

DOE 2320.2B
5-18-92

THIS PAGE MUST BE KEPT WITH DOE 2320.2B. ESTABLISHMENT OF
DEPARTMENTAL POSITION ON INSPECTOR GENERAL REPORTS.

DOE 2320.2B, ESTABLISHMENT OF DEPARTMENTAL POSITION ON
INSPECTOR GENERAL REPORTS, HAS REVISED DOE 2320.2A TO
REFLECT ORGANIZATIONAL TITLE AND OTHER EDITORIAL REVISIONS
TO INCORPORATE CHANGES REQUIRED BY SEN-6. NO SUBSTANTIVE
CHANGES HAVE BEEN MADE. DUE TO THE NUMBER OF PAGES
AFFECTED BY THE REVISIONS, THE ORDER HAS BEEN ISSUED
AS A REVISION.

U.S. Department of Energy

Washington, D.C.

ORDER

DOE 2320.2B

5-18-92

SUBJECT: ESTABLISHMENT OF DEPARTMENTAL POSITION ON
INSPECTOR GENERAL REPORTS

1. PURPOSE. To set forth policy, responsibilities, and procedures for Departmental action required to establish Departmental positions on Inspector General (IG) audit reports.
2. CANCELLATION. DOE 2320.2A, ESTABLISHMENT OF DEPARTMENTAL POSITION ON INSPECTOR GENERAL REPORTS, of 7-19-88.
3. EXCLUSION. The policies contained herein do not apply to the following reports: those resulting from audits of contracts or grants requested by contracting officers; those reports of particularly severe or flagrant problems which are addressed under The Inspector General Act of 1978, Public Law (P.L.) 95-452, as amended, 5 United States Codes (U. S. C.), App. 3, or to those reports of Inspector General investigations.
4. REFERENCES.
 - a. The Inspector General Act of 1978, P.L. 95-452, as amended, 5 U.S.C., App. 3 sets forth authority and functions of the Inspector General.
 - b. Office of Management and Budget Circular A-50, "Audit Followup," of 9-29-82, which contains the policies and procedures for use in considering audit reports where follow-up is necessary.
 - c. DOE 2300.1A, AUDIT RESOLUTION AND FOLLOWUP, of 6-21-88, which provides policy on audit resolution and establishes the followup system to be applied.
 - d. DOE 2321.1B, AUDITING OF PROGRAMS AND OPERATIONS, of 5-14-92, which sets forth audit responsibilities for the promotion of economy and efficiency in the administration of, or the prevention or detection of fraud and abuse in, programs and operations of DOE.
5. DEFINITIONS.
 - a. Audit. Used to describe not only work done by auditors in examining financial statements, but also work done in reviewing: (1) compliance with laws and regulations; (2) economy and efficiency of operations; and (3) effectiveness in achieving program results.
 - b. Audit Report Recommendation. The corrective action suggested by the auditor as a result of an audit finding.

DISTRIBUTION:

All Departmental Elements

INITIATED BY:

Office of **Inspector General**

- c. Departmental Position. The official Departmental position on the findings and recommendations contained in final IG reports, including planned corrective actions to be taken by management, with appropriate target dates.
- d. Entrance Conference. A formal introductory conference at which the IG staff provides the program/operation being audited with basic information such as the reason for the audit (where appropriate), and the audit scope, objectives, and approach and establishes a line of communication with the program/operation officials.
- e. Exit Conference. A formal conference held at the conclusion of the audit for the purpose of discussing audit results.
- f. Final Audit Report. The report ultimately released by the IG after consideration of the program/operation comments received on the official draft audit report and raised during the exit conference.
- g. Followup Review. Review made by the IG or another organization of the Department to validate the claim that corrective action required by a final audit report has been completed.
- h. Inspection. Used in this Order to describe the type of inspections conducted by IG staff to promote economy and efficiency in the administration of the programs and operations of the Department. For purposes of this Order, "inspection" is synonymous with "audit."
- i. Official Draft Audit Report. Preliminary report issued by the IG to an audited program/operation and affected elements for review and comment prior to finalizing IG findings and recommendations. The official draft audit report will generally include a synopsis of comments submitted by the audited program/operation in response to the tentative findings.
- j. Program/Operation. Departmental Element of Department of Energy.
- k. Tentative Finding Preliminary finding, and in most cases, one or more associated recommendations issued by the IG to an audited program/operation and affected Departmental Elements, for review and comment prior to incorporation as-part of the official draft audit report.
- 1. Training System established by DOE 2300.1A for reporting on, and to monitor the progress of action taken by the Department in response to, audit findings and recommendations.

