

U.S. Department of Energy
Washington, D.C.

ORDER

DRAFT
DOE O 224.3A

Approved: XX-XX-XXXX

**SUBJECT: AUDIT RESOLUTION AND FOLLOW-UP PROGRAM FOR GOVERNMENT
ACCOUNTABILITY OFFICE AND OFFICE OF INSPECTOR GENERAL
ACTIVITIES**

1. PURPOSE.

- a. Establish policies, procedures, and responsibilities for the coordination of activities related to GAO audits and reviews. (Note that Departmental requirements for coordination with the IG are addressed in DOE Order 221.2A, *Cooperation with the Office of Inspector General*.)
- b. Establish policies, procedures, and responsibilities for responding to draft and final IG and GAO audit reports.
- c. Establish an audit follow-up program for IG and GAO audits in accordance with Office of Management and Budget (OMB) requirements in OMB Circular A-50, *Audit Follow-Up*, and the other references in this order.
- d. Define management's responsibility for audit resolution, follow-up, and closure.

2. CANCELLATION.

This Order replaces the following orders, which are cancelled: DOE O 2340.1C, *Coordination of General Accounting Office Activities*, dated 6-8-92; DOE O 224.3, *Audit Resolution and Follow-up*, dated 1-24-05; and DOE O 221.3A, *Establishment of Management Decisions on Office of Inspector General Reports*, dated 4-19-2008.

3. APPLICABILITY.

- a. Departmental Applicability. This Order applies to all Departmental elements, including the Power Marketing Administrations.
 - (1) The Administrator of the National Nuclear Security Administration (NNSA) must ensure that NNSA employees comply with their responsibilities under this directive.
 - (2) This order does not apply to the Federal Energy Regulatory Commission (FERC) as an independent commission.
- b. DOE Contractors. The Order does not apply to contractors. However, Departmental elements are responsible for providing GAO with access to contractor information and personnel as required, consistent with the restrictions and limits outlined in the order.

Requirements for contractors to provide information to the OIG are discussed in DOE Order 221.2A, *Cooperation with the Office of Inspector General*, and the associated Contractor Requirements Document.

- c. OIG Inspection Reports. Public OIG inspection reports will be treated in the same manner as OIG audit reports.
- d. GAO Assessment reports. GAO assessment reports shall be treated in the same manner as GAO audit reports.
- e. Equivalencies and Exemptions. Requests for equivalencies and exemptions to this order must be submitted to the CFO for approval.
- f. Exclusions: This Order does not apply to:
 - (1) Audits of contracts or grants requested by contracting officers;
 - (2) Audits of financial assistance awards performed in accordance with the Single Audit Act or DOE financial assistance regulations (2 CFR 900);
 - (3) Audits of subcontracts performed by DOE management and operating contractors;
 - (4) Particularly “severe or flagrant” problems which are required to be reported immediately and are addressed under the provisions of the Inspector General Act of 1978; as amended, 5 United States Code (U.S.C), Appendix 3, section 5(d);
 - (5) OIG investigations;
 - (6) OIG inspections or reviews that result in nonpublic reports; or
 - (7) Coordination with GAO on contract bid protests.

4. REQUIREMENTS.

a. General Requirements.

- (1) Management responsibility for audit resolution and follow-up.

Responsibility for effective audit resolution and follow-up rests with the head of each DOE organization. Resolution of GAO and IG audits is an important element of the Department’s management system, consistent with the requirements of OMB Circular A-123, *Management’s Responsibility for Internal Control* and GAO's *Standards for Internal Control in the Federal Government* (the GAO Green Book).

OMB Circular A-50 states that “audit follow-up is an integral part of good management, and is a shared responsibility of agency management officials and auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations.”

Management shall immediately begin appropriate corrective actions on concerns identified through an audit when those concerns are brought to the attention of management. Corrective actions shall not be deferred pending issuance of the final audit report.

(2) Developing effective corrective action plans.

Corrective action plans for audit recommendations shall address the cause of the audit finding and provide reasonable assurance that the audit finding will not recur after corrective actions are completed.

Corrective action plans should focus on the actions required to address the specific audit finding(s). Broader efforts to address related issues should be carried out as separate undertakings.

(3) Consideration of Audit Findings as internal control risks.

Consistent with the Department’s internal controls program and current internal controls guidance, offices must consider audit findings when assessing internal control risks. Controls associated with audit findings shall be defined and tested in accordance current Departmental internal controls guidance.

(4) Protecting pre-decisional audit reports.

Draft OIG and GAO audit reports are pre-decisional documents that are provided by the auditor for review and comment by Departmental management. The reports are labeled as draft audit reports and contain language stating that they must be protected from public release. The reports must not be publicly released and should be distributed on a need-to-know basis. Draft reports or portions thereof may be shared with DOE contractors on a need-to-know basis only. DOE offices are responsible for ensuring that the contractors protect the draft report content.

Draft reports remain the property of the IG or GAO and must be returned when requested. Any Freedom of Information Act or other requests for draft audit reports shall be referred to the OIG or GAO.

b. Coordination of Audit Activities.

(1) Designation of lead and supporting offices for audit engagements.

The Office of the Chief Financial Officer (OCFO) will designate a Lead Office for each audit, review, or inspection engagement. The Lead Office is primarily responsible for ensuring that the IG or GAO is provided requested documents and information and scheduling requested meetings and sites visits. For reviews focused on Department-wide issues, the OCFO may serve as the Lead Office.

The lead office is also responsible for preparing the Department's management response to an audit report. For reports with recommendations to multiple organizations, the lead office is typically the office responsible for responding to the largest number of report recommendations or functional responsibility for the program that is the focus of the audit. OCFO may reassign the lead office during the course of the audit or after the draft report is issued, if, for example, the focus of the audit shifts during the course of the audit engagement or the recommendations are made to a different office.

