Book paragraph 6.21 for a definition of waste. This definition can be referenced by OIGs when considering its application to the official monetary impact categories established within the IG Act.
Chapter 2: Monetary Impact Identification and Calculation

Both Government Auditing Standards (Yellow Book)\(^{10}\) and CIGIE Quality Standards for Inspection and Evaluation (Blue Book)\(^{11}\) promote the sufficiency and appropriateness of evidence as it relates to findings, conclusions, and recommendations established by an OIG. These standards call for the elements of a finding to be established, including criteria, condition, cause, and effect. Monetary impact is generally established when considering the “effect” of a finding.

Quantification Methods and Considerations

There are various methods for calculating monetary impact, and OIGs should determine the best approach to meet their objectives, based on professional judgement.

For example, calculating monetary impact may involve quantifying results identified by the OIG during its review. It may also include summarizing costs with no supporting documentation or questionable documentation. OIGs may choose to quantify the monetary impact only for items directly sampled or reviewed, the entire population reviewed, or through the use of statistically valid estimates.\(^{12}\) Research performed during the development of this toolkit found that OIGs commonly used statistical projections for both questioned costs and recommendations that funds be put to better use. See Appendix 2 for examples of OIG reports where these various methodologies have been applied.

OIGs may also consider forecasting their monetary impact over future years. This can help OIGs demonstrate the positive effect that agency management implementation of the OIG’s recommendation could have or the negative consequence of an unimplemented recommendation. Research performed during the development of this toolkit found that OIGs generally used the recommendation that funds be put to better use category when forecasting monetary impact. Some OIGs may choose not to forecast any monetary impact results since future periods were not directly reviewed. OIGs should apply professional judgment when considering this practice.

\(^{11}\) Government Auditing Standards 2024 Revision (GAO-24-106786) (Feb. 2024) is effective for financial audits, attestation engagements, and reviews of financial statements for periods beginning on or after December 15, 2025, and for performance audits beginning on or after December 15, 2025.
\(^{12}\) CIGIE, Quality Standards for Inspection and Evaluation (Dec. 2020).
\(^{12}\) See Yellow Book, paragraphs 8.100, 8.107, and 9.14; see also GAO Guidance, Using Statistical Sampling (GAO/PMED-10.1.6) (May 1992) (providing foundational information on statistical methodologies commonly used in OIG audit, inspection, and evaluation work).
The following illustration provides an example of a monetary impact forecast scenario:

We estimate the agency issued approximately $1.5 million in payments after death to 33 beneficiaries who died in Calendar Years 1982 through 2018 (questioned costs). As of February 2022, the agency terminated payments to 31 of the 33 beneficiaries. Additionally, we estimate the agency prevented approximately $374,300 in payments after death over the next 12 months for the 31 individuals whose records it updated with a date of death (funds to be put to better use).

Regardless of the methods used, OIGs should describe their methodology when reporting monetary impact results in audit, inspection, or evaluation reports in an effort to promote both accuracy and transparency.13

**Best Practices**
To promote consistency across the OIG community, practices and considerations when quantifying monetary impact include:

- **Employ Appropriate Sampling Methodologies** - Ensure sampling techniques, methodologies, plans, and estimates are properly considered in calculations and that expertise in the subject matter is used when appropriate, such as statisticians or those trained in sampling validity;

- **Disclose Statistical Results** - Disclose the use of any statistical projections including the confidence interval of the projection(s) and whether the point estimate, upper limit, or lower limit was used for any monetary impact presented;14

- **Apply Reasonable Forecasts** - Establish an appropriate duration for any monetary impact forecasted into future years. The length of time used by an OIG may vary.15

**Resources that Could be Used More Efficiently**
As presented in Chapter 1, when establishing a recommendation that funds be put to better use, Congress intended for OIGs to consider the amounts of **funds or resources** (emphasis added) that will be used more efficiently as a result of actions taken by agency management or Congress if the OIG’s report

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13 See Yellow Book, paragraphs 6.51 through 6.52 and 9.10 through 9.17. See Blue Book, paragraphs 4.1b, 4.2b, and 5.1. See Chapter 3 for additional information.

14 The lower limit may be more appropriate for use by OIGs in order to meet the assignment objective, increase the precision of statistical estimates, or to report monetary impact associated with its findings and recommendations at a more conservative level.

15 Research performed by the working group during the development of this toolkit supports that most OIGs limited forecasts to 3 years or less, unless a longer period was justified. Examples of OIG reports using forecasts can be found at [AMTRAK OIG Audit Report (OIG-A-2019-006)](https://www.oig.gov/reports/audit_reports/2019/006) (Mar. 2019) and [SSA OIG Audit Report (A-01-13-23095)](https://www.oig.gov/reports/audit_reports/2021/095) (June 2021).
recommendation is implemented. OIG recommendations may prompt improvements to safety, increased access to government information or facilities, or efficiencies in the use of personnel or government-owned equipment. Such recommendations meet the IG Act’s goal of promoting economy, efficiency, and effectiveness in the administration of agency programs and operations and preventing waste. However, these recommendations can also present opportunities for OIGs to identify and report monetary impact. For example, recommendations for efficiencies in the productivity of Federal staff by eliminating duplication or streamlining processes may be quantified and considered by OIGs. A simplified example could include calculating the number of reduced staff hours multiplied by the hourly rate.

In accordance with standards, calculations and estimates should be based on reasonable assumptions and sufficient evidence. It may be helpful to involve technical experts, such as statisticians, economists, or methodologists to help inform any unusual or complex calculation.

**Considerations when Calculating Monetary Impact**

*Use Reasonable, Accurate, and Credible Assumptions* - OIG-calculated monetary impact and associated recommendations should be reasonable, accurate, and credible. This will assist in overcoming resistance OIGs may encounter from agency management when making recommendations involving monetary impact.

*Consider Costs Associated with Implementing Recommendations* - As a general practice, the costs associated with implementing a recommendation should not exceed the benefits attained. OIGs should consider implementation costs in devising recommendations. Some OIGs may also consider establishing a minimum amount or threshold for pursuing monetary impact.

*Documentation of Monetary Impact Calculations*  
Consistent with standards, an OIG’s documentation methods should enable an experienced professional with no previous connection to the engagement to understand the calculations used and how any resulting monetary impact amounts were derived.

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17 OIGs may still wish to pursue monetary impact recommendations in which the long-term benefits outweigh the short-term implementation costs.
Chapter 3: Presentation of Monetary Impact in OIG Products

As the oversight community evolves, OIGs are presented with opportunities to demonstrate and report on monetary impacts in a variety of engagements. In accordance with the IG Act, as amended, each Inspector General is required to prepare semiannual reports to Congress and report on any monetary impact identified from each audit, inspection, and evaluation report issued during the semiannual reporting period and for each report listed, the dollar value of:

- Questioned costs (including a separate category for the dollar value of unsupported costs); and
- Recommendations that funds be put to better use by agency management.

