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Standard Operating Procedures for USAID Engagement in SIG Audits

An Additional Help for ADS Chapter 590

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1. Overview

This Standard Operating Procedures (SOP) document provides operating procedures for the Agency's engagement in performance audits conducted by any Office of the Special Inspector General (SIG) for USAID. This SOP provides guidance on the process for responding to all SIG performance audits, as well as select SIG financial audits communicated to the Office of the Administrator at the discretion of the Chief Financial Officer (CFO).

The following responsibilities and procedures are described in the audit engagement sequence as follows: audit notification; entrance conference; fieldwork; exit conference; draft audit report; final audit report; corrective actions; and Agency's request for audit recommendation closure.

New AMOs and AAOs should complete the web-based training course, *Audit Management for AMOs and AAOs*, located on USAID University prior to performing their duties as an AMO or AAO.

2. Primary Responsibilities and Procedures in Audit Engagement Sequence

a. Audit Notification

1) M/CFO/APC and Mission

- a. Generally, the Mission and CFO/APC receive the audit notification letter addressed to the Agency leadership and the Mission and CFO/APC should ensure the other is also in receipt of the notification.
- b. CFO/APC Point of Contact (POC) notifies:
 - i. Office of the CFO
 - ii. CFO General Counsel (GC) POC
 - iii. Assistant Administrator (AA) Bureau of Management (Agency Audit Follow-up Official)
 - iv. Executive Secretariat (ES) Liaison POC (via AID.ES tasker mail list)
 - v. Bureau for Policy, Planning and Learning (PPL) Audit Support POC
 - vi. Special Assistant to the Chief of Staff (CoS)
- c. Mission documents the new audit engagement in the Agency's Consolidated Audit and Compliance System (CACs)/SIG database cabinet

- 2) Mission management (in coordination with the AMO) assigns an Audit Action Official (AAO) based on the AAO's subject matter expertise (SME).

b. Entrance Conference

1) Schedule meetings.

- a. Mission is responsible for coordinating with CFO/APC and scheduling internal pre-meetings and the SIG entrance conference.
 - i. USAID should receive any SIG audit questions at least three days before any SIG entrance conference.
 - ii. Internal pre-meetings are required. These meetings should be held at least two days before any SIG entrance conference and review the audit questions received from SIG. Pre-meeting minutes should be uploaded into CACS.
 - iii. Entrance conferences are generally scheduled within 14 days after the Agency receives an audit notification letter.

c. Field Work

1) Agency response to SIG requests for Agency documents and/or meetings.

- a. AAO serves as primary POC to coordinate the Agency's response to SIG requests.
- b. AAO coordinates with management (including GC) for proper Agency responses to SIG requests.
 - i. AAO coordinates with Agency officials from financial, program, and/or technical offices to retrieve needed documents.
 - ii. AAO may receive from responsible officials a reasonable assurance statement that: *"To the best of their knowledge, information retrieved for purposes of the audit engagement is current, correct, and complete."*
- c. AAO coordinates with the Mission AMO on proper Agency responses.
- d. When there is more than one AAO on an audit, the AMO coordinates AAOs on proper Agency responses.

d. Exit Conference

- 1) Mission AMO is responsible for coordinating with CFO/APC and scheduling internal pre-meetings and the SIG exit conference.
 - a. The SIG normally gives the Operating Unit 14 days to provide written comments to the Statement of Facts.
 - b. Agency should receive SIG's Statement of Facts (SIG's exit conference document) at least three days before the scheduled exit conference.
 - Agency should schedule the exit conference to allow reasonable time for an Agency internal review of the SIG Statement of Facts.
 - c. The SIG Statement of Facts should be reviewed, updated, and corrected before or during the pre-meeting to the exit conference.
 - Internal pre-meeting(s) are required. These meeting(s) should be held at least two days before any SIG exit conference. Pre-meeting minutes should be uploaded to CACS.
 - d. During the exit conference, the Agency should provide the SIG any updates and/or corrections to the SIG Statement of Facts. When needed, the Agency should provide SIG factual updates, corrections, and any needed additional information to the SIG Statement of Facts shortly after the exit conference.
 - i. The Agency's response to the SIG Statement of Facts should provide correct factual information which may impact the SIG's draft report.
 - ii. Notes from the exit conference should be uploaded into CACS.

e. Draft Audit Report

SIG is required to provide a draft report for Agency comment before SIG issues its final report. The Agency's comments on the SIG draft report should include an "Agency Management Decision" (*i.e.*, Agency corrective action to be taken) to implement each audit recommendation provided in the draft report, if any. The Agency's practice is to work toward having in the SIG final audit report a SIG-agreed Agency Management Decision.

Generally, auditors provide 30 days for Agency comments on a draft report. When the comment period is less than 30 days, the Agency should work with auditors to agree to a minimum 30-day period.

