



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

September 28, 2015

Control Number
ED-OIG/A19P0004

Thomas Skelly
Delegated to Perform Functions and Duties of the Chief Financial Officer
Office of the Chief Financial Officer
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Mr. Skelly:

This **Final Audit Report**, titled *Audit of the Followup Process for External Audits in the Office of the Chief Financial Officer*, presents the results of our audit. This audit was part of a review of the audit followup process for Office of Inspector General (OIG) external audits being performed in several principal offices. The objective of the audit was to evaluate the effectiveness of the Department of Education's (Department) process to ensure that external auditees implement corrective actions as a result of OIG audits. A summary report will be provided to the Chief Financial Officer (CFO), the Department's audit followup official, upon completion of the audits in individual principal offices.

BACKGROUND

Office of Management and Budget (OMB) Circular A-50, "Audit Followup," provides the requirements for establishing systems to assure prompt and proper resolution and implementation of audit recommendations. The Circular provides that audit followup is an integral part of good management, a shared responsibility of agency management officials and auditors, and management's corrective action on resolved findings and recommendations is essential to improving the Government's effectiveness and efficiency. Agencies are responsible for establishing systems that provide a complete record of actions taken on findings and recommendations to assure that audit recommendations are promptly and properly resolved.

The Department established the "Handbook for the Post Audit Process" (OCFO-01), dated June 22, 2007 (Handbook), to provide policies and procedures for the resolution and followup of internal and external audits of Department programs, activities, and functions. External audits are of external entities that receive funding from the Department, such as State educational agencies, local educational agencies, institutions of higher education, contractors, and nonprofit organizations. External OIG audit reports generally include recommendations for Department management to require the external entity to take corrective action. These

recommendations may be either monetary, which recommend that the entity return funds to the Department, or nonmonetary, which recommend that the entity improve operations, systems, or internal controls. The audit resolution process begins with the issuance of a final audit report.

An external audit is considered resolved when the Department issues a program determination letter to the external entity that is agreed to by the OIG. Upon resolution, the Department is responsible for followup to ensure that corrective actions are actually taken. An audit is considered closed when the Department ensures that all corrective actions have been implemented including funds repaid or settlement made.

The Handbook provides that Assistant Secretaries (or equivalent office head) with cooperative audit resolution or related responsibilities must ensure that the overall cooperative audit resolution process operates efficiently and consistently. An Assistant Secretary may delegate in writing part or all of the cooperative audit resolution responsibilities to an Action Official(s) (AO) within the Assistant Secretary's organization.

The Handbook notes specific responsibilities of the Assistant Secretaries or designated AOs that include:

- Determining the action to be taken and the financial adjustments to be made in resolving findings in audit reports concerning respective program areas of responsibility,
- Monitoring auditee actions in order to ensure implementation of recommendations sustained in program determinations, and
- Maintaining formal, documented systems of cooperative audit resolution and followup.

The Handbook specifies that accurate records must be kept of all audit followup activities, including all correspondence, documentation and analysis of documentation. The Department's Audit Accountability and Resolution Tracking System (AARTS) is a web-based application designed to assist Department management with audit followup and closure.

AUDIT RESULTS

We found that OCFO's audit followup process was not always effective. Specifically, we found that OCFO did not close audits timely and did not adequately maintain documentation of audit followup activities. Between October 1, 2008 and September 30, 2013, OCFO closed 29 external OIG audits.¹ Of the 29 closed audits, 18 (62 percent) were closed more than 2 years after resolution, 10 (34 percent) were closed more than 5 years after resolution, and 5 audits (17 percent) were not closed for more than 7 years after resolution. The total of the monetary recommendations associated with the 29 audits was \$57,320,188.

¹ OCFO is assigned responsibility for external audits covering discretionary grants, contract matters for other than Federal Student Aid contracts, and audits that have only excess cash or misuse of Federal advance findings.