Audit Engagements
Although the Yellow Book does not directly address monetary impact, it addresses the elements of a finding and states that the benefit of implementing recommendations is more convincing when supported by sufficient and appropriate evidence. Thus, monetary impact associated with OIG audit findings and recommendations may be a convincing factor for agency management in taking corrective action. Further, monetary impact is established when considering the “effect” of a finding, which demonstrates the magnitude of impact and the need for corrective action as it relates to the audit objectives.

Inspections and Evaluations
In accordance with the Blue Book, inspections and evaluations often recommend improvements and identify where corrective action is necessary. CIGIE’s standards recognize that inspections and evaluations are also used to identify savings, questioned costs, and funds to be put to better use.  

Associating Monetary Impact to Findings and Recommendations
To ensure transparency, consistency, and accuracy in the presentation and reporting of monetary impact and to promote compliance with the IG Act as intended by Congress, OIGs should clearly link their findings and recommendations involving monetary impact to the categories defined in the IG Act. For example, OIGs should strive to utilize and apply the terminology of questioned costs (including any portions of questioned costs that are unsupported or disallowed) and recommendations that funds be put to better use within their reports. See Chapter 1 for definitions of these monetary impact categories.

Questioned Costs
OIGs are encouraged to report monetary impact in their audits, inspections, and evaluations using the questioned cost category and associated subcategories defined in the IG Act, rather than using any non-IG Act defined terms (explained below). As presented in Chapter 1, the scope of questioned costs is comprehensive and covers both unsupported costs and disallowed costs. Because of their nature as subcategories of questioned costs, the amount of unsupported costs and disallowed cost amounts may be

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18 See Blue Book, Preface.
lower than the overall *questioned cost* amounts determined by the OIG. The illustration below provides a simplified example of this concept:

- **Total OIG Questioned Costs:** $50,000
  - (1) Costs Questioned Due to Violation of Agency Policy: $35,000
  - (2) Costs Questioned Due to Missing Documentation (Unsupported Costs): $15,000

- **Total Agency Disallowed Costs:** $30,000
  - (1) Agency concluded that $5,000 in questioned costs did not violate policy. ($35,000 - $5,000 = $30,000)
  - (2) Agency obtained documentation for all unsupported costs. ($15,000 - $15,000 = $0)

This scenario demonstrates how agency management may subsequently obtain supporting evidence for OIG identified *questioned costs* that were based on missing documentation (*unsupported costs*) or disagree that certain amounts should be considered disallowed based on policy interpretations or legal analyses.

**Recommendations that Funds be Put to Better Use**

Recommendations that funds be put to better use are often used to identify areas where government funds could be better utilized or where potential cost savings could be realized. This can include areas such as improving organizational or program efficiency, reducing operational costs, eliminating waste, and increasing revenue.¹⁹ To the extent possible, OIGs should consider quantifying and reporting the amount of funds to be put to better use associated to their findings and recommendations, as this category helps Federal agencies improve their financial management practices, increase efficiency, and better serve the public.

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¹⁹ The Department of Justice (DOJ), Office of Legal Counsel (OLC) has opined that “funds put to better use” may include both monetary savings and non-monetary savings. In reaching this conclusion, OLC noted that the legislative history from the Act referenced both “funds” and “resources” that could “be used more efficiently.” OLC found that because both of these terms were used it was appropriate to interpret “funds put to better use” to include “non-monetized efficiencies.” See DOJ OLC, *Memorandum Opinion for the Assistant Attorney General for Administration and the Inspector General, “Interpretation of Inspector General Act”* (Mar. 20, 1998).
Examples for how OIGs can consider application of the recommendation that funds be put to better use category are provided below:

**Example 1**
An OIG may identify that an agency is not efficiently utilizing its resources or that it could benefit from implementing new technology or processes. In such cases, the OIG report may recommend changes that could result in cost savings or improved efficiency, which by definition could fall under the recommendation that funds be put to better use category.

**Example 2**
An OIG may identify that an agency is not effectively managing its awards or agreements, resulting in lost program income or other missed opportunities. The OIG report may recommend changes to the agency’s management processes to identify program income, which would also fall under the recommendation that funds be put to better use category.

**Agency Unique Terms**
While the IG Act defines and requires the reporting of monetary impact within established terms, it does not expressly prohibit the use of other agency-specific or accepted terms to identify monetary impact. Some agencies, as a result of unique mission needs or at their discretion, may choose to report monetary impact in terms not defined in the IG Act.20 OIGs sometimes also use other established terminology within their reports. This includes terms such as “unnecessary cost,” “unallowable cost,” “incorrect amount,” “improper payment,”21 or “abuse.” Since these terms are not defined within the IG Act, OIGs are encouraged to provide a definition and explanation for how any such term relates to the IG Act–established definitions of questioned costs and recommendation that funds be put to better use. Otherwise, stakeholders may be unclear as to how these terms reconcile.

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20 Examples of unique agency monetary impact related terms may include, but are not limited to revenue savings, revenue loss, refundable revenue, etc.

21 See Appendix 1 of this toolkit for further information on the considerations for improper payments.
Using the monetary impact terms defined in the IG Act ensures reporting consistency across the IG community. However, if an OIG must use a monetary impact–related term not defined in the IG Act, the OIG should make every effort to explain the relationship, if any, between the agency monetary impact–related term and those monetary impact terms defined in the IG Act. In instances where the unique monetary impact–related term cannot be linked to a monetary impact term in the IG Act, OIGs are encouraged to ensure the product clearly explains that the unique monetary impact–related term is outside of the IG Act requirements, so the reader is aware the term was created and used by that agency. The OIG’s product should also describe what that unique term means in relation to their work.

Example language from an OIG report distinguishing the monetary impact between the agency-established term and the term defined in the IG Act -

Requiring departments to prepare business cases or other analyses for new leases or lease renewals (as it does for large capital projects) would help strengthen the company’s analytical basis for making real property decisions, which could have resulted in $2.8 million that could have been put to better use and result in as much as $6.8 million in additional revenues.

The OIG term “additional revenues” is presented as money the agency could earn in a future time period if they implement the recommendations in the report.


### Presenting Monetary Impact in Reports

OIG reports are an essential tool that assist in providing accountability and transparency over government programs of interest to many stakeholders. The widespread interest in the use of government resources increases the importance of communicating monetary impact in a transparent and holistic manner in OIG written products. The following presents a series of observed best practices that help to ensure that monetary impact is presented with accuracy and transparency in OIG reports.

### Executive Summary (or Equivalent)

To promote transparency and to provide brevity, OIGs are encouraged to include, in the executive summary (or equivalent), the total amount of monetary impact detailed in the report. The following examples illustrate different approaches OIGs can use to disclose the monetary impact within their executive summary.
Body of the Report
The full impact of an OIG’s work, particularly projects related to improving effectiveness or efficiency in agency programs and operations, cannot always be measured in terms of monetary impact. However, when monetary impact is identified, the body of the report should provide sufficient information for a reader to understand how the monetary impact amount was determined and its relationship to the IG Act definitions. Monetary impact should be identified and explained in the body of the report even if agency management officials responding to the report may disagree with the conclusions reached during the project or the associated recommendations.

