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## Section I: Overview

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Pursuant to Office of Management and Budget (OMB) [Circular A-50, Audit Followup](#), this Handbook for the Post Audit Process provides the US Department of Education's (ED) policies and procedures for the resolution and follow-up of external audits of programs covered by the General Education Provisions Act ([GEPA](#)), as well as ED Office of Inspector General ([ED-OIG](#)) audits and alternative products and Government Accountability Office ([GAO](#)) audits of ED programs, activities, and functions.

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 follow-up on corrective actions. This Handbook for the Post Audit Process provides a method for processing, resolving and following up on audit findings and recommendations and is specifically designed to:

- Outline the characteristics and principles of the ED cooperative audit resolution process.
- Serve as a reference for the processing, resolution and post audit activity of external, ED-OIG and GAO audit reports.
- Identify individual and Principal Office (PO) duties and responsibilities.
- Facilitate the efficient and consistent use of audits to assist management in achieving program goals and discharging fiduciary responsibilities.
- Link the user to relevant laws, regulations, guides, forms and web sites.

For the reader's convenience, a glossary of the acronyms used in this Handbook can be found on pages 98-99.

NOTE: This document provides internal guidance for the U. S. Department of Education only and creates no procedural or substantive rights in auditees or others.

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## Section II: Principles of Cooperative Audit Resolution

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At ED, the cooperative audit resolution phase of the post audit process is designed to ensure that recipients of ED funds correct audit findings and strive to avoid whenever possible costly litigation, lengthy adversarial discussions, and non-productive impasses. Cooperative audit resolution often relies on alternative and creative approaches in resolving audit issues. It recognizes that without auditees taking proper corrective action, problems become systemic and are identified in subsequent audits as recurring findings.

The characteristics of ED's post audit process include:

- Providing a non-threatening, open environment of cooperation among all concerned parties within and outside the Department;
- Addressing systemic problems;
- Allowing creative, flexible approaches to resolution, consistent with the law;
- Receiving commitment from all parties at all levels;
- Providing resources necessary to resolve issues and meet established time lines; and
- Recognizing that the ultimate customer in all educational efforts is the student/learner.

### A. Principles

The cooperative audit resolution process at ED focuses on six key principles.

#### 1. *Collaboration*

Cooperative audit resolution encourages collaboration among participants involved in the resolution of an audit report.

Cooperative audit resolution encourages cross-program coordination, planning and service delivery. Depending on the complexity or scope of the audit findings, the resolution process may involve a few individuals or may involve a number of individuals from the federal and state levels that represent program, finance, legal and audit interests.

#### 2. *Communication*

Cooperative audit resolution takes full advantage of opportunities for open dialogue among all participants in resolving audit findings.

While written communication proves useful in resolving a large number of audit findings, in some instances a single telephone call may serve to resolve simple, straightforward audit issues. However, more complex findings may require a continuing, full and open dialogue among all participants.

### 3. *Trust*

Cooperative audit resolution fosters a sense of trust among the participants involved in resolving audit findings.

Trust is built through open dialogue and collaboration as well as by acknowledging that parties want a fair and just resolution. Participants must make every effort to follow through on commitments or to keep all participants informed when commitments require modification. From the least complex to the most complex audits, trust must exist in all resolution activities.

### 4. *Understanding*

Cooperative audit resolution creates an open environment for participants to identify problems and mutually create solutions.

Although participants bring different views to the table, an understanding of ED policies and requirements and a mutual respect and understanding of each other's opinion and position are critical to the process.

### 5. *Resolution*

Cooperative audit resolution encourages resolution of audit issues that is responsive to the needs and interests of all the participants and helps to preclude a recurrence of the audit findings.

The primary goals of cooperative audit resolution are to (1) address the conditions that led to any violations in a way that ensures that the violations do not recur, and (2) provide a remedy for any unauthorized or unsupported expenditures of federal funds, including the return of funds if warranted.

### 6. *Sharing*

Cooperative audit resolution encourages the sharing of solutions achieved through the process.

Best practices achieved through cooperative audit resolution are disseminated in order to share applicable solutions. For example, if a better method of maintaining time and effort records is identified in one state, ED shares this new and acceptable method of time recordkeeping with other agencies and states.