Further, we found that OCFO did not always adequately maintain documentation of audit followup activities. This includes not maintaining supporting documentation of corrective actions in the official audit file as well as not maintaining documentation that supported that requested corrective actions were actually taken prior to audit closure. We reviewed audit followup activities for a nonstatistical sample of four external OIG audits of OCFO programs. For these 4 audits, OCFO determined that 15 recommendations required corrective actions, to include \$1.1 million in monetary corrective actions. OCFO was unable to provide support that corrective action was taken for 7 out of the 15 recommendations (47 percent), to include support documenting the amount of and rationale for a reduction of an established liability.

Not ensuring that corrective actions are taken as quickly as possible allows identified deficiencies to continue to exist. By not obtaining or maintaining appropriate documentation to show requested corrective actions were completed, OCFO did not have assurance that identified deficiencies were corrected. As such, the risk remains that related programs are not effectively managed and funds are not being used as intended.

In its response to the draft audit report, OCFO agreed with the finding and recommendations. OCFO noted that in recent years it has made significant progress improving the timeliness and documentation with respect to the resolution of audit findings but agreed that it can continue to improve documentation of corrective actions and audit followup activities. OCFO noted it recently implemented new features in AARTS to enhance electronic recordkeeping, is in the process of modifying its policies and procedures that address how OIG external audits are closed, and is considering enhancements to monthly audit dashboards to help program offices better manage and close audits timely. OCFO also noted it closed a substantially larger number of audits than what was reflected in Table 2 of our report and provided comments on what it felt was a more appropriate measure of the Department's timeliness of audit closure.

OCFO's comments are summarized at the end of the finding. As a result of OCFO's comments, we did not make any changes to the audit finding, Table 2, or the related recommendations. The full text of OCFO's response is included as Attachment 3 to this report.

FINDING NO. 1 – The Office of the Chief Financial Officer's Audit Followup Process Was Not Always Effective

We found that improvements are needed in OCFO's audit followup process. Specifically, we found that OCFO did not close audits timely and did not adequately maintain documentation of audit followup activities.

Timeliness of Audit Closure

We reviewed the Department's AARTS data to determine the number of external OIG audits that were closed between October 1, 2008 and September 30, 2013. We noted that OCFO closed 29 audits during this time period. Of the 29 closed audits, 18 (62 percent) were closed more than 2 years after resolution, 10 (34 percent) were closed more than 5 years after resolution, and 5 audits (17 percent) were not closed for more than 7 years after resolution. The total of the monetary recommendations associated with the 29 audits was \$57,320,188 as depicted in Table 1 below.

Table 1. Count and Percentage of OCFO Closed Audits by Elapsed Time Between Resolution and Closure

<u>Elapsed Time</u>	<u>Number of Audits</u>	<u>Percentage of Audits</u>	<u>Total of Monetary Recommendations</u>	<u>Percentage of Monetary Recommendations</u>
Greater than 84 months	5	17%	\$1,055,827	2%
73 to 84 months	2	7%	\$0	0%
61 to 72 months	3	10%	\$658,766	1%
49 to 60 months	2	7%	\$6,150,871	11%
37 to 48 months	6	21%	\$7,951,088	14%
25 to 36 months	0	0%	\$0	0%
Less than 25 months	11	38%	\$41,503,636	72%
Total	29		\$57,320,188	

Documentation of Audit Followup Activities

We found that OCFO did not always adequately maintain documentation of audit followup activities. This included not maintaining supporting documentation of corrective actions in the official audit file as well as not maintaining documentation that supported that requested corrective actions were actually taken prior to audit closure. We reviewed audit followup activities for a nonstatistical sample of 4 of the 29 audits noted above.² For these 4 audits, OCFO determined that 15 recommendations required corrective actions, to include \$1.1 million in monetary corrective actions. We found that OCFO files did not adequately maintain documentation for 7 out of 15 recommendations (47 percent) included in our sample for which corrective actions were required as noted below.

ACN A09-H0019: *Los Angeles Unified School District's (LAUSD) Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances*, issued December 2008.