Example Language from an Executive Summary – Questioned Costs
We found that all 37 prices FSA established in Puerto Rico for tree, bush, and vine losses were inaccurate, not adequately supported, or both. As a result, FSA issued more than $157 million in questioned payments [costs] for tree, bush, and vine losses in Puerto Rico. Additionally, FSA Puerto Rico officials did not use the correct actual production value when calculating WHIP payment amounts for producers who had insured production losses, which resulted in more than $15.6 million in questioned costs and FSA having reduced assurance that the net payments for all insured production losses paid for 1,521 producer applications in Puerto Rico were accurate.


Example Language from an Executive Summary – Funds to be Put to Better Use
We found 14 grants that were idle (had no activity) for at least 1 year and as many as 7 years. We identified the $6.3 million remaining on these grants as funds to be put to better use.


To promote transparency, the body of the report should provide readers with information on the work performed that identified the monetary impact, including:

- Results of the work;
- Total monetary impact identified by category; and
- Targeted recommendations related to the monetary impact.

As described below, OIGs may elect to refer readers to a detailed Appendix that includes more detailed information.
Recommendations
Consistent with Congress’s intent to establish a standardized format for semiannual reporting of the dollar value associated to OIG results, any monetary impact identified in the body of the report should be associated to and detailed in one or more recommendation(s). A best practice is to separate recommendations associated to monetary impact from other requested actions. For example, OIGs are encouraged to establish one recommendation on monetary impact and a separate recommendation for improvements to policies and procedures. Furthermore, OIGs are encouraged to clearly identify the monetary impact within their recommendations as either questioned costs or funds be put to better use. OIGs are encouraged to also clearly identify any portion of questioned costs that are unsupported costs.
In turn, any amount of monetary impact identified in the OIG’s report that is included in recommendations should reconcile to the information included in the OIG’s SAR.

OIGs are encouraged to use the recommendation(s) to communicate the expectation for agency management to assess the OIG reported amount and take action to address the monetary impact identified in the report. Examples for integrating this expectation into OIG recommendations are provided below.

Example Language – Questioned Costs
OIG recommends that the Bureau of Diplomatic Security (a) determine whether the $361,627,297 in questioned costs spent on Contract 19AQMM19C0007 are supported and allowable and (b) recover any costs determined to be unsupported and unallowable.


Example Language – Funds Put to Better Use
OIG recommends that the Bureau of African Affairs review the 23 potentially invalid obligations detailed in Appendix B of this report, totaling $34,088,800, and either deobligate the obligations, so that the funds can be put to better use, or provide documentation to OIG to justify the validity of the 23 obligations.

U.S. Dept. of State OIG, AUD-FM-21-27, Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation (Oversight.gov) (April 2021)

Appendices
OIGs can also consider summarizing the monetary impact in the body of the report and then use an appendix to provide detailed information that agency management can use to understand the circumstances related to the monetary impact and clear association to the findings and recommendations within the report.
Additional Information Needed to Describe Statistical Projections of Monetary Impact

OIGs often report monetary impact results related to a statistically valid sample and project the observed exceptions across a population or universe.\(^{23}\) For presentation purposes and in an effort to promote transparency to agency management and stakeholders, the OIG should include additional information within OIG products to allow a reader to understand the basis used to estimate the projection of the monetary impact.\(^{24}\) The additional information that may be necessary to disclose monetary impact that is projected using statistically valid sampling methods may include the following:

- An explanation of the number of years selected and projected (e.g., contract performance period expires in 2 years)
- Universe or population size and amount
- Sample Size and amount
- Number and amount of exceptions
- Confidence level (also called confidence interval)
- Degree of accuracy
- Statistical projection (lower limit, point estimate, upper limit, or range)

Information that can be included in an appendix:

- An explanation of the identified deficiencies that led to the determination of a monetary impact and how the monetary impact was calculated;
- Transaction or sample item–level information to allow agency management to assess the monetary impact and address the exceptions identified;
  - Information may be provided for each contract, grant, obligation, or other accounting transaction selected for testing;
- An explanation of any rounding applied;
- The total amount of monetary impact that was identified and how it is being categorized using terminology included in the IG Act; and
- A definition of the monetary impact category, clearly associated with IG Act language.

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\(^{23}\) See Chapter 2 Identification and Calculation of Monetary Impact for additional information.

\(^{24}\) This toolkit does not present all information that an OIG may need to reflect in the scope or methodology section of a report that would be necessary to detail the sampling plan and methodology used to perform work during the project. Additional guidance on that topic can be found in the CIGIE guide, Good Practices for Quality Assurance Reviewers: Audit Sampling Planning, Documentation, and Reporting (June 2021). The information included in this toolkit reflects details needed to support the projection of errors related to monetary impact in a separate appendix.
Chapter 4: Requirements for Reporting Monetary Impact in Semiannual Reports to Congress and on Oversight.gov

Reporting Monetary Impact in Semiannual Reports to Congress

The IG Act requires OIGs to disclose the monetary impact (questioned costs and recommendations that funds be put to better use) identified from their audit, inspection, and evaluation work within the SAR. As previously mentioned, a review of the legislative history of the IG Act reveals that Congress established these requirements, in part, to promote consistency and to facilitate uniformity in the tracking of OIG recommendations and results to ensure resolution. This Chapter provides background information regarding the statutory reporting requirement; examples for OIGs to consider regarding reporting monetary impact information within their SAR to Congress; and guidance for reporting monetary impact information to Oversight.gov.

NDAA Revisions

The IG Act, as amended by the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (Public Law 117-263, 136 STAT. 2395), streamlined the content of the Inspector General’s SAR. Some of the major changes included reducing the number of reporting requirements from 23 to 17 and allowing the use of hyperlinks in lieu of summary information. The revisions to the IG Act also eliminated two of the statistical tables that required the OIG to report information on the dollar value of disallowed costs associated with recommendations and management decisions. It is important to note that the requirement to report on disallowed costs now lies exclusively with the head of the establishment (i.e., agency head). However, OIGs may continue to report this information at their discretion.

IG Act Required Reporting of Monetary Impact in OIG SARS

The new content requirements for the semiannual report include two key areas that require information regarding the monetary impact associated with audit, inspection, and evaluation reports issued by the OIG. The two requirements are shown in Table 1 and further discussed below.

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### Table 1: Required Reporting of Monetary Impact

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language</th>
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<tbody>
<tr>
<td>405(b)(2), Notes 26</td>
<td>An identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential cost savings associated with the recommendation.</td>
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<tr>
<td>405(b)(5), Notes 27</td>
<td>Information regarding each audit, inspection, or evaluation report issued during the reporting period, including—</td>
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<td></td>
<td>(A) a listing of each audit, inspection, or evaluation;</td>
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<tr>
<td></td>
<td>(B) if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period.</td>
</tr>
</tbody>
</table>

While the first requirement in Table 1, Section 405(b)(2), requires OIGs to report “potential cost savings,” the IG Act does not define this term. However, the CIGIE community has defined “potential savings” on Oversight.gov as “the sum of questioned costs and recommendations that funds be put to better use.” 28 OIGs are encouraged to use the definition established by CIGIE for the purposes of addressing this requirement.