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## Section III: External Audits

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### *Chapter 1: General Information*

#### **A. Purpose of External Audits**

External audits inform ED administrative and program officials about certain activities performed under contracts, grants or cooperative agreements by entities external to ED. Among other things, an external audit serves the interests of the Department by reporting whether:

- Contract, grant or cooperative agreement terms and conditions are fulfilled.
- Applicable statutes, regulations, standards, budgetary requirements and policies and procedures are followed.
- Fiscal and other operations are conducted in a legal, efficient and economical manner.

#### **B. Types of External Audits**

Audits are conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Government Auditing Standards, also known as the "[Yellow Book](#)," which is published by the Comptroller General, Government Accountability Office ([GAO](#)), are used to comply with GAGAS.

External audit reports issued for resolution by ED primarily include three types.

##### *1. Single Audits*

Single audits are organization-wide, independent audits of states, local governments, Indian tribal governments, institutions of higher education and other non-profit organizations expending federal awards, as required under the [Single Audit Act of 1984](#) and the [Single Audit Act Amendments of 1996](#); [Office of Management and Budget \(OMB\) Circular A-133](#), Audits of States, Local Governments and Nonprofit Organizations, and its accompanying [Compliance Supplement](#); and ED regulations set forth in the Education Department General Administrative Regulations ([EDGAR](#)) published in the Code of Federal Regulations (CFR) at 34 CFR [74.26](#) and [80.26](#).) Single audits are required for entities expending annual federal assistance equal to or in excess of \$500,000. These audits may be performed by state or local auditors or independent public accountants selected by the entity.

##### *2. ED-OIG Audits*

ED's Office of Inspector General ([ED-OIG](#)) conducts, in accordance with GAGAS, audits of recipients receiving education funds.

### 3. *Federal Student Aid (FSA) Audits*

These audits are conducted in accordance with program requirements and audit guides published by ED-OIG. FSA audits are audits of loan, work-study and grant programs authorized under Title IV of the Higher Education Act of 1965 (HEA) and administered by schools, guaranty agencies, and lenders. These programs include: Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, Federal Perkins Loans, Federal Work-Study, Federal Family Education Loans, and Federal Direct Loans.

**Note:** As stated in the Overview, this Handbook primarily pertains to policies and procedures for programs covered by Part E of GEPA. Most parts of GEPA apply to FSA, e.g., the provisions relating to appropriations or funding. However, the enforcement provisions of Part E of GEPA do not apply to FSA audits. Nevertheless, FSA audits are fully subject to OMB Circular A-50 and ED's process for complying with audit tracking and resolution in accordance with OMB Circular A-50, which is implemented by this Handbook and ED's Audit Accountability and Resolution Tracking System (AARTS). For more complete guidance on audit resolution procedures for FSA, contact [Federal Student Aid](#), Program Compliance, [School Eligibility Channel](#), School Participation Management, or Integrated Partner Management. Audit resolution procedures for FSA entities can be accessed at: [Compliance Audit Procedures](#).

## C. **Contents of Audit Reports**

An audit report generally includes the objectives, scope and methodology of the audit; the audit results, including findings, conclusions and recommendations, as appropriate; a reference to applicable standards; the views of responsible officials; and, if applicable, the nature of any privileged and confidential information omitted. The audit may also include schedules, as appropriate.

## D. **Types of Findings and Recommendations Included in Audit Reports**

Audit reports may include the following types of findings and recommendations.

### 1. *Non-Monetary Findings*

These findings identify instances of noncompliance with federal regulations, statutes or other requirements that could result in the misuse or mismanagement of federal funds. They often involve internal control or accounting problems.

### 2. *Findings Involving Questioned Costs (Other than Unsupported Costs)*

These findings identify costs that are questioned because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or other agreement or document governing the expenditures of funds; or (2) a finding that the expenditure of

funds for the intended purpose is unnecessary or unreasonable; or (3) a finding that the costs are for an unauthorized activity or purpose.

### 3. *Findings Involving Unsupported Costs*

These findings identify costs that are questioned because, at the time of the audit, such costs were not supported by adequate documentation.