Recommendation 1.3: Instruct LAUSD to recalculate the estimated interest earned on Federal cash balances for the fourth quarter of FY (fiscal year) 1995 through FY 2007 and later using the actual School Rates for the fourth quarter, and remit any additional amounts due to CDE (California Department of Education) and other grantors, as permitted under Federal law.

Recommendation 2.2: Remit to CDE and other grantor agencies, as permitted under Federal law, the \$1,484,622 (\$887,792 + \$596,830) that was identified as not included in LAUSD's estimated interest earnings due to grantor agencies because of the use of netting in its calculations.

² We selected all audits with monetary recommendations totaling \$5 million or greater.

Recommendation 2.3: Identify other amounts of interest earned on Federal cash advances that were not remitted to CDE and other grantor agencies due to the use of netting in FY 1995 through FY 2007 and later, and remit the amounts to the agencies, as permitted under Federal law. For FY 1995 through FY 2003, the auditors estimated that about \$2.58 million may have not been remitted due to LAUSD's use of quarterly and fiscal year netting.

The Program Determination Letter (PDL) for this audit established a liability of \$1.1 million related to the above recommendations unless the auditee could document that this amount should be reduced. We found the supporting documentation noted that less than this amount was actually remitted. According to OCFO officials, the information it had available from LAUSD to calculate interest due when it issued the PDL was incomplete. OCFO stated it established an audit liability, but knew that the amount would have to be adjusted after the PDL was issued. OCFO indicated that LAUSD subsequently determined, and OCFO agreed, that the liability would be reduced by \$220,587 due to the statute of limitations. OCFO accepted the payment but did not include support in the file that documented the amount of and reason for the reduced liability.

ACN A02-H0003: *Teach for America, Inc. (TFA), Review of the U.S. Department of Education Discretionary Grant Awards*, issued June 2008

Recommendation 1.3: Provide evidence that TFA implemented a professional accounting system that would enable TFA to support, properly document, and monitor its ED grant expenditures as required by Federal laws and regulations.

Recommendation 1.4: Provide evidence that TFA established and implemented adequate written policies and procedures for its accounting and specific fiscal internal control processes within its organization.

Recommendation 1.5: Maintain required supporting documentation for costs charged to ED's discretionary grants.

The PDL supported the recommendations and required applicable corrective actions. We noted that OCFO relied upon annual site visits conducted by the Office of Innovation and Improvement (OII)³ between 2008 and 2013 and A-133 audits covering FY 2010-2012 as support for completed corrective actions. Our review of these reports found insufficient evidence to support completion of the recommended actions, as follows:

Recommendation 1.3. In the 2008 and 2009 site visits OII noted that TFA was still in the process of implementing improvements to the accounting system. For example, the 2009 site visit report noted that TFA used a number of systems, including the grants systems, financial management system, and payroll system, to account for the sources and uses of Federal funds. OII found that each system had the capability to record and report the required data but the systems were not seamlessly integrated. Further, OII noted that the process for coding obligations in the TFA systems required a significant amount of manual input and thus could be

³ OII is the office that awarded the grants to TFA. However, OCFO has primary responsibility for resolving and closing all audits of discretionary grants.

prone to human error. In the 2013 site visit report, OII noted a number of observations related to accounting for grant funds, including issues with transactions related to payroll, and goods and services, which would indicate that corrective actions were outstanding.

Recommendation 1.4. Starting in 2010, and also in 2011, OII found “continued noncompliance with the TFA policy requiring employee and management/supervisor attention to payroll procedures prior to processing and payment.” In the 2012 site visit, OII observed, “Documented TFA policies, procedures, and controls at both site visit locations appeared to be adequate and consistently applied during the period reviewed.” However, there was no explicit statement in the site visit reports indicating these actions addressed the required corrective actions specific to the types of policies and procedures noted in the recommendation.

Recommendation 1.5. In the 2008 site visit report, OII noted that continued followup was required with regard to supporting documentation of the grantee's expenditures. Between FY 2009 and 2012, it appeared that site visits continued to examine documentation for expenditures TFA charged to the grant. However, it was never clear from the reports whether supporting documentation provided by TFA was adequate. In the FY 2013 site visit report, OII noted that invoices of payments did not adequately document charges for travel and other direct costs, which would indicate that corrective action had not been completed.