Examples of how potential cost savings can be reported within OIG SARs include the following:

**Example 1: Potential Cost Savings**

<table>
<thead>
<tr>
<th>Source: USDA OIG</th>
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<tbody>
<tr>
<td>27 Id.</td>
</tr>
<tr>
<td>28 Oversight.gov Website, [Oversight.gov Data Definitions](June 2017).</td>
</tr>
</tbody>
</table>
Example 2: Potential Cost Savings

<table>
<thead>
<tr>
<th>Report Number &amp; Date Issued</th>
<th>Report Title</th>
<th>Total Recs.</th>
<th>Open Recs. as of 3/31/2023</th>
<th>Total Potential Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>17-2-009 07/06/17</td>
<td>NSF Could Strengthen Key Controls Over Electronic Records Management</td>
<td>5</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>19-1-010 05/02/19</td>
<td>Performance Audit of Incurred Costs - University of Maryland College Park</td>
<td>19</td>
<td>19</td>
<td>$357,108</td>
</tr>
<tr>
<td>19-1-016 08/08/19</td>
<td>Performance Audit of Incurred Costs - Ohio State University</td>
<td>22</td>
<td>22</td>
<td>$502,587</td>
</tr>
<tr>
<td>19-1-017 09/13/19</td>
<td>Performance Audit of Incurred Costs - Oregon State University</td>
<td>24</td>
<td>24</td>
<td>$369,532</td>
</tr>
<tr>
<td>19-2-003 12/21/18</td>
<td>NSF Could Improve its Controls to Prevent Inappropriate Use of Electronic Devices</td>
<td>7</td>
<td>1</td>
<td>N/A</td>
</tr>
</tbody>
</table>

12 Potential Cost Savings includes both Questioned Costs and Funds Put to Better Use

Source: National Science Foundation (NSF) OIG

The second requirement from Table 1, section 405(b)(5), requires a listing of audit, inspection, or evaluation reports issued during the period along with:

1. the total dollar value of questioned costs;
2. a separate category for the dollar value of unsupported costs that are included within the amount of questioned costs;
3. the dollar value of the recommendations that funds be put to better use; and
4. information on whether a management decision had been made by the end of the reporting period.30

It is important for OIGs to consider that the “total dollar value of questioned costs” includes the amount of unsupported costs. OIGs are then expected to provide a separate breakout of the amount of questioned costs that were unsupported costs. CIGIE research and legislative history review of the IG Act support this treatment.

Appendix 3 of this toolkit provides OIGs with a reference document for determining areas to report monetary impact within their SAR.

29 See Chapter 1 for the definition of unsupported costs.
30 See Chapter 5 Coordination of Monetary Impact Recommendations with Agency Management for further information on the expectations for management decisions.
Examples of how OIGs have reported on this requirement are provided below:

**Example 3: Questioned Costs, Unsupported Costs, and Funds Put to Better Use**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Title</th>
<th>Report Date</th>
<th>Audit Category</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
<th>Funds Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>USAID</td>
<td>4.415-35-014A</td>
<td>Financial Audit of USAID Resources Managed by Amani Pangea Universal Relief Team in Kenya Under Multiple Awards, January 1 to December 31, 2021</td>
<td>11/01/2022</td>
<td>Foreign Based Organizations</td>
<td>$0</td>
<td>$9</td>
<td>$0</td>
</tr>
<tr>
<td>USAID</td>
<td>4.415-35-017B</td>
<td>Financial Audit of USAID Resources Managed by St. John's Community Care Network in Kenya Under Multiple Awards, January 1 to December 31, 2021</td>
<td>11/02/2022</td>
<td>Foreign Based Organizations</td>
<td>$0</td>
<td>$9</td>
<td>$0</td>
</tr>
<tr>
<td>USAID</td>
<td>4.415-35-035B</td>
<td>Financial Audit of USAID Resources Managed by Christ Church Diocese of Kenya Under Multiple Awards, January 1 to December 31, 2021</td>
<td>11/28/2022</td>
<td>Foreign Based Organizations</td>
<td>$14,763</td>
<td>$9</td>
<td>$0</td>
</tr>
<tr>
<td>USAID</td>
<td>4.415-35-033A</td>
<td>Financial Audit of USAID Resources Managed by Kenya Under Multiple Awards, January 1 to December 31, 2021</td>
<td>02/06/2022</td>
<td>Foreign Based Organizations</td>
<td>$12,472</td>
<td>$9</td>
<td>$0</td>
</tr>
</tbody>
</table>

Source: [USAID OIG](#)

**Example 4: Questioned Costs, Unsupported Costs, and Funds Put to Better Use**

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Report Title</th>
<th>Date</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
<th>Funds Put to Better Use</th>
<th>Management Decision*</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-E-0099</td>
<td>Evaluations in Accordance with Quality Standards for Inspection and Evaluation</td>
<td>9/25/23</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>No</td>
</tr>
<tr>
<td>23-E-0012</td>
<td>Evaluations in Accordance with Quality Standards for Inspection and Evaluation</td>
<td>2/29/23</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>No</td>
</tr>
<tr>
<td>23-E-0013</td>
<td>Evaluations in Accordance with Quality Standards for Inspection and Evaluation</td>
<td>3/7/23</td>
<td>$5.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>No</td>
</tr>
</tbody>
</table>

**Financial Audits in Accordance with Generally Accepted Government Auditing Standards**

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Report Title</th>
<th>Date</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
<th>Funds Put to Better Use</th>
<th>Management Decision*</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-F-0001</td>
<td>U.S. Chemical, Safety and Hazard Investigation Board Fiscal Years 2022 and 2021 Financial Statement Audit</td>
<td>11/15/22</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>Yes</td>
</tr>
<tr>
<td>23-F-0002</td>
<td>U.S. Chemical, Safety and Hazard Investigation Board Fiscal Years 2022 and 2021 Financial Statement Audit</td>
<td>11/15/22</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>Yes</td>
</tr>
<tr>
<td>23-F-0005</td>
<td>U.S. Chemical, Safety and Hazard Investigation Board Fiscal Years 2022 and 2021 Financial Statement Audit</td>
<td>11/15/22</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Performance Audits in Accordance with Generally Accepted Government Auditing Standards**

<table>
<thead>
<tr>
<th>Report Number</th>
<th>Report Title</th>
<th>Date</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
<th>Funds Put to Better Use</th>
<th>Management Decision*</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-P-0003</td>
<td>Evaluations in Accordance with Quality Standards for Inspection and Evaluation</td>
<td>11/21/22</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: [EPA OIG](#)

**Monetary Impact from Other Non-investigative Reports**

OIG non-investigative work products that do not constitute audits, inspections, or evaluations and were not executed under those associated standards may still contain monetary impact.31 OIGs that issue these work products such as management alerts, flash reports, reviews, assessments, management advisory reports, interim reports, or capstone reports, could include and disclose any related monetary impact in their SAR. OIGs are encouraged to report this information in a manner consistent with the disclosures on audit, inspection, or evaluation reports and with sufficient transparency to demonstrate