6. POLICIES.

- a. Inspector General audits shall be used as a management tool in promoting economy and efficiency in the administration of, or preventing and detecting fraud, waste, and abuse in, programs and operations of the Department.
- b. IG audit report recommendations shall be addressed to the lowest level of management which can effectively implement corrective action. Management officials shall take prompt and effective action to correct deficiencies or unsatisfactory conditions reported.
- c. Audited programs/operations and elements affected by IG findings and recommendations shall be afforded an opportunity to review tentative findings and official draft reports, and provide comments, additional facts, and suggested revisions directly to the IG or a designee for consideration prior to the reports being finalized for issuance.
- d. Although comments, facts, and suggested revisions submitted by audited programs/operations or Departmental Elements shall be carefully evaluated, responsibility for contents of the final audit report rests with the IG.
- e. Within 90 calendar days of the transmittal of a final IG report, an official Departmental position shall be prepared and approved. Within 15 days of the receipt of the official Departmental position, the Inspector General shall provide comments on the Departmental position.
- f. The policies described above do not obviate the need for an audit report action plan as required in DOE 2300.1A. Such a plan must be prepared within 90 days of the issuance of a final IG report. It is anticipated that the action plan will incorporate, or be based on, the Departmental position developed pursuant to this Order.

7. RESPONSIBILITIES.

- a. Inspector General, in conducting independent audits of Departmental functions, programs, and operations, shall:
 - (1) Provide the audited program/operation and Departmental Elements impacted by the audit findings, copies of the tentative findings and official draft reports, and provide adequate time for review and comment.
 - (2) Review and evaluate the comments provided by program officials on the draft reports and, when appropriate, revise the report to reflect these comments.

- (3) Make appropriate distribution of the final audit reports, consistent with applicable national security requirements.
 - (4) Receive the Departmental position on final audit reports and inform the official responsible for audit resolution of significant disagreements.
 - (5) Selectively conduct followup reviews and validate claims that corrective action required by final audits reports has been completed.
- b. Heads of Departmental Elements shall:
- (1) Prepare and coordinate comments on tentative findings and official draft reports in accordance with the procedures described in paragraph 8.
 - (2) Prepare and coordinate a proposed Departmental position on recommendations contained in IG final audit reports. The comments shall indicate the management actions planned to implement the recommendations or, where appropriate, reasons for nonconcurrence with the findings, or shall propose alternatives to the recommendations presented.
 - (3) Submit the proposed Departmental position to the Chief Financial Officer for *review*, evaluation, and submission to the Secretary or a designee for approval.
- c. Chief Financial Officer is principally responsible for audit resolution and tracking functions (exclusive of those responsibilities specifically assigned to the IG) and shall:
- (1) Review the proposed Departmental position to assess objectivity and responsiveness to audit findings and recommendations and the sufficiency of the corrective actions indicated.
 - (2) Submit the proposed Departmental position to the Secretary or a designee for approval.
 - (3) Forward the approved Departmental position to the IG for review.
- d. Secretary or a Designee shall review the proposed Departmental position and approve it or remand it to the Heads of the appropriate Departmental Elements for revision.
- e. Director of Security Affairs shall provide security classification and information control service to the IG and other Departmental Elements upon request.

8. PROCEDURES.

a. Entrance Conference.

- (1) In coordination with the audited program/operation, the IG shall conduct an entrance conference at the beginning of each audit. The senior manager of the audited program/operation or his/her designee should attend the entrance conference. The IG shall provide sufficient background information to acquaint program/operation personnel with the overall audit scope and approach.
- (2) An essential part of the entrance conference shall be to reach an understanding as to the procedures for processing tentative findings, official draft audit reports, and final audit reports. These procedures shall be consistent with and shall implement the policies outlined in this Order.

b. Tentative Findings.

- (1) Tentative findings shall be provided by the IG directly to the audited program/operation and affected elements for review and comment.
- (2) Recipients of tentative findings shall not show or release the contents for other than official review and comment under any circumstances, and shall comply with applicable security regulations. At all times, the contents shall be safeguarded to prevent publication outside of DOE or other improper disclosure, including improper disclosure of classified information, and they shall not be provided to anyone outside DOE without the approval of the Inspector General. In this context, management and operating (M&O) contractors shall be considered to be part of the Department. The drafts and all copies remain the property of, and shall be returned on demand to, the Inspector General.
- (3) Program/operation comments on tentative findings shall be provided directly to the IG within 15 working days after transmission of tentative findings, unless otherwise specified by the IG. Care must be taken in reviewing and commenting on tentative findings to ensure that:
 - (a) The findings are factual and reported accurately;
 - (b) Any additional pertinent facts are cited;
 - (c) Concurrence or nonconcurrence is expressed for each finding and recommendation, and the corrective action taken or planned is indicated; and

- (d) The comments are complete and responsive to the findings and recommendations provided.

c. Official Draft Reports.