In certain circumstances, OCFO may request that two or more DOE offices submit separate responses to the same audit report. Separate responses may be appropriate, for example, when the audit report contains recommendations to multiple offices. Each office is required to develop and implement its own separate corrective action plan, and there is no need for coordination between the offices in developing and implementing the corrective action plans.

OCFO will assign supporting offices when other Departmental offices have responsibility for issues discussed in an audit report or have responsibility for responding to the report recommendations. The lead office may also advise OCFO of the need to identify additional supporting offices. The lead office must coordinate closely with any designated supporting offices during the audit engagement and when responding to audit reports.

(2) Designation of the Lead Management Official.

The lead office shall designate a lead management official for each audit engagement. The lead management official coordinates closely with that office's audit coordinator during the course of the audit and is responsible for notifying OCFO and senior management of any sensitive or controversial issues that emerge during the course of the audit.

(3) Designation of an Audit Coordinator for each DOE office.

Each Departmental office shall assign a standing audit coordinator who:

- (a) Serves as the primary liaison with the audit team during audit engagements with responsibility for scheduling interviews and site

visits and ensuring documents are provided to the auditors as requested;

- (b) Coordinates with other offices on audit matters as needed;
- (c) Coordinates responses to audit reports;
- (d) Provides approved status updates on audit recommendations for which corrective actions have not been completed.

While the audit coordinator serves as the primary liaison with the audit team during an audit engagement, the OIG retains statutory authority to obtain information directly from any DOE employee. OIG authorities are discussed in detail in the DOE Order 221.2A, *Cooperation with the Office of Inspector General*.

c. Coordination of GAO Audits and Reviews.

Note: The following provisions relate only to GAO Audits and Reviews and are not applicable to IG activities. Detailed provisions for working with the IG are addressed in DOE Order 221.2A, *Cooperation with the Office of Inspector General*.

- (1) *General Requirements.* The GAO is an agency of the Legislative Branch of the Federal Government with the statutory authority to conduct independent surveys, reviews, studies and audits of the activities of all Federal agencies, including DOE.
 - (a) Each Departmental element must cooperate with GAO representatives and provide prompt assistance and responses to GAO information requests.
 - (b) The GAO must be given access, to the extent consistent with laws, to any documents, papers, records and other information needed to perform its function.
 - (c) Each Departmental element must make staff and contractors available for meetings and discussions with GAO personnel as requested.
- (2) *Designation of a lead attorney for each GAO audit engagement.* The Office of General Counsel will designate a lead attorney for each GAO audit engagement. The lead attorney will support the audit coordinator and lead management official as requested. The lead attorney also will facilitate GC review of sensitive documents (see paragraph 5 of this section) before submission to GAO and will coordinate GC review the responses to draft and final GAO reports.

- (3) *Entrance conferences.* GAO schedules entrance conferences with DOE when initiating new audits and reviews. The lead office is responsible for scheduling the entrance conference and ensuring that conference attendance includes senior subject matter experts with responsibility for the program, project, or matter that is subject to audit.

When appropriate, or when multiple DOE offices share responsibility for the subject matter that GAO intends to review, or when requested by a supporting office, the lead office may schedule a pre-meeting to ensure appropriate coordination before the entrance conference.

- (4) *Role of the audit coordinator.* The audit coordinator for the lead office serves as the primary liaison between the Department and the GAO audit team during the audit engagement. The coordinator is responsible for retaining copies of all documents provided to GAO during the course of the audit and ensuring that sensitive documents or information are appropriately reviewed by the lead attorney before release to GAO.

The audit coordinator for the supporting office (1) assists in scheduling interviews with officials from that office; (2) ensures that all documents provided to GAO by the supporting office are also provided to the lead office; and (3) ensures that sensitive documents provided by the supporting office are reviewed by the lead attorney.

- (5) Provision of sensitive documents.

Sensitive documents shall be provided to the lead attorney before their transmittal to GAO. Sensitive documents include, but are not limited to the following:

- (a) Unclassified controlled nuclear information.
- (b) Information that would be withheld if it were requested under a Freedom of Information Act request, including trade secrets and commercial or financial information which is obtained from a person and is privileged or confidential; inter-agency or intra-agency memoranda or letters; attorney-client privilege information; attorney work products; draft or pre-decisional documents; personnel and medical files and similar files, the disclosure of which would constitute an unwarranted invasion of personal privacy; and investigatory records or information compiled for law enforcement purposes.
- (c) Personally Identifiable Information (PII) and other information specifically designated as Sensitive Unclassified Information.

(d) OMB Communications: Requests for documents involving communications with White House staff or OMB.

(e) Information that might affect or relate to active litigation.

Decisions to withhold sensitive information from GAO or requests that GAO review documents *in camera* (at a DOE site) must be approved by the lead attorney assigned to the GAO audit engagement. When withholding documents requested by GAO, the lead attorney may consult with GAO Counsel.

(6) *Requests for pre-decisional budget documents.* Any requests for pre-decisional budget documents must be referred to the OCFO.

(7) *Requests for accounting information.* Any requests for information from the Department's accounting system shall be referred to the OCFO to ensure the accuracy and consistency of the information provided.

(8) *Requests for classified information.* Requests for classified information must be referred to the Departmental element responsible for the requested information.

(9) *Coordinating responses to GAO surveys and questionnaires.* Responses to questionnaires and surveys provided to DOE offices for response must be coordinated with the OCFO to ensure that the survey responses are accurate and consistent.

(10) *Resolving questions regarding GAO requests or activities.*

(a) Questions about the scope or process of a GAO request shall be referred to the OCFO.

(b) Questions regarding the provision of sensitive information shall be referred to the designated lead attorney for each GAO audit engagement.

(11) *Requests for non-public documents originating from other agencies.* Any request by GAO for non-public information (e.g., letters, memoranda, or e-mails) that originates from other Federal agencies shall be referred to the originating agency for a determination regarding provision of the document(s) in question.

d. Responding to Draft and Final IG Reports and Development of Management Decisions for IG Reports.