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31 Organizations preparing such products should still conform to the CIGIE’s [Quality Standards for Federal Offices of Inspector General](#) (Silver Book).
their distinction from audit, inspection, or evaluation reports. An example of an OIG presentation and reporting of this information is provided below:

*Example 5: Monetary impact in non-Investigative work products*

<table>
<thead>
<tr>
<th>Office</th>
<th>Report Type and Number</th>
<th>Report Title</th>
<th>Number of Open Recs</th>
<th>Value of Potential Cost Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCIO</td>
<td>Inspection 122T0066</td>
<td>The U.S. Department of Education's Federal Information Security Modernization Act of 2014, For Fiscal Year 2022</td>
<td>7</td>
<td>$0</td>
</tr>
<tr>
<td>OCTAE</td>
<td>Audit A6402004</td>
<td>Puerto Rico Department of Education's Reliability of Program Performance Data and Use of Adult Education Program Funds</td>
<td>9</td>
<td>$97,481</td>
</tr>
<tr>
<td>OESE</td>
<td>Audit A6550001</td>
<td>The U.S. Department of Education’s Processes for Reviewing and Approving State Plans Submitted Pursuant to the Elementary and Secondary Education Act of 1965, as Amended</td>
<td>3</td>
<td>$0</td>
</tr>
<tr>
<td>OESE</td>
<td>Flash Report F19GA0027</td>
<td>Puerto Rico Department of Education’s Unallowable Use of Temporary Emergency Impact Aid for Displaced Students Program Funds for Payroll Activities</td>
<td>2</td>
<td>$0</td>
</tr>
</tbody>
</table>

Source: [U.S. Department of Education (DOE) OIG](https://www.ed.gov)

**Discretionary Reporting of Disallowed Costs**

The Fiscal Year 2023 NDAA changed the reporting requirements for *disallowed costs*. Rather than previously defined dual reporting roles – IG and agency management– now the communication of *disallowed costs* is the responsibility of the head of the establishment. However, this does not prevent an OIG from reporting on allowed and *disallowed costs*. OIGs that continue to report on *disallowed costs* are encouraged to coordinate their effort with the head of the establishment, to resolve any differences, and prevent inconsistencies in the dollar values being reported. In cases where differences cannot be resolved, the OIG should provide information within its SAR to address the discrepancy to promote transparency.

**Other Discretionary Monetary Impact Reporting**

When reporting to Congress on monetary impact outside of the IG Act established definitions and requirements, OIGs should clearly annotate or separate these amounts from the other required disclosures and describe how the dollar value was calculated and the period of time represented. Some examples of discretionary reporting by OIGs include: return on investment, sustained costs, and expected recoveries. OIGs are encouraged to provide an explanation for how any such term relates to the IG established definitions.

**Reporting Monetary Impact on Oversight.gov**

In 2017, CIGIE created [Oversight.gov](https://oversight.gov) to consolidate all public reports from Federal Inspectors General (IGs) and improve the public’s access to independent and authoritative information about the Federal Government. The reports appearing on Oversight.gov, as well as any associated data, are posted.

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32 Per the IG Act, agencies are required to report this information within their annual report to Congress.
directly to the site by the issuing IG office. Posting by the OIGs is voluntary, but is strongly encouraged to promote broad transparency into OIG work. CIGIE operates and maintains the site. OIGs voluntarily submitting their reports to Oversight.gov are expected to ensure the accuracy of the information and monetary impact amounts disclosed on Oversight.gov. When reporting monetary impact on Oversight.gov, the amount of *questioned costs* and *recommendations that funds be put to better use* should match the information reported in the individual OIG’s reports and in the OIG’s SAR. Notably, Oversight.gov only recognizes the monetary impact definitions of *questioned costs* and *recommendations that funds be put to better use* established within the IG Act.

**Oversight.gov Onboarding Package**

CIGIE developed an Oversight.gov *Onboarding Package*, which provides participating OIGs with the information needed to add reports and data to the site. This package includes the *Oversight.gov User Agreement and Rules of Behavior*, which provides information related to reporting requirements and data accuracy, including specific guidance related to the reporting of monetary impact. Under the terms of this agreement, OIG users ensure that uploaded reports and related metadata accurately reflect the data presented in the reports themselves and the semiannual reports to Congress. In addition, the agreement recommends each participating OIG to implement a system of controls to ensure (1) adherence to data definitions, (2) verification of timely and accurate information, (3) corrections from the OIG’s website are transferred to Oversight.gov, and (4) documentation of the verification process.

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Chapter 5: Coordination of Monetary Impact Recommendations with Management Officials

Coordination and communication with management during the course of an audit, inspection, or evaluation is important to ensure OIGs obtain the views of management concerning findings, conclusions, and recommendations in order to meet the requirements of the IG Act, Office of Management and Budget (OMB) guidance and professional standards.

Addressing Agency Management Concerns Over OIG Claimed Monetary Impact

OIGs may encounter resistance from agency management when making recommendations that involve monetary impact. It is important for OIG staff to have clear communication with agency management on how monetary impact will be calculated and reported. This helps to promote transparency and minimizes the risk of miscommunications that can lead to management questions or pushback on the OIGs’ methodologies. Reaching successful resolution with management on OIG monetary impact recommendations, especially those based upon estimated amounts, may depend on this clear communication.

When interacting with agency management, it may be helpful to explain the monetary impact categories (questioned costs and recommendations that funds be put to better use) and their associated IG Act definitions. This will help ensure that management understands how any monetary impact is considered by the OIG. Early communication with management on the specific quantification method(s) used to calculate any monetary impact helps to facilitate the acceptance of monetary impact recommendations by agency management. It will also help clarify management’s responsibility for determining any disallowed costs and rendering a management decision for monetary impact recommendations, including the dollar value agreed to by management.

Best Practices

The following list includes a series of best practices to use when communicating with agency management:

- Use Precise Definitions – Establish precise definitions for key terms such as questioned costs, unsupported costs, disallowed costs, and recommendations that funds be put to better use that align with the IG Act and established guidelines and regulations.
- Promote Early Awareness – Alert agency management during preliminary meetings when an assignment has the potential for monetary impact findings.

35 See Yellow Book, paragraphs 8.20, 8.25, 9.50, and 9.52. See Blue Book, paragraphs 3.2b, 4.2c, 5.5, 5.6, and 6.2a.
Encourage “No Surprises” – Discuss monetary impact with agency management throughout the assignment. Agency management should not be surprised by monetary impact findings in a report and should be aware of recommendations with monetary impact before receiving a draft report.

Leverage Technical Expertise – Include any technical experts used in meetings with agency management to clarify statistical methods and the precision of estimated amounts, if necessary.

Assign Points of Contact – A point of contact that acts as a liaison for agency management for questions and concerns regarding OIG monetary impact findings and recommendations can help streamline communication, address concerns or questions promptly, and ensure recommendations are properly addressed.

Resolving Monetary Impact Recommendations with Agency Management

OIGs should consider the relationship between the definitions established within the IG Act and the definitions provided within OMB Circular A-50 related to monetary impact. These definitions are significant as they relate to the transparency and accuracy in the presentation of a “management decision” and “resolution” for recommendations involving monetary impact within OIG products. The pertinent definitions from the IG Act and OMB Circular A-50 related to resolving OIG recommendations are provided below.