- (1) Official draft reports shall be provided by the IG directly to the audited/operation and affected elements for review and comment.
- (2) The official draft audit report normally shall contain a synopsis of the audited program/operation comments on the tentative findings. The IG shall endeavor to ensure that both the letter and the intent of management's comments are represented in the synopsis.
- (3) Recipients of official draft reports shall not show or release the contents for other than official review and comment under any circumstances. At all times the document and the information contained therein shall be safeguarded to prevent publication or other improper disclosure, and they shall not be provided to anyone outside DOE without the approval of the Inspector General. In this context, M&O contractors shall be considered to be part of the Department. The drafts and all copies remain the property of, and shall be returned on demand to, the Inspector General.
- (4) Program/operation comments on official draft reports shall be provided directly to the IG within 15 working days after transmission of the draft report, unless otherwise specified by the IG. Care must be taken in reviewing and commenting on official draft reports to ensure that:
 - (a) The report is factual;
 - (b) The findings and conditions are reported accurately;
 - (c) Any additional pertinent facts are cited;
 - (d) Concurrence or nonconcurrence is expressed for each recommendation, and corrective action taken or planned is indicated; and
 - (e) The comments are complete and responsive to the findings and recommendations.

- d. Exit Conference. The IG, in coordination with the audited program/operation, shall schedule at least one formal exit conference after submission of the official draft audit report.

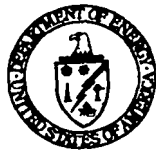
5-18-92

The senior manager of the audited program/operation or his/her designee should attend the exist conference. During the conference the following shall be discussed:

- (1) The auditor's overall observations and conclusions.
 - (2) Any matters that need to be resolved to achieve mutual understanding.
 - (3) Corrective actions taken or planned by management on the findings and recommendations not previously made known to the auditors.
- e. Final Audit Reports. Final audit reports shall be distributed by the IG to the appropriate Departmental Elements and the Chief Financial Officer and, as appropriate, to authorized committees and subcommittees of the Congress. An official Departmental position shall be prepared within 90 calendar days of the transmittal of the report.
- f. Preparation of the Departmental Position.
- (1) Departmental Elements, in preparing the proposed Departmental position, shall state concurrence or nonconcurrence in each finding and recommendation. When concurrence is expressed, the corrective action taken or planned shall be stated, and, the target date for completion established. When nonconcurrence is expressed, the reasons therefore shall be stated. Additional facts should be presented, if appropriate.
 - (2) Departmental Elements shall submit the proposed Departmental position to the Chief Financial Officer for review.
 - (3) Upon receipt of the proposed Departmental position from the audited program/operation, the Chief Financial Officer shall review it for objectivity, responsiveness to the findings and recommendations, the adequacy of the corrective actions taken or planned, and the propriety and reasonableness of any nonconcurrence submitted through the Departmental Audit Report Tracking System (DARTS).
 - (4) After reviewing the audited program/operation proposed Departmental position, and resolving any questions or conflicts with the audited program/operation, the Chief Financial Officer shall submit the proposed position to the Secretary, or a designee, for approval. In the event that a resolution cannot be reached, each position shall be forwarded by the Chief Financial Officer to the Secretary.

- (5) The Chief Financial Officer shall make distribution of the approved Departmental position to the IG and other interested parties.
- (6) The IG shall inform the Secretary or a designee of any major disagreements with the approved Departmental position.

BY ORDER OF THE SECRETARY OF ENERGY:



DONALD W. PEARMAN, JR.
/ Acting Director
Administration and Human
Resource Management

DEPARTMENTAL POSITION
TIME OBJECTIVES AND MAJOR MILESTONES

The DOE position on Inspector General final audit reports shall be completed within 105 days from the date of transmittal of the report. The following time schedule serves as the basis for determining internal DOE due dates.

| <u>Milestones</u> | <u>Calendar Days</u> | <u>Cumulative Days</u> |
|--|----------------------|------------------------|
| 1. Audited activity prepares position on IG findings and recommendations. Audited activity also distributes proposed Departmental position to other affected Departmental Elements and the Chief Financial Officer's Office, and obtains necessary concurrences. | 70 | 70 |
| 2. Office of Chief Financial Officer reviews proposed Departmental position for acceptability, requests changes as necessary, and submits proposed Departmental position to Secretary or designee for approval. | 10 | 80 |
| 3. Secretary or a designee approves Departmental position. | 10 | 90 |
| 4. IG comments on Departmental position. | 15 | 105 |