(1) Providing Management Comments on Coordination Draft Reports.

- (a) *Review and comment on coordination draft reports.* The IG may choose to provide a preliminary draft report—referred to as a coordination draft—before providing an official draft report for management response. The coordination draft report allows the Department an opportunity to provide technical comments related to the factual accuracy of the report and preliminary input on proposed recommendations. Management officials should comments to the audit/inspection team orally or in writing and should advise the team of any likely disagreements with the preliminary draft findings and recommendations. Given the preliminary nature of these reports, formal written responses are not required but may be provided at the discretion of management. Comments should be provided to the audit/inspection team within the time period requested by the IG.
- (b) *Management discussions with the IG audit/inspection team.* After receiving the coordination draft report for review and comment, management may schedule a meeting with the IG audit/inspection team to discuss the report and any management disagreement with the report and its recommendations. Such discussions may complement or explain separate written comments or may provide management perspective on the report in lieu of written comments. Management officials should fully explain the reasons for any disagreement and provide any relevant supporting analysis or documents to the IG. Open communication between management and the audit/inspection team helps to improve the quality, completeness, relevance, and accuracy of the final report.

(2) Management Responses to IG Official Draft Reports.

<i>Process Summary: Responding to IG Draft Reports</i>			
<i>Process Phase</i>	<i>Drafting the Response</i>	<i>Required Concurrence</i>	<i>Final Approval and Signature</i>
Responsible Organization(s)	Lead Office, with input from Supporting Offices as needed.	<ul style="list-style-type: none"> Under Secretary (if applicable) Supporting Offices(s) 	Lead Office
Normal Duration	9 business days	5 business days	1 business day
Cumulative Days	9 business days	14 business days	15 business days

- (a) *Provision of official draft reports for comment.* When IG reports contain recommendations, the IG provides the responsible managers of the audited organization(s) an official draft audit and inspection report for management response. The IG also provides copies of the official draft report to the CFO.
- (b) *Offices responsible for preparing the management response.* Responses shall be prepared by the lead office, in coordination with any supporting offices. OCFO may facilitate coordination of the response across multiple offices and the resolution of any disagreements as needed.
- (c) *Form and content of the management response.* The response shall be provided in writing and shall (1) provide management's position on the issues raised in the official draft report; (2) specifically express agreement or disagreement with each recommendation in the official draft report; and (3) describe planned and completed corrective actions for each recommendation with which management agrees, including a timeline for completing those actions.

When disagreeing in whole or in part with a recommendation, the response shall describe the reasons for the disagreement.

The Inspector General normally requests that the written management response be limited to two pages, unless additional space is required to respond to numerous recommendations or explain complex issues.

Detailed technical comments on the official draft report text shall be provided as a separate attachment to the management response; these technical comments are not intended for inclusion in the final IG report. Significant comments that relate to ongoing disagreements with the IG should be included in the formal management response to ensure that management's position is reflected in the Final IG report.

- (d) *Responding to cost avoidance (funds put to better use).* To satisfy reporting requirements in the Inspector General Act, the management response shall state whether management agrees or disagrees with any cost avoidance amounts (funds put to better use) identified by the IG in the Monetary Impact Statement accompanying the draft report. Management should express agreement with the cost avoidance amounts if it anticipates that future expenditures will be reduced—by the amount identified in the IG Monetary Impact Statement—if the IG recommendations are implemented. As necessary to respond effectively to the cost

avoidance amounts, management should consult with the audit or inspection team to understand how the cost avoidance amounts were calculated.

- (e) *Approval and coordination of the management response.* The response to an IG official draft report expresses the Department's position on the matters discussed in the report. The response shall be approved and signed by the head of the lead office (or designee).

The response shall be coordinated with all supporting Departmental offices to ensure due consideration of all Departmental perspectives. To allow sufficient time for review, the lead office shall provide its proposed response to all supporting offices and the OCFO and all supporting offices at least five business days before the due date for the response.

- (f) *Comment period.* The OIG provides a standard period of 15 business days for management review and comment on draft reports. Extensions to the comment period are granted at the discretion of the OIG. All requests for extensions shall be provided in writing to the IG audit/inspection team and shall (1) clearly explain the reasons why additional time is needed and (2) state how much additional time is needed to prepare and coordinate the management response. Offices shall notify the OCFO of any extensions to the comment period.

If a response is not provided in a timely manner, the IG may choose to issue the final report without management comments.

- (g) *Exit conferences.* After receiving the Department's response but before release of the final report, the IG provides the opportunity for a formal exit conference to discuss its disposition of the Department's comments.
- (h) *Inclusion of management's response in the IG final report.* The IG's normal practice is to include management's response as an appendix to the final report. Technical and general comments are generally excluded. The IG is responsible for the content of final reports.
- (i) *Reports without recommendations.* There is no formal comment process for IG reports that do not have recommendations to management. The IG may provide such reports to management officials for comment and review at its discretion.

(3) Management Decisions for Final IG Reports

<i>Process Summary: Management Decisions for Final IG Reports</i>					
<i>Process Phase</i>	<i>Drafting the Response</i>	<i>Review and Concurrence</i>	<i>CFO Review</i>	<i>IG Review and Comment</i>	<i>Final Approval and Signature</i>
Responsible Organization(s):	Lead Office, with input from Supporting Offices as needed	<ul style="list-style-type: none"> Under Secretary (if applicable) Supporting Offices(s) 	CF	IG	<ul style="list-style-type: none"> Lead Office CF
Duration (Calendar Days):	20 calendar days	10 calendar days	10 calendar days	10 calendar days	10 calendar days
Cumulative Days:	20 calendar days	30 calendar days	40 calendar days	50 calendar days	60 calendar days

- (a) *Acceptance of the Management Response to the draft report as a Management Decision.* The IG may choose to accept management's response to the official draft report as the Department's management decision for that report. The IG reviews the response to determine whether it (1) indicates agreement with the IG recommendations; (2) provides an adequate corrective action plan for the recommendations; (3) provides estimated completion dates for the corrective actions, or a statement that corrective actions have been completed, as appropriate; and (4) expresses agreement or disagreement with any cost avoidance (funds put to better use) identified in the draft report.