IG Act Definitions

The IG Act, Section 405, “Reports,” defines three key terms for OIGs to apply when describing the actions management will take to address monetary impact related findings and recommendations: “management decision”, “final action”, and “disallowed cost.” The IG Act defines these terms as follows:

**Management decision** - the evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to the findings and recommendations, including actions concluded to be necessary.

**Final action** - (A) the completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and

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OIGs should also consider the statutory notes of the IG Act, which require the agency head to provide management decision on the findings and recommendations of an audit report within 6-months and final action on each management decision within 12-months.


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36 Consistent with the requirements established in Section 405 of the IG Act, OIGs should consider this definition to apply to any inspection and evaluation report.
recommendations included in an audit report; and (B) in the event that the management of an establishment concludes no action is necessary, final action occurs when a management decision has been made.

**Disallowed Cost** - a questioned cost that management, in a management decision (emphasis added), has sustained or agreed should not be charged to the Government.

**OMB Circular No. A-50: Audit Followup Definitions**

**OMB Circular No. A-50, Audit Followup** (OMB Circular A-50), defines terms related to recommendation followup and emphasizes the importance of monitoring the implementation of recommendations. The terms in the OMB Circular include “resolution”, “corrective action”, and “disallowed costs” and are defined as follows:

**Resolution** - the point at which the audit organization and agency management or contracting officials agree (emphasis added) on action to be taken on reported findings and recommendations; or, in the event of disagreement, the point at which the audit follow-up official determines the matter to be resolved.

**Corrective Action** - measures taken to implement resolved audit findings and recommendations.

**Disallowed Costs** - costs incurred by the agency that were questioned by the audit organization that management has agreed should not be charged to the Government.

**Considerations for Applying the IG Act and OMB Circular A-50 Definitions to Resolve OIG Recommendations**

- OIGs should not assume agency management agrees with the monetary impact (questioned costs or the amount in a recommendation that funds be put to better use) associated with a recommendation(s) simply because management agreed with the nature or intent of the recommendation. Practical interpretation of the IG Act and OMB Circular A-50 definitions support that agency management should also include its position on any OIG identified monetary impact at the time of its management decision. This includes providing a decision to the OIG on the amount of questioned costs it has sustained or agreed should not be charged to the Government or the amount of funds agency management agrees could be used more efficiently.

- If agency management is not able to render a management decision on the monetary impact associated with a recommendation until it takes actions to implement the recommendation, OIGs

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37 Consistent with the requirements established in Section 405 of the IG Act, OIGs should consider this definition to apply to any inspection and evaluation report.

38 OMB Circular A-50 applies to executive agencies. While OMB Circular A-50 may not apply to certain independent agencies, it provides relevant guidance and best practices.

39 OIGs should also apply this definition to inspections and evaluations.


41 Id.
are encouraged to report such recommendations with associated monetary impact as “unresolved” or “not resolved” until management has taken sufficient action to render a management decision on its agreement or disagreement with the monetary impact. OIGs may consider adding a note in their SAR when management has agreed with a recommendation, but management decision is not complete.

- Reaching resolution on OIG recommendations does not mean that management has taken all actions to implement the recommendations. As provided in OMB Circular A-50, resolution generally occurs when both parties agree on the action that should be taken (emphasis added).

- Final action (IG Act) or corrective action (OMB Circular A-50) are contingent upon first reaching resolution of the report findings and recommendations. This supports that there is first either (1) agreement between the OIG and management on the actions needed to be taken or (2) an escalation of the matter to the audit follow-up official.

- Final action of a recommendation cannot occur until management has completed all actions in its management decision, or in the case of disagreement, the audit follow-up official determines the matter to be resolved. For recommendations with associated monetary impact, this includes any actions necessary to render a final management decision on the monetary impact amounts of the recommendation.

**Common evidence for “final action” on monetary impact recommendations:**

- Agency pursuit/recovery of costs;
- Financial or budgetary adjustments;
- Agency establishment of a receivable;
- Implementation of completed actions to improve efficiencies; or
- Final decision by the audit follow-up official.
Appendix 1—Questions and Answers

This Appendix includes a series of questions and answers to assist OIGs in establishing and reporting monetary impact from audits, inspections, evaluations, and other reports.

General Questions

**QUESTION G.1:** Are OIGs required to follow this Toolkit for Identifying and Reporting Monetary Impact?

**ANSWER:** No. The information presented in this toolkit is not binding on any OIG office. This toolkit was developed to inform OIGs of the statutory requirements and expectations in order to promote consistency across the community in the identification and reporting of monetary impact. This toolkit should serve as a useful resource for OIGs, but each OIG should use its professional judgement when considering the information, techniques, and best practices within this toolkit and in the IG Act as it relates to their operations. We encourage OIGs to use the information within this toolkit when developing their internal policies and procedures for audits, inspections, and evaluations. In an effort to promote effective oversight, OIGs may employ other practices that conform to alternative standards.42 OIGs are encouraged to consider this toolkit for any OIG product that identifies monetary impact. Moreover, with respect to the provisions of the statutes and regulations discussed herein, the toolkit does not represent the official legal interpretation of CIGIE, nor that of any CIGIE members. OIGs are strongly encouraged to consult with their respective office of legal counsel when applying this toolkit.

**QUESTION G.2:** Who can I contact for additional information, clarification, suggestions, or comments on this toolkit?

**ANSWER:** Please send any suggestions, comments, or requests for additional information to MIToolkit@cigie.gov.

**QUESTION G.3:** Are there any additional resources on this topic that might be helpful?

**ANSWER:** Yes. The IG Act, legislative history, the Yellow Book, the Blue Book, OMB guidance, and CIGIE information are highlighted throughout this toolkit. OIGs are encouraged to maintain awareness of any updates or revisions to these resources.

Chapter 2 – Monetary Impact Identification and Calculation

**QUESTION 2.1:** If using statistical sampling and estimates to calculate monetary impact, should the OIG include a description of the sampling methodology used within its report?

**ANSWER:** Yes, per the *Yellow Book* paragraph 9.14 reporting standard for performance audits, the OIG should include in its report a description of the sampling design and methodology used. The *Blue Book* Standard 4: Evidence Collection and Analysis and Standard 5: Reporting and accompanying paragraphs also support such disclosures. As presented within this toolkit, the disclosure of OIG techniques used to estimate monetary impact amounts promotes transparency to agency management and external stakeholders.

**Question 2.2:** Is there a difference between an improper payment and a questioned cost?

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42 Such practices include OIG work performed under the *Quality Standards for Federal Offices of Inspector General* (Aug. 2012) (Silver Book) and the *Pandemic Response Accountability Committee Agile Products Toolkit* (2022).
Answer: Yes. It is important for OIGs to consider the separate legislation and unique differences in requirements between the identification and reporting on improper payments and the identification and reporting on questioned costs. As communicated throughout this toolkit, the definition of a questioned cost and associated OIG requirements for reporting stems from the IG Act. As presented below, the Payment Integrity Information Act of 2019 (PIIA) (PL 116-117) establishes the definition of what constitutes an improper payment and Appendix C of OMB Circular A-123 Requirements for Payment Integrity Improvement provides implementing guidance for the PIIA, including the review and reporting requirements for OIGs.