Additionally, we noted that the A-133 audits did not address prior audit findings and provided no information to suggest that corrective actions had taken place.

ACN A06-H0002: *Review of Project GRAD USA's Administration of Fund for the Improvement of Education Grants*, issued July 2008

Recommendation 4.1: Complete the LSVs [Learning and Support Visits] as soon as possible, ensuring financial aspects of the reports are addressed.

According to the PDL, OCFO determined that Project GRAD USA completed LSVs for Houston, Columbus, and Los Angeles in September 2004, October 2007, and December 2007, respectively. The PDL required that Project GRAD USA submit documentation on two missing LSVs - Atlanta and Roosevelt. We found no documentation in the audit file to support the completion of these LSVs. OCFO officials stated that subsequent to the issuance of the PDL, OCFO determined that corrective action was not required because the auditee was no longer receiving Federal funding from the Department and was no longer contracting for grant related work. We found no evidence in the audit file of this determination.

OMB Circular A-50, “Audit Followup,” states that each agency shall establish systems to assure the prompt and proper resolution and implementation of audit recommendations. These systems shall provide for a complete record of action taken on both monetary and nonmonetary findings and recommendations. It further states that corrective action is essential to improving the effectiveness and efficiency of Government operations and should proceed as rapidly as possible.

The Department's “Audit Resolution and Followup” (OCFO 1-106), dated January 29, 2013, states that principal offices are subject to OMB A-50 and are responsible for conducting audit followup responsibilities for external audits, including monitoring, ensuring implementation of corrective actions, and requesting audit closure.

The Handbook, Section III, Chapter 5, Part B, places primary responsibility for following up on nonmonetary determinations with AOs, who must have systems in place to ensure that recommended corrective actions are implemented by auditees. Primary responsibility for following up on monetary determinations rests with OCFO but with assistance from AOs. The AO is responsible for maintaining an effective system that is documented with written procedures for following up on corrective actions. The system must include procedures for ensuring that auditees respond to requests for documentation used to determine whether appropriate corrective action has been taken, analyzing documentation received from auditees to determine whether corrective action has been taken, and following up with auditees until all appropriate corrective action has been taken.

Further, the Handbook requires AOs to establish an official file folder for each audit report that contains accurate records of all audit followup activities, including all correspondence, documentation from the auditee substantiating the corrective action taken, results of monitoring visits, and relevant information from the next year's audit that reports whether appropriate corrective action was taken on a prior year finding. Each official file should also contain documented evaluations or conclusions of the AO that support the adequacy of the corrective actions taken by the auditee, if not already included in the PDL and/or occurring after the PDL is issued.

Reasons for Ineffective Audit Followup Process

With regard to timeliness, OCFO stated that there has been an emphasis on the resolution of audits rather than the followup and closure of audits. Further, OCFO stated that the complexity of an audit and the appeals process can prolong audit closures. Based upon our review of information contained in AARTS, we did not find information noting that any of the audit determinations were appealed or any other explanation for delays to audit closure for the 18 audits included in our scope period that were closed more than 2 years after resolution.

During the exit conference, OCFO officials stated that they have improved their audit closure processes and that their office is now closing audits more timely. We subsequently reviewed AARTS data from FY 2009 through FY 2015.⁴ We found no evidence that OCFO is closing audits more timely now versus at the start of our audit period as depicted in Table 2 below.

⁴ No audits had been closed in FY 2015 as of June 11, 2015.