### 4. *Other Recommended Recoveries*

Other recommended recoveries are funds recommended for recovery other than questioned or unsupported costs. This category is usually used for findings involving recovery of outstanding funds and/or revenue earned on federal funds. This amount also includes interest due ED resulting from the auditee's use of funds. Recommendations to recover amounts based upon excess cash held by a recipient, previously written-off defaulted loans/accounts receivable, and over allocations of program funds are examples of other recommended recoveries.

### 5. *Recommendations That Funds Be Put To Better Use*

These recommendations include instances where funds could be used more efficiently if management took certain actions to implement and complete the recommendations in the audit report. While the largest dollar amounts of better use of funds (BUF) recommendations are usually found in ED-OIG prepared internal audits, recommendations for BUF are also contained in external audits. Some examples of BUF listed in the Inspector General Act Amendments of 1988 include reductions in outlays, de-obligation of funds from programs, and costs not incurred by implementing recommended improvements.

With the 1997 revisions to OMB Circular A-133, single audit monetary findings and recommendations identified by non-federal auditors are identified as "questioned costs." ED-OIG, however, still categorizes monetary findings as questioned costs, unsupported costs, other recommended recoveries, or BUF.

## **E. Audit Terms**

### 1. *Management Decision*

A management decision includes (1) the evaluation by management of the findings and recommendations included in an audit report, and (2) the issuance of a final decision by management concerning its response to such findings and recommendations, including corrective actions that management concludes are necessary.

## 2. *Resolution*

For most audits, resolution is the point at which the audit organization and agency management or contracting officials agree on action to be taken on reported findings and recommendations; or, in the event of disagreement, the point at which the Audit Follow-up Official (AFUO) determines the matter to be resolved.

## 3. *Final Action/Closed*

Final action/closed status involves the completion of all actions that management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that management concludes no action is necessary, final action occurs when a management decision has been made.

## **F. Time Frame for Resolving Audit Reports**

OMB [Circular A-50](#) requires federal agencies with audit resolution responsibility to resolve audit reports within six months after issuing the audit for resolution, or in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. In addition, the Inspector General Act, as amended, requires that agency Inspectors General (IG) and management report separately to Congress twice a year (periods ending March and September) on the number of audits unresolved, i.e., [IG Semiannual Report to Congress](#) and [ED Management's Semiannual Report to Congress on Audit Follow-up](#).

## **G. Grantee Failure to Comply with Single Audit Requirements**

Grantees that fail to comply with audit requirements under the Single Audit Act are subject to a variety of sanctions pursuant to EDGAR at 34 CFR 74.14, 74.61, 74.62, 80.12 and 80.43. In addition to the imposition of special grant conditions, these sanctions may include temporarily withholding cash payments, wholly or partly suspending or terminating the current award, and/or withholding further awards pending compliance with the audit requirements.

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## Section III: External Audits

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### *Chapter 2: Distributing, Processing and Assigning External Audit Reports*

The following covers the distribution, processing and assigning for resolution of external audits that contain findings involving GEPA programs. These include Single Audits and audits issued by ED-OIG.

#### **A. Single Audit Reports**

##### *1. Federal Audit Clearinghouse Responsibilities*

Single audit reports are prepared by non-federal auditors in accordance with OMB Circular A-133 and submitted to the auditee. The auditee is required to provide one copy of the audit report, with an accompanying signed and dated Data Collection Form, to the [Federal Audit Clearinghouse](#) (FAC) and additional copies to each federal agency whose programs have findings in the audit. Although the auditor generally submits the audit report to the FAC and (if required) the cognizant agency, the auditee is ultimately responsible for ensuring that the report is submitted to the appropriate entities. The FAC's address is:

Federal Audit Clearinghouse  
US Bureau of the Census  
1201 East Tenth Street  
Jeffersonville, IN 47132

If the audit report covers fiscal years ended December 31, 2003, or later, the report must comply with the requirements of the June 27, 2003, revision of OMB Circular A-133.

The FAC reviews single audit reports of entities showing expenditures of funds received directly from ED for conformance with OMB Circular A-133. In instances where reports are determined to have missing components, the FAC communicates with the auditee to obtain the missing components prior to proceeding with audit processing. When reports are determined to be sufficient and to contain all required components, the FAC assigns an Audit Control Number (ACN) and enters basic data about the audit (including findings with expenditures of direct non-FSA education funds) into a database. The FAC forwards audit reports with GEPA findings to the Post Audit Group ([PAG](#)) of the Office of the Chief Financial Officer ([OCFO](#)) and FSA audit reports with or without findings to [Federal Student Aid](#), Program Compliance, [School Eligibility Channel](#), Integrated Partner Management.