The IG transmittal memorandum accompanying the final report states whether the IG has accepted the response to the official draft report as the management decision.

- (b) *Preparing and submitting a final Management Decision.* When the IG does not accept management's response to the official draft

report as the management decision, management shall prepare a final management decision.

- 1 *Form and content of the management decision.* The management decision shall (1) express agreement or disagreement with the IG recommendations and cost avoidance (funds put to better use) and (2) detail management's corrective action plan, including timelines for completion of the corrective actions. When preparing the management decision, management shall consider any additional information or comments provided by the IG in the final report.

When agreeing with a report recommendation, the response shall describe planned corrective actions and the timeline for completing those actions. Management shall develop a corrective action plan that is designed to provide reasonable assurance that the audit finding will not recur after corrective actions are completed.

When disagreeing in whole or in part with a recommendation, the response shall describe the reasons for the disagreement.

- 2 *Partial management decisions.* In some cases, the IG will accept parts of the response to the official draft report as a management decision, but will require a separate management decision for specific recommendations, for specific offices (when the recommendations apply to more than one office), or to provide a management position on cost avoidance amounts (funds put to better use). In these cases, the management decision should address only those specific aspects identified by the IG.

- 3 *Office(s) responsible for preparing the management decision.* The lead office is responsible for preparing the management decision unless otherwise designated by OCFO.

- 4 *Coordination of the management decision.* The lead office is responsible for coordinating the draft management decision with all supporting offices and obtaining concurrence from those offices.

- 5 *Approval of the management decision.* The CFO approves all management decisions (or defers approval to the

Secretary or Deputy Secretary, if appropriate) and transmits them to the IG.

- 6 *Due dates for preparing management decisions.*
Management decisions shall be completed and submitted to the IG within 60 calendar days of issuance of the final report. The management decision shall be prepared and submitted by the lead office to the OCFO 30 calendar days after issuance of the final report to ensure adequate time for review and approval.
- 7 *Resolving disagreements between the IG and the Department regarding management decisions.*
 - a *IG acceptance of proposed management decisions.*
After receiving a proposed management decision for review and approval, the CFO provides the management decision to the IG. When the IG does not accept the management decision, any comments provided by the IG will be considered by the CFO as it determines whether to approve the management decision or require revisions to the management decision.
 - b *Resolution of disagreements between DOE elements and the IG.* When the IG continues to disagree with the approved management decision, the disagreement shall be referred to the Under Secretary responsible for the affected programmatic areas. The Under Secretary will fully consider any concerns expressed by the IG and will make changes to the management decision as appropriate. The IG may accept the management decision provided by the Under Secretary or may refer the matter to the Deputy Secretary for final resolution.

e. Providing Management Responses to GAO Draft Reports.

<i>Process Summary: Responding to GAO Draft Reports</i>			
<i>Process Phase</i>	<i>Drafting the Response</i>	<i>Review and Concurrence</i>	<i>Resolution of Comments and Final Approval</i>
Responsible Organization(s)	Lead Office, with input from Supporting Offices as needed	<ul style="list-style-type: none"> • Under Secretary (if applicable) • Supporting Offices • CI • PA • GC • CF 	Lead Office
Duration	20 calendar days	7 calendar days	3 calendar days
Cumulative Days	20 calendar days	27 calendar days	30 calendar days

- (1) *Responding to Statements of Fact (preliminary draft reports).* GAO may provide the Department with preliminary drafts of reports (also known as Statements of Fact), draft presentations intended for Members of Congress, or other draft work products.

The Lead Office is responsible for providing any necessary technical or factual comments on such work products, in coordination with all supporting offices. Proposed responses to the Statements of Fact must be provided to the OCFO, GC, and the Office of Congressional and Intergovernmental Affairs (CI) for review at least 5 business days before the due date for the response.

GAO provides the Department with a specific time frame for responding to a Statement of Facts. The Department should meet the requested GAO comment date or coordinate with the OCFO if additional time is needed.

- (2) *Management responses to GAO draft reports.* The Department shall provide formal management responses to GAO draft reports with recommendations to the Department, and may provide additional

information and/or technical comments to supplement the official response. Management's response is generally published as an appendix to the GAO final (public) report. Technical and general comments are excluded from the report.

- (3) *Offices responsible for preparing the management response.* The response shall be provided by the lead office and coordinated with any supporting offices. Disagreements between the lead office and supporting offices shall be referred to the CFO for resolution.

When reports contain recommendations for multiple offices, the lead office shall coordinate the response closely with those other offices. Generally, the lead office shall prepare the Departmental response with the input and concurrence of any other offices subject to GAO recommendations.

- (4) *Form and content of the management response.* Responses shall be factual and concise, focusing on the issues and recommendations raised by the GAO in the draft report. The response shall be provided in writing (unless an oral response is approved as described in paragraph 8 below) and shall express agreement or disagreement with the report recommendations.

When agreeing with a report recommendation, the response shall describe planned corrective actions and the timeline for completing those actions. Management shall develop a corrective action plan that is designed to provide reasonable assurance that the audit finding will not recur after corrective actions are completed.

When disagreeing in whole or in part with a recommendation, the response shall describe the reasons for the disagreement and any alternative corrective actions planned or undertaken that are relevant to the recommendation.

Any detailed technical comments on the draft report text shall be provided as a separate attachment to the management response; these technical comments are not intended for inclusion in the final report.

- (5) *Approval and coordination of the management response.* All formal Departmental responses must be approved by the CFO, the Office of General Counsel (GC), the Office of Congressional and Intergovernmental Affairs (CI), and the cognizant Under Secretary. Responses shall be signed by the head of the Lead Office preparing the response. The proposed response will be provided by the Lead Office to the OCFO, GC, the Office of Public Affairs (PA), and CI at least 10 calendar days before the response is due to GAO.