Table 2. Median Days Between Resolution and Closure for OCFO Audits by Fiscal Year

Fiscal Year of Audit Closure	Number of Closed Audits	Median Number of Days Between Audit Resolution and Closure
2009	5	1,855
2010	3	69
2011	3	611
2012	6	1,856
2013	12	1,429
2014	5	1,767

With regard to the lack of supporting documentation for sampled audits, it appears that OCFO staff did not adequately follow the Department’s policies and procedures requiring documentation of followup activities. In the case of LAUSD, OCFO acknowledged that in retrospect, it would have been helpful to include in the audit file more information relevant to the corrective action, including a copy of correspondence explaining the difference between the PDL and the actual liability collected. OCFO added that the Department’s Debt and Payment Management Group was aware of the actual liability required.

In the case of TFA, OCFO stated that OII was assigned to resolve the nonmonetary findings for the audit. OII conducted the site visits over multiple years as a result of special conditions placed on TFA. However, according to OCFO, during the course of the site visits, the scope of OII’s reviews broadened to include more than the OIG recommendations, making it difficult to determine whether specific corrective actions were taken. OCFO determined that based upon the information it had, the auditee had taken enough steps to address the corrective actions required to close the audit.

As stated in the Department’s Handbook, “The effectiveness of the post audit process depends upon taking appropriate, timely action to resolve audit findings and their underlying causes, as well as providing an effective system for audit close-out, record maintenance, and followup on corrective actions.” Not ensuring that corrective actions are taken as quickly as possible allows identified deficiencies to continue to exist. By not obtaining or maintaining appropriate documentation to show requested corrective actions were completed, to include any changes to required corrective actions after PDL issuance, OCFO did not have assurance that identified deficiencies were corrected. As such, the risk remains that related programs are not effectively managed and funds are not being used as intended.

Recommendations

We recommend that the CFO:

- 1.1 Ensure that staff obtain and maintain adequate documentation to support completion of corrective actions and audit followup activities, to include changes to required corrective actions after PDL issuance, in accordance with the Department's external audit documentation and file requirements.
- 1.2 Ensure that staff are following up with auditees until all appropriate corrective actions have been taken and that audits are being closed timely.

OCFO Comments

In its response to the draft audit report, OCFO agreed with the finding and recommendations. OCFO noted that in recent years it has made significant progress improving the timeliness and documentation with respect to the resolution of audit findings but agreed that it can continue to improve documentation of corrective actions and audit followup activities. OCFO stated it recently implemented new features in AARTS to enhance electronic recordkeeping and is in the process of modifying its policies and procedures that address how OIG external audits are closed. It noted that the system enhancements and new policies and procedures will enable OCFO to exercise stronger internal controls, including greater oversight to reasonably ensure audit findings are corrected.

With respect to timely audit closure, OCFO stated it has taken noteworthy steps to eliminate the large backlog of open audits and lay the framework for more timely performance moving forward. It noted it has closed a substantially larger number of audits than reflected in Table 2 of OIG's report and provided its own analysis of this activity. It further noted that despite this progress, it acknowledges the need to ensure more timely closure moving forward and it is in the process of considering enhancements to monthly audit dashboards to help all Department offices better manage and close audits timely.

Lastly, OCFO noted that while the median or average number of days from resolution to closure is an important metric for assessing how rapidly grantees implement correction, this period of time may last years when a grantee is slow to address significant challenges or return a large sum of money. It believes a more appropriate measure of the Department's timeliness for closing audits is the average number of days from final correction to closure because this part of the followup process is within the Department's control.

OIG Response

We appreciate the efforts noted by OCFO to improve the audit followup process, to include maintaining documentation of corrective actions taken and ensuring timeliness of audit closure. With regard to the information included in Table 2 of the report, our analysis included only those audits where OCFO was identified in AARTS as the lead or primary office, as the office designated as such is responsible for requesting and obtaining approval for audit closure. We found that the substantial difference noted by OCFO with regard to the number of audits closed was due to OCFO's analysis including audits to which it was assigned but to which another

Department office was assigned as the lead or primary office. With regard to the measure used to determine timeliness of audit closure, agencies are required to establish a system to ensure the prompt and proper implementation of audit recommendations. While progress towards completion of corrective actions is not entirely within the control of the Department, timely and appropriate followup activities conducted by Department staff can help ensure that auditees are held accountable for completing corrective actions in a timely manner.