## 2. *PAG/OCFO Responsibilities*

### a. *Processing Audit Reports*

If an audit report contains both GEPA and FSA findings that require resolution, PAG/OCFO divides the audit into two parts with two distinct ACNs. Those two ACNs are then resolved individually with (usually) different issue dates and resolution dates.

PAG/OCFO coordinates the processing and distribution of audit reports with GEPA findings for resolution. For each audit report received from the FAC, PAG/OCFO enters into AARTS: (1) the PAG/OCFO receipt date (the date PAG/OCFO received the audit report), (2) the issue date (the date which starts the six month clock), and (3) the triage date (generally the date of the next regularly scheduled triage meeting). The receipt and issue dates are the same.

### b. *Determining Whether Resolution is Required*

PAG/OCFO reviews and inputs all OMB Circular A-133 audit report findings that involve ED programs into AARTS. The following types of findings may or may not require resolution. PAG/OCFO reviews the specific finding and determines if resolution is required.

**Fixed Assets** – A fixed asset is any property or equipment that has value. Examples of fixed asset findings in which resolution is required would be that a university failed to maintain a property management system that identified federal equipment purchases by federal grant award number, or that a university did not utilize equipment purchased with ED funds for its intended purpose. An example of a fixed asset finding in which resolution is not required would be that a district has changed its policy on asset capitalization thresholds from \$100, to \$500, to \$1,000, and then to \$5,000. Assets written-off when the capitalization thresholds were raised to higher amounts were not properly removed from the general ledger. This resulted in discrepancies between the asset register and the balances recorded in the general ledger.

**Internal Controls** – This type of finding involves the lack of measures taken by an organization to provide reasonable assurance that the following objectives are being achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Internal controls are simply good business practices. Examples of internal control findings in which resolution is required would be a finding that the auditee did not maintain time distribution records, or a finding that the auditee did not maintain appropriate documentation for expenditures. Examples of internal control findings in which resolution is not required would be that a college did not prepare timely bank reconciliations, or that a college did not post to and reconcile the general ledger on a timely basis.

**(Interagency) Cross-cutting Finding** – This type of finding involves other federal agencies, for which the cognizant agency is responsible for resolution. Subpart D, Section \_\_\_\_400 of OMB Circular A-133 provides that recipients expending more than

\$25 million a year in federal awards (\$50 million for fiscal years ending after December 31, 2003) will have a “Cognizant Agency for Audit.” The designated cognizant agency is the federal-awarding agency that provides the predominant amount of direct funding as of the recipient fiscal years identified in OMB Circular A-133, unless OMB makes a specific cognizant agency assignment. However, for a finding in which costs are questioned, each federal agency normally resolves its own questioned costs. PAG/OCFO reviews the assurance letter that is provided by the cognizant agency to determine the resolution of those findings that are cross-cutting. An example would be an OMB Circular A-133 audit report finding in which the auditors indicated that the state did not have policies and procedures requiring suspension and debarment certification for all federal programs. A review of the audit report determines that the Department of Health and Human Services (HHS) is the cognizant agency; therefore, HHS will complete resolution activity. However, if a review of the audit report determines that ED is the cognizant agency, ED will complete resolution activity.

*c. Identifying Non-Resolution Findings*

Listed below are examples of the types of findings that are entered in AARTS as non-resolution, which means that the findings do not require resolution by ED.

**Pass-Through** – This type of finding involves an entity receiving federal funds not directly from ED. For example, an OMB Circular A-133 audit report was completed for a Local Educational Agency (LEA) and the auditors stated that many of the transactions tested were unsupported by adequate receipts documenting the nature and purpose of the expenditure for a Basic Grants to States - Vocational Education. The Basic Grants to States Program is awarded to a State Board that administers vocational education (i.e., the “eligible agency”); therefore, the eligible agency would resolve this finding.