- (6) *Comment period.* GAO provides the Department with a due date for each response. Whenever possible, the Department should meet GAO's requested due date. When additional time is needed, requests for an extended due date should be made through the OCFO. It is unusual for GAO to extend the comment period beyond 30 calendar days, and extension beyond this point may require GAO to contact Congressional requestors.
- (7) *Responding to GAO reports with recommendations made jointly to DOE and other agencies.* When GAO makes joint recommendations to DOE and other agencies, the Lead Office should coordinate with those other agencies through their normal programmatic points of contact to determine whether there is general agreement among the agencies on how to respond to the recommendation. (If necessary, CFO can facilitate discussion with the other agencies through the agencies' GAO points of contact.) When the Lead Office proposes a response to a recommendation that conflicts with the planned response of other agencies, the Lead Office shall ensure that CFO, GC and CI are made aware of the disagreement (and the reasons for the disagreement) when providing the proposed response for concurrence.
- (8) *Responding to reports without recommendations.* GAO may provide the Department with a draft report for comment that does not contain specific recommendations to the Department, but may describe the Department, its activities, or policy areas under its cognizance. For such reports, the Lead Office, in coordination with the CFO, can choose to:
 - (a) Provide a formal response intended for publication in the final GAO report;
 - (b) Provide informal, technical comments (not intended for publication in the GAO final report) providing additional factual information for the GAO's consideration or;
 - (c) Not comment on the report.

Informal, technical comments shall be provided to OCFO for staff review. Such comments do not require formal CFO concurrence.

All formal responses (those intended for publication in the final report) shall follow the full coordination process, even if the report does not contain recommendations.

- (9) *Providing oral comments to GAO draft reports.* In certain circumstances, the Department may choose to provide oral comments to GAO draft reports in lieu of written comments. These comments are summarized by

the GAO in its final report. The decision to provide oral comments in lieu of written comments must be approved by the CFO.

f. Responding to Final GAO Reports—Development of Management Decisions.

<i>Process Summary: Responding to GAO Final Reports</i>				
<i>Process Phase</i>	<i>Drafting the Response</i>	<i>Review and Concurrence</i>	<i>CFO Review</i>	<i>Final Approval and Signature</i>
Responsible Organization(s)	Lead Office, with input from Supporting Offices as needed	<ul style="list-style-type: none"> • Under Secretary (if applicable) • Supporting Offices • CI • PA • GC 	CF	<ul style="list-style-type: none"> • Lead Office • CF
Duration	30 calendar days	15 calendar days	10 calendar days	5 calendar days
Cumulative Days	30 calendar days	45 calendar days	55 calendar days	60 calendar days

- (1) *Required Response to GAO Final Reports with Recommendations.* For final reports with recommendations to the Secretary (or “head of the agency” as specified by statute), the Department must provide a written response to Congress that provides the Department’s corrective action plan for the report recommendations in accordance with the provisions of 31 U.S.C 720. The OCFO, in coordination with the Office of Congressional and Intergovernmental Affairs, maintains the current list of members to whom the written statements should be addressed.

No response is required for GAO final reports that do not have recommendations to DOE.

- (2) *Form and content of the response.* The written statement provided to Congress constitutes the Department’s Corrective Action Plan and satisfies the requirements for audit resolution outlined in OMB Circular

A-50. Thus, the written statement must address each recommendation, fully describing planned and/or taken to address the recommendations and target dates/milestones for the completion of corrective actions. If there is disagreement with a recommendation, or a decision is made that corrective actions are not required, then a reason for the disagreement must be explained fully.

GAO final reports contain a discussion of DOE's response to the draft report. Any concerns raised by GAO with the DOE response to the draft report must be considered when preparing the response to the final report.

- (3) *Approval and coordination of the response.* Proposed responses must be approved by the CFO, GC, and CI and the cognizant Under Secretary. Responses shall be signed by the head of the Lead Office preparing the response. The proposed response will be provided by the Lead Office to the OCFO, GC, CI, Public Affairs (PA) and the cognizant Under Secretary 30 calendar days before the response is due to Congress.
- (4) *Due dates for preparing the response.* Per the requirements of 31 U.S.C. 720, responses to final reports must be provided to Congress within 60 calendar days of the issuance of the final report. GAO cannot provide an extension to the due date for responses to final reports.

The management decision shall be prepared by and submitted by the lead office to the OCFO 30 calendar days after issuance of the final report to ensure adequate time for review and approval.

- (5) *Responding to final GAO reports with recommendations made jointly to DOE and other agencies.* If disagreements persist between DOE and other agencies on implementation of joint recommendations, the Lead Office must note the disagreement and the reasons for the disagreement when providing the proposed response to the CFO, GC, PA, and CI for review and concurrence.

g. Audit Follow-up and Closure.

Note: Follow-up and closure requirements for financial statement audits are discussed separately in section 4h of this policy.

- (1) *Assignment of audit recommendations for follow-up.* The OCFO determines which offices have required follow-up actions relating to audit reports. The OCFO determination is based on the report recommendations and the Department's management decisions. Required follow-up actions are tracked using the Department's audit resolution system.
- (2) *Criteria for Audit Closure.* In accordance with the requirements in OMB Circular A-50, an audit will be closed when (1) the planned corrective

actions are completed in accordance with the Department's management decision and (2) allowability determinations have been made on any questioned costs identified by the audit.

Management decisions will be developed in accordance with this policy. For IG reports, the management decision is either the response to the official draft report (when it is accepted by the IG) or the separate management decision provided in response to the final report. For GAO reports, the management decision is the letter provided to Congress within 60 days after issuance of the final report.

When the management decision indicates that all planned corrective actions have been completed, the audit report is closed and no further follow-up is required.

