



PROJECT MANAGEMENT
CENTER FOR EXCELLENCE

A.J. CLARK SCHOOL OF ENGINEERING
Civil & Environmental Engineering Department



BEST PRACTICES WORKING WITH AUDITORS

Tom Griffin

2020 Project Management Symposium

Audit Resolution and Followup

1. Federal Policy
2. Benefits and Pitfalls of Audits
3. Agency Processes
4. Inspector General vs. Government Accountability Audits
5. Lessons learned from working with auditors

Key Government Audit Resolution Requirements

OMB Circular A-50—*Audit Followup*

Policy Statement: Audit followup 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.

Circular No. A-50 Revised

September 29, 1982

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Audit Followup

1. **Purpose.** This circular provides the policies and procedures for use by executive agencies when considering reports issued by the Inspectors General (IGs), other executive branch audit organizations, the General Accounting Office (GAO), and non-Federal auditors where followup is necessary.
2. **Rescissions.** This revision replaces and rescinds Circular No. A-50, "Executive branch action on General Accounting Office reports," Revised, dated January 15, 1979, and incorporates certain provisions previously set forth in Circular A-73, "Audit of Federal operations and programs," Revised, dated November 27, 1979.
3. **Authority.**
 - a. Budget and Accounting Act of 1921, as amended (31 USC 16 & 53).
 - b. Section 236 of the Legislative Reorganization Act of 1970.
 - c. Supplemental Appropriations and Rescissions Act of 1980 (P.L. 96-304).
 - d. Appropriations Act of 1981 (P.L. 96-526).
 - e. 4 CFR 101-105, Federal Claims Collection Standards.
 - f. GAO Policy and Procedures Manual for Guidance of Federal Agencies (Title 2-Accounting).
4. **Background.** The principal objectives of this revision are:
 - a. To specify the role of the designated audit followup officials, and the role of Inspectors General with

Key Government Audit Resolution Requirements

OMB Circular A-123— *Management's Responsibility for Enterprise Risk Management and Internal Control*

*Management has a responsibility to
complete action, in a timely manner, on
audit recommendations on which
agreement with the OIG has been
reached.*



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 15, 2016

M-16-17

MEMORANDUM TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Shaun Donovan
Director

SUBJECT: OMB Circular No. A-123, Management's Responsibility for Enterprise Risk
Management and Internal Control

The Administration has emphasized the importance of having appropriate risk management processes and systems to identify challenges early, to bring them to the attention of Agency leadership, and to develop solutions. To that end, the Office of Management and Budget (OMB) is updating this Circular to ensure Federal managers are effectively managing risks an Agency faces toward achieving its strategic objectives and arising from its activities and operations. These expanded responsibilities reinforce the purposes of the Federal Managers' Financial Integrity Act (FMFIA) and the Government Performance and Results Act Modernization Act (GPRAMA), and support the Administration's commitment to improve the efficiency and effectiveness of Government.

Since 1981, OMB Circular No. A-123 (A-123) and FMFIA have been at the center of Federal requirements to improve accountability in Federal programs and operations. Over the years, government operations have changed dramatically, becoming increasingly complex and driven by changes in technology. At the same time, resources are constrained and stakeholders expect greater program integrity, efficiency and transparency into government operations.

The policy changes in this Circular modernize existing efforts by requiring agencies to implement an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process established by GPRAMA, and the internal control processes required by FMFIA and Government Accountability Office (GAO)'s Green Book. This integrated governance structure will improve mission delivery, reduce costs, and focus corrective actions towards key risks. Implementation of this policy will engage all agency

Benefits and Pitfalls

- Key Benefits
 - Outside perspective
 - Objectivity—Auditors must follow audit standards
 - Best practices from other organizations
 - Resources to perform an in-depth study
- Potential Pitfalls
 - Public forum
 - Take a long time to complete
 - Significant time and resources for agency

Agency Processes—Understand the Audit Finding

- Criteria and requirements cited by the auditor
- Any reported divergence from the criteria
- Reasons for divergence from the criteria
- Impact—cost, schedule, performance, compliance, etc.
- Extend the finding—systemic implications



Agency Processes—Respond to Recommendations

- Agree
- Disagree
- Pitfalls

Agency Processes—Take Corrective Actions

- Formal agency audit follow-up system
- Timeliness matters
- IG and GAO follow-up

Inspector General vs. Government Accountability Office

	Inspector General	Government Accountability Office
Audit Standards	GAO Yellow Book	GAO Yellow Book
Visibility	Public Reports	Public Reports
Reporting Relationship	Executive Branch—OMB and the President	Legislative Branch—Congress

Inspector General vs. Government Accountability Office

	Inspector General	Government Accountability Office
Draft Reports	Internal Agency Distribution	Provided to Congressional Committees
Management Decisions	Internal Agency Process	Legally mandated letters to Congressional Committees
Resolving Disagreements	Internal Agency Process	<ul style="list-style-type: none">• Congressional hearings• Legislation• Confirmation hearings for agency officials
Follow-up	<ul style="list-style-type: none">• IG Semiannual report to Congress• Internal agency processes	<ul style="list-style-type: none">• GAO Priority Recommendations letters• GAO High Risk List• GAO Overlap and Duplication Report

Lessons Learned

- Open dialog
- Address disagreements early in the process
- Let the auditors know what is and what is not helpful to management
- Leverage objectivity of the audit process

Questions?



19th Century
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