**Segregation of Duties** – This type of finding involves the lack of internal controls, in which tasks are not apportioned among different members of an organization in order to reduce the scope of error or fraud. For example, a reportable condition noted in the internal control structure is an absence of appropriate segregation of duties consistent with appropriate control objectives. This weakness is attributable to the size of the organization’s accounting and clerical staff, which consists of relatively few individuals. While it is advisable to have adequate segregation of duties among employees, often that is not feasible and, in most instances, is rectified by the direct involvement of the organization’s executive director.

**Cash Management Improvement Act of 1990 (CMIA)** – CMIA provides rules and procedures for the efficient transfer of federal financial assistance between federal agencies and the state. The implementing regulations are located in 31 CFR Part 205. An example of a CMIA finding would be that the state did not draw Special Education Program funds in accordance with the CMIA Agreement between the state and the U.S. Department of Treasury. The CMIA Agreement requires that funds from this program be drawn earlier than four days after the related disbursements in accordance with the average clearance funding method.

*d. Changing a Finding's Designation that Resolution is Required*

If, during the resolution process, a PO determines that a finding identified by PAG/OCFO as requiring resolution should not be resolved, the appropriate PO Audit Liaison Officer (ALO) will submit an email to PAG/OCFO. The email must contain: (1) the PO's justification for not resolving the finding, and (2) documentation indicating Office of the General Counsel's (OGC) review and concurrence with the PO's justification. Within five business days of receiving the above-mentioned email, PAG/OCFO will: (1) update the designation of the finding in AARTS to non-resolution, (2) upload all supporting documentation into AARTS, and (3) send an email to the appropriate ALO indicating that the change has been made.

*e. Preparing Audits for Distribution*

PAG/OCFO prepares audits for distribution to ED's ALOs, as appropriate, as well as to OGC and ED-OIG. The Catalog of Federal Domestic Assistance ([CFDA](#)) provides an authorized number for each federal program. Auditors use this number to identify programs covered in the audits, and it is also used to assign audit findings to the appropriate ED POs for resolution. PAG/OCFO prepares the packages of material needed by ALOs to resolve findings contained in the audit that involve programs administered by their POs.

At a minimum, the package should include the:

- FAC's cover page containing basic data about the audit;
- Table (Schedule of ED Officials) providing summary data about the GEPA findings;
- Cover page of the audit report;
- Letter from the auditor which accompanies the report;
- Findings;
- ED portion of the Schedule of Federal Financial Assistance;
- Auditee's corrective action plan or response to the current year GEPA findings; and
- Section on the status of prior year findings.

For audit reports with findings/recommendations involving more than one PO, coordination among offices in drafting a single program determination letter (PDL) is



encouraged; however, each PO may resolve its particular findings/recommendations by sending out its own PDL. For audit findings with joint, cross-cutting or similar-in-content findings, a lead office will be designated during triage to coordinate resolution. The lead office is usually assigned to the Action Official (AO) having the greatest amount of monetary findings in the report. For deficiencies not involving the recovery of funds, the lead office for resolution is assigned to the AO with the largest amount of program funds covered by the audit. If a determination can be made that a particular policy/procedures deficiency is more significant than others in the report, then the lead office is the one with most significant findings. The lead office is responsible for ensuring that the PDLs, whether issued separately or jointly, are consistent in the resolution approach for cross-cutting findings in the audit report.

All ALOs should evaluate the findings assigned to them prior to issuance of the audit report for resolution in order to determine whether any of the findings have been mis-assigned or incorrectly coded. As necessary, the ALO should take immediate steps to initiate the reassignment or recoding of findings.

*f. Resolving Audit Findings*

In addition to the responsibilities cited above, PAG/OCFO is assigned the following audit findings for resolution in coordination with the appropriate PO.

**Discretionary grants or grantees –**

**Note:** Discretionary grant findings in audits of high-risk entities are resolved in a cooperative manner between PAG/OCFO and the PO that placed the entity on high-risk, with PAG/OCFO serving as the lead office. A high-risk entity is one for which a PO has issued a letter of high-risk designation or a letter outlining special terms, conditions or sanctions. For tracking purposes, both PAG/OCFO and the appropriate PO are assigned the discretionary grant findings in AARTS. The PDL that resolves the discretionary grant findings is signed by both PAG/OCFO and the appropriate PO.