- 1) Agency comments on the SIG draft report include:

- a. Agency actions taken to date including any Management Decisions and corrective actions to implement audit recommendations;
 - b. Technical comments; and
 - c. Any additional comments.
- 2) Generally, the Mission or CFO/APC receives the draft report and each should ensure the other receives the report via CACS (*i.e.*, CACS email feature).
 - a. CFO/APC POC sends an email with a copy of the draft report attached to: CoS, ES audit POC, PPL audit team, CFO GC POC, and CFO.
 - i. Email will contain:
 - Draft report recommendation(s);
 - The Mission-developed timeline (see Appendix A) for clearance action that is done in collaboration with CFO/APC; and
 - The submission date for Agency comments on the draft report to SIG.
 - ii. Any Mission clearance extension request with CoS must be coordinated with ES audit POC.
 - iii. Mission or Bureau/Independent Office (B/IO) will request an extension from SIG and notify all parties (*i.e.*, aaudit@usaid.gov). Upload request/response documents into CACS.
 - b. AAO will write Agency comments on the draft report.
 - i. AAO comments and CoS concurrence must be presented using the templates and Bureau-approved Action Memorandum. The current templates and Memorandum are available on the ES website: <https://pages.usaid.gov/A/ES/what-we-provide>.
 - ii. The Mission must provide Management Decisions (*i.e.*, intended course of actions) on the draft report audit recommendations in coordination with the Agency B/IO.
 - iii. When the Agency disagrees with the draft audit recommendations, Agency provides factual information as comments to the draft report to justify its disagreement with the draft report recommendations.

- c.** AAO comments on the draft report must be completed in accordance with the Agency timeline to ensure review and CoS clearance.
 - i.** CoS requires five business days to review Agency comments on the SIG draft report that are generally due within 30 days
 - ii.** When CoS timeline date is not met, Mission and/or B/IO must coordinate with ES audit POC on revised due date. CFO/APC may assist coordinating extensions.
 - iii.** When the Agency cannot meet the Agency's timeline to provide comments to SIG, any extension must first be approved by CoS before the Agency requests (via AMO) any extension from SIG.
 - iv.** Upon the approval from CoS of the extension due date, the ES audit POC must send the Mission and CFO/APC confirmation of the extension approval.
 - v.** Upon approval from SIG, the Agency timeline is modified and made available to all Agency participants.
- d.** Scheduler for CoS schedules the CoS meeting to review Agency comments on the draft report.
 - i.** CFO/APC will review attendees and coordinate with the AMO to designate:
 - AAO as lead presenter (or B/IO leadership designates).
 - Other invitees include Audit Follow-up Official, ES and PPL audit team, CFO/APC POC, and others as determined by CoS.
- e.** AAO incorporates CoS comments into Agency comments on draft report and resubmits to ES audit POC for CoS approval.
- f.** ES POC sends CoS approved comments to CFO/APC and an information copy to the Audit Follow-up Official (AA/M) and the AMO.
- g.** The AMO sends Agency comments on the draft report to SIG for Mission based audits. CFO/APC sends Agency comments for Washington-based audits.
- h.** The AMO or CFO/APC uploads audit documents in the Agency's official audit repository ASIST/CACS/OIG cabinet database system.

f. Final Audit Report

The Agency sends comments within 60-90 days (*i.e.*, 2-3 months) from the date of the final report. Two scenarios for comments are described below (see f.1 and f.2) and may include Agency actions taken to date including any corrective actions to implement Agency recommendations, technical comments, and/or any additional comments.

- 1) Audit recommendation(s) in the final report.**
 - a.** Audit recommendations are provided in four general categories:
 - i.** SIG closed the audit recommendation upon issuance of final report.
 - ii.** SIG agrees with the Agency Management Decision (*i.e.*, intended corrective actions).
 - iii.** SIG disagrees with the Agency Management Decision (see g. Disagreements).
 - iv.** SIG does not agree or disagree on the Agency Management Decision. Note that the Agency has 180 days (*i.e.*, six months) from the date of the final report to obtain a SIG-agreed Management Decision. Agency practice is to obtain the SIG-agreed Management Decision as early as possible.
- 2) No audit recommendation, however, the Agency is mentioned in the final report.**

Generally, the Mission and CFO/APC receive the final report and each should ensure the other is also in receipt of the report through CACS.

- 1) CFO/APC sends an email with a copy of the final report attached to: CoS, ES audit POC, PPL audit team, CFO GC POC, and CFO.**
 - a.** Email will contain:
 - i.** Final report recommendation(s);
 - ii.** The Mission-developed timeline (see Appendix B) for clearance action in collaboration with CFO/APC; and
 - iii.** The submission date for Agency comments on the final report to SIG.
 - b.** Any Mission, B/IO clearance extension request with CoS must be coordinated with ES audit POC.