<table>
<thead>
<tr>
<th>Improper payment – the term “improper payment” means any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement; and includes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• any payment to an ineligible recipient;</td>
</tr>
<tr>
<td>• any payment for an ineligible good or service;</td>
</tr>
<tr>
<td>• any duplicate payment;</td>
</tr>
<tr>
<td>• any payment for a good or service not received, except for those payments where authorized by law; and</td>
</tr>
<tr>
<td>• any payment that does not account for credit for applicable discounts.</td>
</tr>
</tbody>
</table>

Appendix C of OMB Circular A-123 distinguishes improper payments between those resulting in monetary loss, which jeopardize agency missions by diverting resources from their intended purpose, and those that are of non-monetary loss (underpayments and technically improper payments).

Appendix C of OMB Circular A-123 explains that an underpayment represents instances where a recipient did not receive the funds that they were entitled and a technically improper payment represents instances where the recipient received funds they were entitled, but the payment failed to meet all regulatory and/or statutory requirements.

When determining whether improper payments under the PIIA should be considered questioned costs under the IG Act, OIGs should give special consideration to the practical application of the laws and guidance, the definition of disallowed cost as it appears in the IG Act, and the accounting and collection requirements for resolved audit findings and recommendations established in OMB Circular A-50. For example, it would appear to be inconsistent with the IG Act definitions to consider an underpayment (a non-monetary loss) to be a questioned cost as an underpayment does not result in a cost to the government. OIGs are encouraged to consult with their legal counsel on whether any underpayments can be supported and recognized within a recommendation that funds be put to better use.

Chapter 3 – Presentation of Monetary Impact in OIG Products

**QUESTION 3.1:** Should monetary impact only be claimed when it is associated with a recommendation?

**ANSWER:** Yes. A review of the legislative history of the IG Act revealed that Congress was concerned that OIGs were potentially overstating the amount of monetary impact reported and that Federal agencies were not taking appropriate action to resolve these issues. As a result, the 1988 Amendments included updated language relating to the audit resolution process including a “management decision” process and the agency reporting process, “final action.” The absence of an associated finding and

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recommendation for OIG-identified monetary impact would appear to circumvent the goal of Congress in making these changes.

Further, the IG Act provides the definition for a recommendation that funds be put to better use as a recommendation (emphasis added) by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation. As such, the definition implies that funds put to better use be associated with a recommendation. While the definition for questioned costs in the IG Act, does not specify an association with a recommendation, the IG Act definition of a disallowed cost, due to its reference of a management decision, and the IG Act requirements for SARs to Congress support that an associated recommendation for any OIG questioned costs is expected. The absence of an associated recommendation to the monetary impact reported by an OIG within an audit, inspection, or evaluation report would reduce transparency to Congress and the public on how such amounts were considered by agency management and resolved. In addition, Yellow Book and Blue Book standards require audit, inspection, and evaluation organizations to obtain the views of agency management on report recommendations. 44

QUESTION 3.2: Should monetary impact only be claimed if an OIG receives an Agency response or a management decision?

ANSWER: No. An Agency response or management decision to an OIG finding and/or recommendation with monetary impact would not be required for an OIG to claim the monetary impact. However, it is strongly encouraged that OIGs emphasize transparency and engage agency management in their monetary impact determinations. Agency management may provide a response to any reported questioned costs or recommendations that funds be put to better use, including disagreement to a recommendation or to the full or partial amount of any monetary impact. However, the OIG does not need a management decision to claim monetary impact in a final report. In such instances, per the guidance in OMB Circular A-50, OIGs should consider recommendations absent a management decision as unresolved.

QUESTION 3.3: What types of monetary impact fall under the primary categories defined in the IG Act?

ANSWER: The IG Act establishes two primary forms of monetary impact – (1) questioned costs and (2) recommendations that funds be put to better use. It is important for OIGs to consider that these definitions were established by Congress in an effort to promote consistency among OIGs and to facilitate uniformity in the tracking of OIG recommendations and results to ensure resolution. Based on the unique missions of certain Federal agencies, OIGs may establish unique terminology or categories for the monetary impact they identify. However, many of these unique categories could still fall under the existing IG Act categories. This includes unique categories such as revenue projection or savings, overpayments, de-obligations of funds, and waste. In an effort to promote transparency and consistency, OIGs are encouraged to provide an explanation for how any such term relate to the IG established definitions.

QUESTION 3.4: The definition for funds put to better use includes “any other savings which are specifically identified.” Does this mean the definition is broader than the categories listed in the definition?

ANSWER: Yes. The funds put to better use category is broad in scope. This monetary impact category is often used to identify areas where government funds could be better utilized or where potential cost

44 See Yellow Book, paragraphs 6.58 through 6.61. Blue Book, paragraphs 5.5 and 5.5a.
savings could be realized. This can include areas such as improving organizational or program efficiency, reducing operational costs, eliminating waste, and increasing revenue. In such instances, the recovery of any amount an OIG has identified as waste may not be possible. See Chapter 1 and Chapter 3 for more information.

Chapter 4 – Requirements for Reporting Monetary Impact in Semiannual Reports to Congress and on Oversight.gov

**QUESTION 4.1:** Are unsupported costs a subset of questioned costs in the OIG SAR to Congress?

**ANSWER:** Yes. Unsupported costs are required to be reported in the OIG’s SAR. The reporting for the amount of unsupported costs, as a subset of questioned costs, is a distinct category of disclosure. See Chapter 4 for further details.

Chapter 5 – Coordination of Monetary Impact Recommendations with Management Officials

**QUESTION 5.1:** How does a federal agency’s agreement or disagreement with a recommendation(s) affect how their related monetary impact is reported?

**ANSWER:** In accordance with the amendments in the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (Public Law 117-263, 136 STAT. 2395), the IG Act requirements have changed and OIGs are no longer required to report on disallowed costs within their SARs to Congress. OIGs would still report the full amount of any monetary impact, including the full amount of any questioned costs, during the semiannual period and whether agency management agreed to the recommendation. Additionally, OIGs should conform to the requirements established within OMB Circular A-50 for recommendations in which agency management and the OIG have not reached agreement on the actions to be taken to resolve the recommendation. In such cases, the recommendation should be considered “unresolved” until the agency and OIG reach agreement or the audit follow-up official determines the matter to be resolved. For recommendations involving monetary impact, OIG considerations for resolution should also include agency management’s agreement or disagreement to the amount of the monetary impact. See Chapter 5 for further details.
Appendix 2-Example OIG Reports

Items Directly Reviewed

Special Inspector General for Afghanistan Reconstruction (SIGAR), Department of State’s Core Operations in Kabul and the Continuation of Partnerships with Several Historical and Cultural Institutions: Audit of Costs Incurred by the University of Chicago, SIGAR 23-25 Financial Audit

Federal Deposit Insurance Corporation Office of Inspector General, Payments to Pragmatics, Inc., AUD-19-003
https://www.fdicoig.gov/sites/default/files/reports/2022-08/19-003AUD.pdf