- (3) *Timeframe for audit closure.* The expected closure date for an audit report is based on the target dates established in the management decision. Departmental elements must provide written justification and updated target completion dates to the CFO (through the audit resolution system) when the expected closure dates are not met. For NNSA, requests are coordinated and approved through the Director, ACIA
- (4) *Audit resolution system.* The OCFO maintains the Department's audit resolution system, which meets the requirements for the "audit follow-up system" required by OMB Circular A-50. The system tracks all audit recommendations until they are closed and tracks the closure of questioned costs identified by IG audit reports.
- (5) *Required status updates.* All Departmental offices must provide quarterly status updates to the CFO through the audit resolution system on OIG and GAO audit/inspection recommendations for which the planned corrective actions have not been completed. The quarterly status updates must also provide updated information on the resolution of questioned contract or financial assistance costs.
 - (a) *Form and content of the status updates.* The status updates must contain information on the status of corrective actions, including a description of progress made and an explanation for any delays in completing the corrective actions. Because updates may be provided to senior management officials or may be used to respond to external requests for status information, they should be written in a manner that is understandable to a non-technical expert, with any acronyms defined, and should not refer to prior updates so that the update for the current period can be read and understood without reading the past updates.

- (b) *Approval of status updates.* Quarterly status updates must be approved by the head of the office's designated management official. The management official designated to approve the status update must not be the same official with direct oversight responsibilities for implementing the corrective actions. The OCFO retains records of the approvals made, as well as records of designation of authority to approve the quarterly updates.
- (6) Resolution of questioned costs.
 - (a) All contract, grant, and cooperative agreement costs questioned by IG audits must be resolved by the cognizant Contracting Officer (CO) before the report can be closed. Questioned costs are resolved when the CO has determined whether the questioned costs are allowable. The CO determination must be provided to the OCFO to support closure of the questioned cost amount within the audit resolution system.
 - (b) For any costs disallowed by the CO, the actual collections of the disallowed costs (or amounts later determined to be uncollectible) must be provided to OCFO through the audit resolution system to meet Departmental reporting requirements in the Inspector General Act. This information is required for reporting requirements only and does not affect closure of the audit report.
- (7) *Comments by the IG on audit status updates.* The CFO provides the IG with copies of the quarterly status updates through the Department's audit resolution system. The system also allows the IG team that performed the audit or inspection to provide comments on the completed corrective actions, as deemed necessary by the OIG. Offices should consider and address the IG comments in providing status updates and when considering closure of recommendations.
- (8) *Determining audit closure.*
 - (a) *Documentation of the completion of corrective actions.*

Completion of planned corrective actions shall be reported in the audit resolution system through the normal quarterly status reporting process. When corrective actions are complete and the office intends to close out the recommendation, the quarterly status report must:

 - 1 Clearly describe all of the actions taken in accordance with the corrective action plan. The final narrative for the closed corrective action plan must be complete (without referring to prior updates) and address all aspects of the closed corrective action plan to evidence closure.

- 2 Describe any alternate actions taken (versus the original corrective action plan), explain the reasons for the alternate actions taken and describe why the original planned actions could not be completed.
 - 3 For recommendations to resolve questioned costs, clearly state: (1) the total amount questioned; (2) the total amount deemed allowable; and (3) the total amount deemed unallowable.
 - 4 Provide the name of the official approving the closure of the audit recommendation. Offices shall ensure that only designated senior management officials approve quarterly status updates that indicate the completion of corrective actions and the office's intent to close the recommendation.
 - 5 Upload any relevant documents that demonstrate the completion of the corrective actions into the audit resolution system.
- (b) *Review of intended closure by the IG.* The IG provides comments on the completed corrective actions for IG audit recommendations through the audit resolution system. When the OIG indicates that completed corrective actions do not address the recommendations, management must consider the IG's concerns and provide a detailed response to those concerns in the subsequent quarterly report. The report shall also document any additional corrective actions taken in response to the OIG comments.
- (c) *Confirmation of Intent to Close.* After the IG review and comment period has passed, OCFO will provide a report of the proposed closure actions for review by designated representative(s) of the cognizant Under Secretary. The review period provides the Under Secretary an opportunity to request additional information on completed corrective actions or require additional corrective actions to be performed. Offices will be given 30 days to confirm corrective actions and respond to any questions or comments by the Under Secretary. After that time, OCFO will proceed to administrative closure unless otherwise notified by the Under Secretary or the Office.
- (d) *Administrative closure.* If neither the IG nor the Under Secretary express disagreement with the proposed closure action during the 30-day review/comment period, OCFO will record closure of the audit recommendation in the audit resolution system after the OIG and Under Secretary comment periods have passed.

- (e) *Resolving disagreements on audit closure.* If the IG or the CFO—as the Audit follow-up official—expresses continuing disagreement with an audit closure action, the IG or the CFO may refer that disagreement to the cognizant Under Secretary for resolution.

h. Special Provisions for Financial Statement Audits.

- (1) *Background.* The financial statement audit is a required annual audit of the Department's financial reporting and IT systems that support financial reporting and development of the Department's annual financial statements. The requirements for the audit are described in detail in OMB Bulletin 14-02. The financial statement audit begins early in the fiscal year and ends with the issuance of final management letters, typically in early January of the following year.
- (2) *Review of proposed findings before issuance by the auditor for a management response.* The auditor may provide management an opportunity to provide informal comments on a proposed finding before issuing the finding for a formal response. To ensure a consistent departmental approach, management should coordinate their informal comments with the CFO Office of Finance and Accounting (for financial reporting findings) and the CFO Office of Corporate Information Systems and the CIO (for IT-related findings).
- (3) *Responding to financial statement audit findings.* Audit findings are provided to management for review and response throughout the course of the audit, and the Department responds to the findings and any associated recommendations as they are issued.
 - (a) *Form and content of the responses.* The management response must express agreement or disagreement with the finding. When agreeing with the finding, the response must also address any associated recommendations.