As a result of OCFO's comments, we did not make any changes to the audit finding or the related recommendations.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to evaluate the effectiveness of the Department's process to ensure that external auditees implement corrective actions as a result of OIG audits. To accomplish our objective, we gained an understanding of the Department's and OCFO's followup and closure processes for external OIG audits. We reviewed applicable laws and regulations and Department and OCFO policies and procedures including OMB Circular A-50 and the Department's *Handbook for the Post Audit Process*, dated June 22, 2007. We also reviewed prior OIG audit reports relevant to our audit objective. We conducted interviews with OCFO staff responsible for following up and closing corrective actions for the audits selected. We reviewed documentation provided by OCFO staff to support the corrective actions taken for the recommendations included in our review as identified in the PDL.

The scope of our audit included OIG audits of programs at external entities with monetary or nonmonetary findings that were assigned to OCFO for resolution and followup and reported by the Department's AARTS and the OIG's Audit Tracking System (ATS) as closed during the period October 1, 2008 to September 30, 2013.

Overall, we identified a total of 29 closed audits in the universe. We selected a nonstatistical sample of four audits for our review. The four audits consisted of all audits that had monetary findings of \$5 million or more. We excluded any internal and non-sustained recommendations included in these audits from our review. Overall, the four audits in our review included a total of 40 recommendations. A complete listing of the selected audits is included as Attachment 2 to this report. Because there is no assurance that the nonstatistical sample used in this audit is representative of the respective universe, the results should not be projected over the unsampled audits.

As a result of discussions with OCFO during the exit conference, we obtained a listing from AARTS of audits closed by OCFO between October 1, 2013 and June 11, 2015, subsequent to our audit scope period. We conducted a limited analysis of these audits to determine the timeliness of audits closed during this more current time period.⁵

⁵ See page 7 for the results of this review.

We relied on computer-processed data obtained from the Department's AARTS and OIG's ATS to identify OIG external audits closed during the scope period. We reconciled the data in these two systems to ensure that we captured all audits closed during this period. Based on this assessment, we determined that the computer-processed data were sufficiently reliable for the purpose of this audit.

We conducted fieldwork at Department offices in Washington, DC, during the period February 2014 through June 2015. We provided our audit results to Department officials during an exit conference conducted on June 2, 2015.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

ADMINISTRATIVE MATTERS

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office will be monitored and tracked through the Department's AARTS. Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the finding and recommendations contained in this final audit report.

In accordance with the Inspector General Act of 1978, as amended, the OIG is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the OIG are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given us during this review. If you have any questions, please call Michele Weaver-Dugan at (202) 245-6941.

Sincerely,

Patrick J. Howard /s/
Assistant Inspector General for Audit

Acronyms/Abbreviations/Short Forms Used in this Report

AARTS	Audit Accountability and Resolution Tracking System
ALO	Audit Liaison Officer
AO	Action Official
ATS	Audit Tracking System
CAP	Corrective Action Plan
CDE	California Department of Education
CFO	Chief Financial Officer
Department	U.S. Department of Education
FY	Fiscal Year
Handbook	Handbook for the Post Audit Process
LAUSD	Los Angeles Unified School District
LSV	Learning and Support Visit
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OII	Office of Innovation and Improvement
OMB	Office of Management and Budget
PDL	Program Determination Letter
TFA	Teach for America, Inc.

OCFO Audits Included in This Review

Audit Control Number	Audit Report Title
A02H0003	Teach for America, Inc., Review of the U.S. Department of Education Discretionary Grant Awards
A09H0019	Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances
A02E0008	U.S. Department of Education Funds Disbursed for New York City Department of Education Telecommunication Services
A06H0002	Review of Project GRAD USA's Administration of Fund for the Improvement of Education Grants



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE CHIEF FINANCIAL OFFICER

SEP 08 2015

Michele Weaver-Dugan, Director
Operations Internal Audit Team
U.S. Department of Education
Office of the Inspector General
400 Maryland Avenue, S.W.
Washington, DC 20202-1500

Dear Director Weaver-Dugan:

Thank you for the opportunity to respond and provide comments to the Draft Audit Report, *Audit of the Follow-up Process for External Audits in the Office of the Chief Financial Officer*. The audit report contained one finding and two recommendations. We agree with the audit finding and recommendations.