- 2) AAO will write Agency comments on the final report for two scenarios in f.1 and f.2.
- AAO comments and CoS concurrence must be presented using the templates and Bureau-approved Action Memorandum. The most current templates and Memorandum are available on the ES website: <https://pages.usaid.gov/A/ES/what-we-provide>.
- 3) AAO comments on the final report must be completed in accordance with the Agency timeline dates to ensure review and CoS clearance.
- a. When the CoS timeline date is not met, the Mission and B/IO must coordinate with the ES audit POC on the revised due date. CFO/APC may assist coordinating extensions.
 - b. CoS requires 10 business days to review and clear comments from Mission and/or B/IO.
 - c. When the Agency cannot provide comments to SIG by the 60-90 day due date, an extension date must be approved through ES audit POC.
 - d. Upon the approval of the extension due date, the ES audit POC must send to the AMO confirmation of the extension approval and copy CFO/APC. AMO uploads approval into CACS.
 - e. ES audit POC schedules meeting for CoS review of Agency comments on final report.
 - i. CFO/APC will review attendees and coordinate with AMO to designate:
 - AAO as lead presenter.
 - Other invitees including Audit Follow-up Official, ES and PPL audit team, APC POC, and others as determined by CoS and/or APC.
 - f. AAO incorporates CoS comments into Agency comments on the final report and resubmits to ES audit POC for CoS approval.
 - g. ES audit POC sends CoS approved comments to CFO/APC and an information copy to the AMO and Audit Follow-up Official (AA/M).
 - h. The AMO sends Agency comments on the final report to SIG for Mission based audits. CFO/APC sends Agency comments for Washington-based audits.

- i. The AMO or CFO/APC uploads audit documents in the Agency's official audit repository ASIST/CACS/OIG cabinet database system.

g. Disagreements

When the SIG disagrees with the Agency's Management Decision, the AAO will immediately work with the SIG to resolve the disagreement and will prepare a revised Management Decision after consultation with their management, CoS, and GC. Note the Agency has 180 days (*i.e.*, six months) from the date of the final report to obtain a SIG-agreed Management Decision. The Agency's practice is to obtain a SIG-agreed Management Decision as early as possible; and internally report the audit recommendation as "backlog" when the disagreement is unresolved.

Generally, the Mission and CFO/APC receive the SIG's disagreement and each should ensure the other is also in receipt of the disagreement.

- 1) Mission sends an email with a copy of the SIG's disagreement and the due date to resolve (*i.e.*, 180 days from the Final Report Date) to: CoS, ES audit POC, PPL audit team, CFO GC POC, B/IO, and CFO.
- 2) The Agency's options for next steps include:
 - a. Agency's right to not accept SIG's disagreements and Agency initiates arbitration or;
 - b. Agency submits a revised Management Decision to SIG for acknowledgement or comments on the SIG disagreement:
 - i. Mission or B/IO develops timeline in collaboration with CFO/APC.
 - ii. Submission date for Agency revised Management Decision or comments on the SIG disagreement (*i.e.*, ASAP).
 - iii. CoS clearance date of the Agency revised Management Decision or comments on the SIG disagreement.
- 3) Any Mission, B/IO clearance extension request with CoS must be coordinated with ES audit POC.
- 4) AAO will write the revised Management Decision and/or comments on the SIG disagreement.
 - The AAO's revised Management Decision and/or comments as well as the CoS concurrence must be presented using the templates and Bureau-approved Action Memorandum. The current templates and Memorandum

are available on the ES website: <https://pages.usaid.gov/A/ES/what-we-provide>.

- 5) AAO comments on the revised Management Decision must be completed in accordance with the Agency timeline dates to ensure review and CoS clearance.
 - a. When CoS timeline date is not met, the Mission or B/IO must coordinate with the ES audit POC on the revised due date. CFO/APC may assist coordinating extensions.
 - b. CoS requires 10 business days to review and clear comments from the Mission or B/IO.
 - c. When Agency cannot provide comments to SIG (*i.e.*, ASAP), an extension date must be approved through ES audit POC.
 - d. Upon the approval of the extension due date, the ES audit POC must send CFO/APC confirmation of the extension approval.
 - e. Scheduler for CoS schedules a meeting with the CoS for review of the Agency revised Management Decision and/or comments on the SIG disagreement.
 - i. CFO/APC will review attendees and coordinate with AMO to designate:
 - 1) AAO as lead presenter.
 - 2) Other invitees include Audit Follow-up Official, ES and PPL audit team, APC POC, and others as determined by CoS and/or APC.
 - f. AAO incorporates CoS comments into Agency revised Management Decision and resubmits to ES audit POC for CoS approval.
 - g. ES audit POC sends CoS approved revised Management Decision and/or comments to CFO/APC and an information copy to the AMO and Audit Follow-up Official (AA/M).
 - h. CFO/APC sends revised Management Decision and/or comments to SIG.
 - i. CFO/APC stores audit documents in the Agency's official audit repository ASIST/CACS/SIG cabinet database system.