If management agrees with the recommendation, the response shall describe planned corrective actions and the timeline for completing those actions. Management shall develop a corrective action plan that is designed to provide reasonable assurance that the audit finding will not recur after corrective actions are completed. Given the short time frame for responding to financial statement findings, Management may provide an initial corrective action plan as part of the response but develop a more detailed plan for later action as appropriate. Any revisions to the corrective action plans must be reflected in the audit resolution system when they are approved or modified.

When disagreeing in whole or in part with a recommendation, the response shall describe the reasons for the disagreement and any alternative corrective actions planned or undertaken that are relevant to any portion of the recommendation with which the office agrees, if applicable.

(b) Responsibility for preparing management responses.

- 1 Findings that Relate to Financial Reporting: The response is drafted and signed by the office with direct responsibility for the finding and signed by the cognizant Field CFO, or for findings relating to HQ CFO's responsibilities, by the CFO Office of Finance and Accounting.
- 2 Findings that Relate to IT Systems: The response is drafted by the office with direct responsibility for the affected system(s); concurrence for the response within that office should follow each office's procedures.

(c) Review of management responses.

- 1 Findings that Relate to Financial Reporting: The CFO Office of Finance and Accounting shall be provided the opportunity to review all responses before they are finalized.
- 2 Findings that Relate to IT Systems: The CFO Office of Corporate Information Systems and the Office of the Chief Information Officer, if applicable, shall be provided the opportunity to review the responses to all findings before they are finalized.

(d) *Timing for management responses.* Management responses to individual findings will be provided promptly in accordance with the time frame requested by the IG. This timeframe is typically shorter than the timeframe provided for responding to audit reports.

(4) Corrective actions for financial statement audit findings. Offices shall begin tracking and implementing agreed-on corrective actions immediately after submission of the management response to the IG. Quarterly status updates shall be provided to the CFO through the appropriate resolution system (as directed by the CFO). More frequent status updates may be requested by the CFO in accordance with CFO Act authorities.

Offices shall provide quarterly status updates until corrective actions have been completed.

- (5) *Reissued findings.* The auditor will evaluate prior-year findings as part of the current year's audit. When the auditor determines that a prior-year audit finding has not been corrected, the finding is reissued. Quarterly status updates shall continue (or resume, if previously planned corrective actions had been completed) for reissued findings.
- (6) *Closure of financial statement audit findings.* Recommendations associated with the prior-year's financial statement audit findings will be closed when the auditor determines that the finding has not recurred (i.e., has completed its audit work for the current year without issuing a repeat finding).
- (7) *Audit Report for the DOE Annual Financial Report.* The IG's formal financial statement audit report provides the official audit opinion on the DOE financial statements and is a required part of the DOE Annual Financial Report. This report is coordinated closely with the CFO and is completed in accordance with financial statement deadlines. The report consists of a memorandum from the Inspector General and a separate independent auditor's report. The CFO provide any required management responses to this report. Any new recommendations in this report will be tracked and closed according to the normal Departmental audit resolution process (see section 4g of this policy). The Department does not separately track corrective actions on recommendations in this report if they duplicate recommendations from previously-issued audit findings.
- (8) *Management Letter.* To close out the financial statement audit, the IG provides management letters that formally transmit the audit findings and recommendations. Records established in the audit resolution system for findings and recommendations issued during the audit will be amended as necessary to reflect any updated information in the management letters.

5. RESPONSIBILITIES.

a. Chief Financial Officer, Department of Energy.

- (1) The CFO provides corporate leadership for the Department's audit resolution program and advises the Secretary and Senior Departmental Leadership on significant audit issues.
- (2) Serves as the Agency's Audit Follow-up Official, as defined by OMB Circular A-50. As defined by OMB Circular A-50, the Audit Follow-up Official has responsibility for "ensuring that (1) systems of audit follow-up, 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) the reporting requirements of A-50 are satisfied.”

- (3) Designates the Lead Office and Supporting Offices, as needed, for all audit engagements and notifies the relevant Departmental elements of new audit starts and audit reports.
- (4) Designates the office(s) responsible for preparing the Departmental response to draft and final audit reports. As necessary, coordinates the Department’s response to audit reports affecting one or more Departmental element and resolves any substantive disagreements on the response.
- (5) Approves the Department’s responses to GAO draft reports, GAO final reports, and IG final reports on behalf of the Secretary (for non-NNSA reports), or defers approval of the response to the Secretary when appropriate.
- (6) As necessary, coordinates the Department’s responses to informal reports and presentations provided by the IG and GAO, such as coordination draft IG reports, GAO statements of facts, and draft GAO presentations and testimonies provided for Departmental comment.
- (7) Maintains the Department’s audit resolution system, tracks the resolution of GAO and IG audit findings and recommendations using that system, and makes information from the system available to Departmental officials and stakeholders as needed.
- (8) Reviews quarterly status reports and assesses whether milestones established and corrective actions taken or planned are timely and responsive. As necessary, provides reports to senior Departmental managers on significant audit resolution issues.
- (9) Leads Departmental coordination with GAO and assists offices with ongoing GAO engagements as needed.
- (10) Provides annual internal control guidance in accordance with DOE Order 413.1B, including guidance on consideration of risks identified by audit reports when assessing internal controls.

b. Heads of DOE Elements.

- (1) Supports ongoing GAO engagements in accordance with the requirements of section 4c of this policy.
- (2) Establishes and manages processes and procedures to ensure that appropriate corrective actions are taken to resolve audit findings and recommendations, including monetary savings identified by the auditor.