OCFO is continuously looking for ways to improve our operations, specifically the resolution and closure of ED-OIG external audits. In recent years, OCFO made significant progress improving timeliness and documentation, especially with respect to the resolution of audit findings. Despite this progress, we agree that OCFO can continue to improve documentation of corrective actions and audit follow-up activities. OCFO recently implemented new features in the Audit Accountability and Resolution Tracking System that enable electronic recordkeeping. Based on your review, we also are in the process of modifying our policies and procedures that address how ED-OIG external audits are closed. This will help ensure complete and comprehensive documentation is maintained in the audit file to support resolution of the audit finding and verification of corrective action. The system enhancements and new policies and procedures will enable OCFO to exercise stronger internal controls, including greater oversight to reasonably ensure audit findings are corrected.

With respect to timely audit closure, OCFO has taken noteworthy steps to eliminate the large backlog of open audits and lay the framework for more timely performance moving forward. Over the last few years, OCFO has closed a substantially larger number of audits than reflected on Table 2, page 8 of the draft report. Our analysis indicates that OCFO closed the following 32 ED-OIG audits from the start of FY 2013 through June 11, 2015:

ACN	Audit Issue Date	Closed Date
A05D0028	11/19/2003	11/20/2012
A05E0011	6/4/2004	11/20/2012
A07G0013	11/16/2006	11/20/2012
A09J0004	2/26/2010	1/10/2013
A04J0009	12/14/2009	1/11/2013
A04J0004	11/13/2009	1/18/2013
A06H0017	6/30/2009	1/29/2013
A05D0041	12/20/2004	6/26/2013
A05E0002	12/15/2004	6/26/2013
A05E0018	12/17/2004	6/26/2013
A09I0010	11/20/2009	7/3/2013
A09F0010	3/17/2006	8/29/2013
A09H0019	12/2/2008	9/12/2013
A02H0003	6/5/2008	9/25/2013
A09D0015	12/19/2003	9/27/2013
A03K0003	12/21/2010	11/20/2013
A06C0034	7/8/2003	2/4/2014
A04K0007	2/15/2012	2/11/2014
A04K0005	4/20/2011	2/12/2014
A02J0009	2/19/2010	2/18/2014
A06H0002	7/21/2008	3/26/2014
A09H0014	12/18/2007	3/31/2014
A05I0009	7/3/2008	3/31/2014
A09F0020	2/24/2006	3/31/2014
A05H0025	11/25/2008	7/30/2014
A03J0010	3/15/2010	7/30/2014
A04B0015	9/26/2002	10/30/2014
A07K0002	6/7/2011	2/10/2015
A05J0011	1/14/2010	5/15/2015
A05J0012	2/23/2010	5/15/2015
A05K0005	6/9/2011	5/15/2015
A09K0001	5/13/2011	5/15/2015

Despite our progress closing the backlog of open audits, we acknowledge the need to ensure timely closure moving forward. OCFO is in the process of considering enhancements to our monthly audit dashboards to help all Department offices better manage and close audits timely. We note that the closure of an audit cannot occur until the final corrective action has been taken, which may include the collection of funds, or a decision on an appeal by the grantee. While the median or average number of days from resolution to closure is an important metric for assessing how rapidly grantees implement correction, this period of time may last years when a grantee is slow to address significant challenges or return a large sum of money. We believe a more appropriate measure of the Department's timeliness is the average number of days from documented final correction to closure, because this part of the audit follow-up process is within the Department's control.

Again, we would like to thank you for allowing us to respond to the Draft Audit Report. We look forward to working with you on making improvements, including establishing new processes to measure and ensure timely documentation and closure of audits.

Sincerely,



Phillip R. Juengst
Director
Financial Improvement Operations