**Cash Management –**

**Drawdown requests for reimbursements or advances –** 34 CFR Part 80.21 states, “Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR Part 205.” Also, this section allows a state’s subrecipients to receive advance payments provided they demonstrate the ability to minimize the time between the receipt and disbursement of federal funds. Otherwise, reimbursement is the preferred method of payment. Additionally, if a state’s subrecipients receive advance payments, 34 CFR 80.20(b)(7) requires them to follow procedures for minimizing the time between the receipt and disbursement of federal funds.

**Grants Administration and Payment System (GAPS)** – Reconciliation of accounting records to ED’s GAPS.

**Subrecipient Monitoring –**

Provisions in OMB Circular A-133 require that the pass-through entity monitor the subrecipient’s activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements. As part of this requirement, a pass-through entity is responsible for subrecipient audits, which includes: (1) ensuring that subrecipients expending greater than \$500,000 or more in federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133, (2) issuing a management decision on findings within six months of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all findings.

**Submission of OMB Circular A-133 Audit Reports –**

OMB Circular A-133 Subpart C, \_\_\_\_.320 states that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after the receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

In addition, OCFO’s Indirect Cost Group is assigned the following audit findings for resolution in coordination with the appropriate PO.

- Cost allocation plan approvals for charging indirect costs when ED is the cognizant agency.
- Indirect cost rate determination issues where ED is the cognizant agency.
- General State Educational Agency (SEA) and nonprofit indirect cost pool composition issues where ED is the cognizant agency.
- Restricted indirect cost rate determination issues where ED is the cognizant agency.
- Restricted indirect cost pool composition issues where ED is the cognizant agency.
- LEA indirect cost oversight responsibility issues.
- Implementation of previously approved substitute time distribution systems for SEAs or LEAs.
- Cost allocation plan issues for Early Retirement Incentives, employee severance costs and other fringe benefits.

## B. ED-OIG Audit Reports of ED Grantees

### 1. Draft Audit Reports

Draft ED-OIG external audit reports that contain findings requiring corrective action are issued by ED-OIG for comment to a principal AO and any collateral AOs. In addition to their review of report content, upon reviewing a draft ED-OIG report, such AOs should determine whether they concur with ED-OIG's designation of principal and collateral AOs. If they do not concur, they should communicate their disagreement and the reasons for it to the ED-OIG official who issued the draft report, and send copies to other affected AOs. ED-OIG will consider such comments, and attempt to reach mutual agreement with all involved parties prior to issuing the final report; however, issuance of final reports will not be delayed. In the event that such differences of opinion cannot be resolved, ED-OIG will decide who the principal and collateral AOs should be, and issue the final report to them. Generally, management will accept that designation. However, if after issuance of the final report, a principal or collateral AO objects to the determination, he/she may elevate the objection to the Department's AFUO for final decision. Resolution of such disputes will not result in any extensions of OMB Circular A-50 time frames for resolving audit findings.

A draft audit report containing findings that are prepared by ED-OIG, or independent public accountants under contract with ED-OIG, is generally forwarded to appropriate POs for review and comment before the audit is issued in final. In instances where there are no findings, the report may be issued in final without distributing a draft for comment.

The report is accompanied by a qualifying paragraph stating that it is subject to revision, that recipients must not show or release its contents for purposes other than official review and comment, and that its release or distribution is restricted under the [Freedom of Information Act](#).

The draft audit report is made available for comments to the auditee, AOs who have programs covered in the report, and [OGC](#). The 30-day comment period provides the auditee with an opportunity to present any additional facts or evidence that may be considered in preparing the final audit report. It also allows the AOs and OGC an opportunity to comment on the findings and recommendations and raise any legal concerns.

**Note:** ED-OIG assigns an audit control number (ACN) when the audit work commences.

## 2. *Final Audit Reports*

The final report reflects the results of the audit, which includes considering written comments from the auditee and/or action official, and any other relevant information relating to the audit. ED-OIG forwards the audit report to the auditee and assigns it to the appropriate AO for resolution within the required six months.

**Reminder:** For an external audit of ED's discretionary grant programs, ED-OIG will forward the audit to PAG/OCFO for resolution, with an information copy to the appropriate program office.

A letter transmitting the report indicates the name and address of the AO and a deadline for the auditee to submit any additional comments or data. The date of the transmittal letter is the issue date for tracking timely resolution of the audit report. However, for letter reports, the deadline for the auditee to submit any additional comments can be found in the "Administrative Matters" section of the letter report.