- (3) Supports Departmental audit resolution efforts by ensuring timely and accurate reporting the status of open audit recommendations quarterly to the CFO through the Department's audit resolution system and promptly closing audit recommendations when corrective actions have been completed.
 - (4) Ensures that field activities are compliant with established audit resolution requirements and processes.
 - (5) Reviews and approves responses to audit reports (when managing the designated Lead Office that is preparing the response to the report).
 - (6) Designates an audit coordinator for the DOE element, and when appropriate, for each field element, and promptly submits the name of the coordinator to the CFO.
 - (7) Designates a lead management official for each audit engagement.
 - (8) Ensures that audit findings are considered when identifying risks for the organization's internal controls testing and evaluation in accordance with the Department's internal control guidance.
- c. Designated Lead Management Official for the Lead Office.
- (1) Prepares the Department's response to draft and final IG and GAO reports within the timeframes established for each audit report for approval by the Head of the DOE Element.
 - (2) Agrees or disagrees with cost avoidance amounts (funds put to better use) when identified by the IG in its monetary impact statement.
 - (3) Prepares Departmental responses to informal reports and presentations provided by the IG and GAO, such as coordination draft IG reports, GAO statements of facts, and draft GAO presentations and testimonies provided for Departmental comment.
 - (4) Provides advance notification to the CFO of sensitive issues that may be included in audit reports. This includes controversial findings, recommendations, or other issues of which senior management should be aware.
- d. Designated Supporting Offices.
- (1) Coordinates with the Lead Office in providing requested documentation to GAO and ensures that the lead office receives copies of all documents provided to GAO.

- (2) Reviews and provides concurrence on responses to GAO and IG official draft and final reports, IG coordination draft reports, and GAO Statements of Fact within established timeframes.

e. Audit Coordinator.

- (1) Serves as the primary liaison with the audit team during audit engagements with responsibility for scheduling interviews and site visits and ensuring documents requested by the auditors are provided. While the audit coordinator serves as the primary liaison with the audit team during an audit engagement, the OIG retains statutory authority to obtain information directly from any DOE employees. OIG authorities are discussed in detail in the in DOE Order 221.2A, *Cooperation with the Office of Inspector General*.
- (2) Coordinates with other DOE offices as needed during the course of an audit refers significant disagreements or concerns relating to ongoing audit engagements to the OCFO for resolution.
- (3) Ensures that responses to informal reports and presentations provided by the IG and GAO and coordinated with supporting offices.
- (4) Supports the lead management official in drafting responses to draft and final audit reports and coordinates those responses with all Supporting Offices as appropriate.
- (5) Obtains CFO concurrence on responses to all draft GAO reports, final GAO reports, and final IG reports.
- (6) Provides status updates on audit recommendations for which corrective actions have not been completed that are approved by the designated management official.

f. Office of the Assistant Secretary for Congressional and Intergovernmental Affairs. Reviews proposed Departmental responses to draft and final GAO reports and GAO Statements of Fact and provides timely input to the lead office.

g. Office of Public Affairs. Reviews proposed Departmental responses to draft and final GAO reports and GAO Statements of Fact and provides timely input to the lead office.

h. Office of General Counsel

Note: The actions/activities are not applicable to OIG engagements.

- (1) Assigns a lead attorney for each GAO engagement.

- (2) Reviews all written responses and comments to GAO statement of facts, draft report, final reports.
 - (3) Reviews sensitive documents from Departmental elements before release to the GAO.
 - (4) Provides legal guidance concerning access to or release of sensitive documents to the GAO.
- i. Contracting Officers.
 - (1) Resolves all questioned costs identified by an audit and pursues the recovery of unallowable costs.
 - (2) Coordinates with the relevant Departmental audit coordinator to report the status of questioned costs and collections of disallowed costs to the CFO via the audit resolution system.
- j. Office of Classification. Provides classification and declassification services in regards to GAO and IG reports and related management comments.

6. DEFINITIONS.

Terms used in this order are defined at their first mention.

7. REFERENCES.

- a. Public Law 91-510, the Legislative Reorganization Act of 1970, Section 236 (31 U.S.C. 720).
- b. Public Law 95-452, Inspector General Act of 1978, dated 10-12-78, as amended by Public Law 100-504 and Public Law 110-409 (5 U.S.C).
- c. Public Law 96-226, the General Accounting Office Act of 1980, Title 1 (31 U.S.C. 701-720).
- d. Public Law 101-576, Chief Financial Officers Act of 1990, dated 11-15-90 (31 U.S.C. 901-903).
- e. Public Law 106-65, National Nuclear Security Administration Act, as amended, dated 10-5-99, (50 U.S.C. 2401).
- f. 5 U.S.C. Section 552 and 5 U.S.C. Section 552a, the Freedom of Information Act and Privacy Act.
- g. 31 U.S.C. Section 716, Availability of Information and Inspection of Records.
- h. 31 U.S.C. Section 720, Agency Reports.

- i. 42 U.S.C. Section 7137, Functions of the Comptroller General, as specified in the Department of Energy Organization Act, Section 207.
 - j. OMB Circular No. A-50 (revised), Audit Follow-up, dated 9-29-82.
 - k. OMB Circular No. A-123 (revised), Management's Responsibility for Internal Control, dated 12-21-04.
 - l. DOE O 206.1, *Privacy Act Program*, dated.
 - m. DOE O 221.2A, *Cooperation with the Office of Inspector General*, dated 2-25-08.
 - n. DOE O M 475.1-1B, *Manual for Identifying Classified Information*, dated 8-28-07.
 - o. DOE O 471.1A, *Identification and Protection of Unclassified Controlled Nuclear Information*, dated 6-30-00.
 - p. DOE O 413.1B, *Internal Control Program*, dated 10-28-08.
 - q. GAO-05-35G, GAO's Agency Protocols.
 - r. DOE O 471.1B, *Identification and Protection of Unclassified Controlled Nuclear Information*, dated 4-1-10.
 - s. DOE O 471.3, *Identifying and Protecting Official Use Only Information*, dated 4-9-03.
 - t. DOE M 471.3-1, *Manual for Identifying and Protecting Official Use Only Information*, dated 4-9-03.
8. CONTACT. Questions concerning this order should be addressed to the Office of the Chief Financial Officer, Office of Finance and Accounting.

BY ORDER OF THE SECRETARY OF ENERGY:

ERNEST MONIZ
Secretary

(The seal and approval dates are applied after approval of the Order.)