h. Corrective Actions and Closure

1) Timely Implementation of Corrective Actions

- a. For audit recommendations with Management Decisions that have been agreed (*i.e.*, SIG agreement on action to be taken by the Agency), corrective actions should begin as early as possible, in many cases prior to the issuance of a final or even draft report. Subsequent status updates should be sent at least every 90 days until recommendation closure.
- b. Mission AMO must inform ES audit POC and CFO/APC when:
 - The Agency is unable to meet the deadline to implement corrective actions (*i.e.*, target implementation date) and request closure for an audit recommendation.
- c. Requests to extend a target implementation date must be submitted to the ES audit POC for CoS approval at least two weeks prior to the target implementation date via email.
 - i. Requests to extend a target implementation date must include:
 - 1) The full audit report title and number. Attach the final audit report to the email extension request.
 - 2) Recommendation text and number for which an extension is being requested.
 - 3) The original target implementation date.
 - 4) The proposed target implementation date.
 - 5) Explanation of why the Mission is requesting a revised target implementation date and the plan of action to meet the extended deadline given the extenuating circumstances.
 - ii. The Final Action Target Date (FATD) extension request and the CoS concurrence must be uploaded in the ASIST/CACS system.

2) Agency's Request for Audit Recommendation Closure

- a. When the B/IO or Mission demonstrates it has completed the required corrective action(s) to implement the audit recommendation(s) in accordance with the SIG- agreed Management Decision, a closure request (including verifiable supporting documentation) should be submitted to SIG and uploaded to CACS/SIG cabinet.

- b.** Upon SIG's confirmation of closure, an email is provided to the Mission and CFO/APC POC.
- c.** The Mission uploads the SIG email that confirms closure into CACS and requests the CFO/APC POC to close the recommendation in CACS.
- d.** The CFO/APC POC processes the recommendation closure in CACS and provides email confirmation to the Mission.

3. References

3.a Appendix A - SIG Draft Report Timeline (Example)

TIMELINE FOR RESPONSE TO SIG DRAFT AUDIT REPORT AUDIT TITLE (Task No. X) (DATE) XX RECOMMENDATIONS (30 days or about 21 working days)			
	Action	Action Office	Time frame
1	Receipt and distribution of Draft Audit Report.	Mission, M/CFO/APC	1 working day
2	Mission develops Management Comments and CoS Concurrence Memo to the Draft Audit Report; Obtains all necessary clearances (e.g., OAA, RLO, etc.). Mission submits to Bureau.	Mission, Bureau	10 working days
3	Bureau clears CoS Concurrence Memo and Management Comments. Bureau submits to M/CFO/APC.	Bureau, M/CFO/APC	2 working days
4	M/CFO, PPL Audit Team, and M Bureau clears CoS Concurrence Memo and Management Comments. M Bureau submits to ES.	M/CFO/APC, PPL Audit Team, M Bureau	2 working days
5	ES obtains CoS clearance and submits cleared Management Comments to Mission.	Mission, M/CFO/APC	5 working days
6	Mission submits Management Comments to SIG, copying M/CFO/APC.	Mission, M/CFO	1 working day

3.b Appendix B - SIG Final Report Timeline (Example)

TIMELINE FOR RESPONSE TO SIG FINAL AUDIT REPORT AUDIT TITLE (TASK No. X) (DATE) XX RECOMMENDATIONS (60 days or about 41 working days)			
	Action	Action Office	Time frame
1	Receipt and distribution of Final Audit Report.	Mission, M/CFO/APC	1 working day
2	Mission develops Management comments and CoS Concurrence Memo to the DRAFT Audit Report; Obtains all necessary clearances (e.g., OAA, RLO, etc.). Mission submits to Bureau.	Mission Bureau	19 working days
3	Bureau clears CoS Concurrence Memo and Management Comments. Obtains all necessary clearances (e.g., GC, etc.). Bureau submits to M/CFO/APC.	Bureau, M/CFO/APC	5 working days
4	M/CFO, PPL Audit Team, and M Bureau clears CoS Concurrence Memo and Management Comments. Upon clearance, M/CFO sends to AA/M for clearance. M Bureau submits to ES.	M/CFO/APC, PPL Audit Team, M Bureau	5 working days
5	ES obtains CoS clearance and submits cleared Management Comments to Mission.	ES	10 working days
6	Mission submits Management Comments to SIG, copying M/CFO/APC.	Mission, M/CFO/APC	1 working day