

Memorandum

To: Department Audit Liaison Officers

From: Theodore Woronka  
Deputy Director, Office of Financial Management

Subject: FY 2003 Audit Follow-up Program Guidelines

This memorandum constitutes the Department's guidance for the FY 2003 Audit Follow-up Program, including the activities and timeframes necessary to comply with OMB Circular A-50, Audit Follow-up, and to meet the reporting requirements concerning implementation of Office of Inspector General (OIG) and U.S. General Accounting Office (GAO) audit recommendations for the Department's Annual Accountability Report.

The timely implementation of OIG and GAO audit recommendations is essential to improving efficiency and effectiveness in Department programs and operations, as well as achieving integrity and accountability goals. Further, audit follow-up performance is an important component of Department and bureau performance related to the President's Management Agenda Financial Improvement Initiative Scorecard. Therefore, the Department intends to accelerate its monitoring activities to ensure that these goals are achieved in FY 2003. The following summarizes the significant elements of the FY 2003 Audit Follow-up Program.

■ **Monthly and Quarterly Status Reports on Audit Recommendation Implementation Progress**

**1. Monthly Status Report**

The Assistant Secretary-PMB has recently directed PFM to implement a new monthly status reporting requirement for bureau financial statement audit recommendations ( i.e. reportable conditions deemed by the auditor to be material weaknesses and non-compliance issues). The goal is to ensure that each recommendation is fully implemented (corrected) by the end of the next fiscal year. The new monthly status report will summarize corrective action progress in implementing any remaining FY 2001 financial statement audit recommendations in addition to any new recommendations reported in FY 2002 audited financial statement audit opinions. Bureaus will be expected to develop corrective action plans with monthly milestones, and then report on an exception basis when monthly milestones are not met. An e-mail or written status report must be provided to PFM on or before the last work day of each month.

**2. Quarterly Status Report on Audit Recommendation Implementation**

## Progress

In order to continue the significant progress achieved in FY 2001 in the reduction the of the backlog of unimplemented OIG and GAO program audit recommendations, PFM will continue the quarterly monitoring and tracking for bureau. Bureau implementation plans for each audit recommendation shall include quarterly milestones. Bureaus will be required to provide electronic status reports on implementation progress within 15-days after the end of each calendar quarter, beginning with the quarter ending December 31, 2002. The quarterly status report on pending (open) recommendations will be on an exception basis, and only those milestones which bureaus failed to achieve shall be reported. A concise statement of the reasons for the slippage, a revised target date, and a discussion of any alternative actions that can be taken should be included. The status report shall also include a summary of audits closed and recommendations implemented during the reporting period, and a summary of collections and or offsets of disallowed costs.

Based on the quarterly progress information provided by the bureaus, PFM will prepare and forward a summary program progress report to the Assistant Secretary - Policy, Management and Budget (A/S-PMB) within 30 days after the end of each calendar quarter. Any further follow-up action on specific bureau audits will be at the discretion of the A/S-PMB.

### ■ Mid-year Progress Meeting

Bureau staff will be required to participate in a mid-year progress meeting with PMB and OIG staff in May 2003. The purpose of the meeting will be to review program status and discuss and resolve any pertinent issues. Additional progress meetings may be scheduled as necessary by PFM.

### ■ PFM Audit Follow-up Program Liaisons

Audit Follow-up Program oversight responsibilities for the bureaus are assigned to specific PFM staff members. PFM has found this approach improves customer service by providing “a single point of contact” for all bureau audit follow-up issues. The PFM Liaisons for FY 2003 are as follows:

Water and Science Bureaus	Debbie Smith	(202-208-3250)
Fish and Wildlife and Parks Bureaus	Ted Cross	(202-208-5251)
Land and Minerals Management Bureaus	Gordon Horwitz	(202-208-7317)
Bureau of Indian Affairs Office of Insular Affairs	Charlene Hutchinson	(202-208-3964)
Office of the Secretary /PMB Offices	Eddie Ray	(202-208-7954)

Office of the Special Trustee                      Eric Eisenstein                      (202-208-3417)

All Department/Bureau GAO Audits                      Deborah Williams                      (202-208-3963)

A Time Table of Scheduled Actions for the FY 2003 Audit Follow-up Program is provided in Attachment 1 for your reference.

We look forward to your cooperation and assistance as we fulfill the Department's Audit Follow-up Program responsibilities during FY 2003. If you have any additional questions, please contact Wayne Howard or me on (202) 208-4701.

Attachment

cc:     Deputy Assistant Secretary - Budget and Finance  
         Bureau and Office Directors  
         Roger LaRouche, Assistant Inspector General for Audits  
         Elaine Weistock, OIG

**Attachment 1**

**FY 2003 Audit Follow-Up Program  
Schedule of Key Actions**

<b>Action</b>	<b>Organization</b>	<b>Due Date</b>
1. Issue FY 2003 Audit Follow-up Program Guidance	PFM	9/10/02
2. Report monthly audit follow-up progress on audited financial statement material weaknesses and non-compliance issues.	Bureaus	Last Work Day of the Month
3. Report monthly audit follow-up progress on audited financial statement material weaknesses and non-compliance issues to A/S-PMB.	PFM	1 <sup>st</sup> Work Day of the Month
4. Report quarterly audit follow-up program progress to PFM.	Bureaus/Offices	1/15/03 4/15/03 7/15/03
5. Issue quarterly status report on Department Audit Follow-up Program.	PFM	2/14/03 5/15/03 8/15/03
6. Conduct mid-year progress meeting with bureau, OIG and PMB staff	Bureaus/Offices PFM/PMB/OIG	5/12-16/03
7. Year-end bureau management control and audit follow-up issue resolution meetings	Bureaus/Offices PFM/PMB/OIG	10/20-24/03
8. Year-end Department Management Control and Audit Follow-up Council meeting	Assistant Secretaries, SOL,OIG, Bureau Heads	11/5/03