Small Business Administration OIG, Office of Inspector General High Risk 7(a) Loan Review Program, 18-23

Statistically Valid Estimates and Forecasts


Health and Human Services Office of Inspector General, Medicare Improperly Paid Durable Medical Equipment Suppliers an Estimated $8 Million of the $40 Million Paid for Power Mobility Device Repairs, A-09-20-03016
https://oig.hhs.gov/oas/reports/region9/92003016.pdf


Entire Population Reviewed

Social Security Administration Office of Inspector General, Match of Massachusetts Death Information Against Social Security Records, A-01-17-50244
## Appendix 3-Revised SAR Requirements

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language as amended by NDAA&lt;sup&gt;45&lt;/sup&gt;</th>
<th>Requires Monetary Impact Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>404(a)(2)</td>
<td>Review of Legislation</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(1)</td>
<td>A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the establishment and associated reports and recommendations for corrective action made by the Office.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(2)</td>
<td>An identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation.</td>
<td>Yes</td>
</tr>
<tr>
<td>405(b)(3)</td>
<td>A summary of significant investigations closed during the reporting period.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(4)</td>
<td>An identification of the total number of convictions during the reporting period resulting from investigations.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(5)</td>
<td>Information regarding each audit, inspection, or evaluation reporting issued during the reporting period including—</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>(A) A listing of each audit, inspection, or evaluation;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(B) If applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period.</td>
<td></td>
</tr>
<tr>
<td>405(b)(6)</td>
<td>Information regarding any management decision made during the reporting period with respect to any audit, inspection, or evaluation issued during a previous reporting period.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(7)</td>
<td>The information described under Section 804(b) of the Federal Financial Management Improvement Act of 1996.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(8)</td>
<td>(A) An appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>(B) If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General.</td>
<td></td>
</tr>
<tr>
<td>405(b)(9)</td>
<td>A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that may have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(10)</td>
<td>A list of any peer reviews conducted by the Inspector General of another Office of Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented.</td>
<td>No</td>
</tr>
</tbody>
</table>

## Semiannual Report
### NDAA Reporting Requirements Index

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language as amended by NDAA&lt;sup&gt;45&lt;/sup&gt;</th>
<th>Requires Monetary Impact Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>405(b)(11)</td>
<td>Statistical tables showing---&lt;br&gt;  (A) The total number of investigative reports issued during the reporting period;&lt;br&gt;  (B) The total number of persons referred to the Department of Justice for criminal prosecution during the reporting period;&lt;br&gt;  (C) The total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period; and&lt;br&gt;  (D) The total number of indictments and criminal information during the reporting period that resulted from any prior referral to prosecuting authorities;</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(12)</td>
<td>A description of the metrics used for developing the data for the statistical tables under paragraph (11)</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(13)</td>
<td>A report on each investigation conducted by the Office where allegations of misconduct were substantiated involving a senior Government employee or senior official (as defined by the Office) if the establishment does not have senior Government employees, which shall include:&lt;br&gt;  (A) The name of the senior Government employee, if already made public by the Office; and&lt;br&gt;  (B) A detailed description of—&lt;br&gt;      (i) The facts and circumstances of the investigation; and&lt;br&gt;      (ii) The status and disposition of the matter, including—&lt;br&gt;          (I) if the matter was referred to the Department of Justice, the date of the referral; and&lt;br&gt;          (II) if the Department of Justice declined the referral, the date of the declination;</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(14)</td>
<td>(A) a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation; and&lt;br&gt;  (B) what, if any, consequences the establishment actually imposed to hold the official described in subparagraph (A) accountable;</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(15)</td>
<td>Information related to interference by the establishment, including—&lt;br&gt;  (A) a detailed description of any attempt by the establishment to interfere with the independence of the Office, including—&lt;br&gt;      (i) with budget constraints designed to limit the capabilities of the Office; and&lt;br&gt;      (ii) incidents where the establishment has resisted or objected to oversight activities of the Office or restricted or significantly delayed access to information, including the justification of the establishment for such action; and&lt;br&gt;  (B) a summary of each report made to the head of the establishment under section (6)(c)(2) during the reporting period.</td>
<td>No</td>
</tr>
<tr>
<td>405(b)(16)</td>
<td>Detailed descriptions of the particular circumstances of each—&lt;br&gt;  (A) inspection, evaluation, and audit conducted by the Office that is closed and was not disclosed to the public; and&lt;br&gt;  (B) investigation conducted by the Office involving a senior Government employee that is closed and was not disclosed to the public.</td>
<td>No</td>
</tr>
</tbody>
</table>
# Appendix 4-Key Terms and Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Followup Official</strong></td>
<td>Ensures (1) systems of audit followup, resolution, and corrective action are documented and in place, (2) timely responses are made to all audit reports, (3) disagreements are resolved, (4) corrective actions are actually taken, and (5) semi-annual reports are sent to the head of the agency. OMB, Circular No. A-50 Rev., Audit Followup, Sec. 7.c. (“Audit Followup Official”) (Sept. 1982).</td>
</tr>
<tr>
<td><strong>Corrective Action</strong></td>
<td>The measures taken to implement resolved audit findings and recommendations. OMB, Circular No. A-50 Rev., Audit Followup, Sec. 6.c. (“Corrective Action”) (Sept. 1982).</td>
</tr>
<tr>
<td><strong>Disallowed Cost</strong></td>
<td>A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government. The IG Act, 5 U.S.C. § 405 (a)(1) (“Disallowed Cost”).</td>
</tr>
<tr>
<td><strong>Final Action</strong></td>
<td>The completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; and in the event that the management of an establishment concludes no action is necessary, final action occurs when a management decision has been made. The IG Act, 5 U.S.C. § 405 (a)(2) (“Final Action”).</td>
</tr>
<tr>
<td><strong>Management Decision</strong></td>
<td>The evaluation by the management of an establishment of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to the findings and recommendations, including actions concluded to be necessary. The IG Act, 5 U.S.C. § 405 (a)(3) (“Management Decision”).</td>
</tr>
<tr>
<td><strong>Monetary Impact</strong></td>
<td>The monetary amounts that OIGs may associate to their findings and recommendations.</td>
</tr>
</tbody>
</table>
| **Potential Cost Savings / Potential Savings** | The CIGIE community has defined “potential savings” on Oversight.gov as the sum of questioned costs and recommendations that funds be put to better use. It is recommended that OIGs use the definition established by CIGIE for “potential cost savings.”  
| **Questioned Cost** | A cost that is questioned by the Office because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.  
| **Recommendation that funds be put to better use** | A recommendation by the Office (OIG) that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including a reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.  
| **Resolution** | 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 audit follow-up official determines the matter to be resolved.  
| **Unsupported Cost** | A cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.  
Acknowledgments

This toolkit was developed under the guidance of the CIGIE Audit Committee chaired by Small Business Administration Inspector General Hannibal (Mike) Ware and the CIGIE Inspection & Evaluations Committee chaired by Farm Credit Administration Inspector General Wendy Laguarda.

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