## 3. *Alternative Products*

ED-OIG may also issue alternative products in reviewing external entities. For a discussion of alternate products issued by ED-OIG, refer to Section IV, Chapter 1.

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## Section III: External Audits

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### *Chapter 3: Triage Audit Findings*

#### **A. Background**

"Triage" refers to the process by which ED assesses the seriousness of each audit finding to determine the amount of attention needed for resolution. The purpose of the triage process is to promote the most efficient use of external audits to assist management in achieving program goals and discharging its fiduciary responsibilities. Specifically, ALOs, who represent the individual POs, and staff from OGC, ED-OIG, and PAG/OCFO meet on a monthly basis to discuss and reach agreement on the actions to be taken to resolve each audit finding that needs resolution. This process helps to ensure that audit findings are handled appropriately, legally and consistently throughout ED.

#### **B. Steps in the Triage Process**

##### *1. Principal Office Triage*

- a. After ED receives a single audit to resolve, PAG/OCFO provides a copy of the audit report to the ALOs identified as having findings in the audit report, as well as to OGC and ED-OIG. Attached to the copies of the audit report, PAG/OCFO notes which office has been assigned responsibility for resolving each finding. PAG/OCFO also notes on the report transmittal sheet the issue date for resolution of the audit, the Department-level triage meeting date and other pertinent information.
- b. Each ALO assigned to resolve audit findings conducts a preliminary review of the findings using a PO-level triage process. ALOs ensure that the PO-level triage team is making timely progress in recommending decisions on all findings. The PO-level triage team should include program officials, cooperative audit resolution specialists and/or the PO's ALO, and often program attorneys from OGC. The PO team may also include representatives from PAG/OCFO and, in an advisory capacity, ED-OIG, but each PO decides the composition of the team.
- c. In the PO-level triage process, preliminary or recommended decisions are made on how to proceed in resolving each finding. In making any recommendations on the approaches to take, the PO-level triage team should also take into account matters such as findings identified during recent monitoring visits and in previous audit reports. The PO team recommends whether the resolution approach should be full resolution, abbreviated resolution, or informal resolution, or an appropriate combination of these approaches. The following describes each of the resolution approaches.

i. Full Resolution

“Full resolution” is the appropriate action to take when an audit finding is considered significant either due to the nature of the issue involved in the finding, the fact that it is a large monetary finding, or because it is a recurring finding. Activities in full resolution generally require the review of not only the incoming audit report but also the review of additional records, including audit documentation (the term “audit documentation” used throughout this Handbook and used in GAGAS should be understood to include “audit working papers” as used in OMB Circular A-133 audits) and any responses of the auditee to the 35-day letter (see part “e” of this section). These additional records should be requested from the appropriate sources as soon as possible. Findings requiring full resolution must be addressed in writing, via a PDL, in a thorough manner by ED to the auditee.

The following is a list of issues or types of violations that often result in a full resolution approach and make a finding significant. Findings on the issues below, even if they do not question costs or involve small dollar amounts, should be examined carefully, because they may indicate a larger problem. While this list may be helpful in determining which findings should be considered significant, there may be instances when an issue listed below is not significant in an individual program case because, e.g., the finding had no financial impact on ED’s interest; the impact of the finding on the effective operation of the auditee’s program was minimal and the auditee was otherwise complying with the terms of the grant; and/or the finding had already been fully corrected.

1. Time distribution
2. Maintenance of effort
3. Supplement not supplant
4. Over-allocation
5. Unallowable expenses
6. Illegal procurement practices
7. Serving ineligible students or providing general aid
8. Misuse or lack of accountability for equipment and materials
9. Obligations or expenditures beyond the period of availability
10. Matching violations
11. Excess cost
12. Lack of appropriate recordkeeping
13. Record retention problems
14. Late or no submission of required reports
15. Applications improperly approved
16. Audits of subrecipients missing or unresolved
17. Lack of subrecipient monitoring
18. Drawdowns before they are needed or more than 90 days after the end of the funding period (late liquidation)
19. Large carry-over balances

20. Discrepancies in reports filed
21. Errors in student-per-pupil expenditures or other measures
22. Title I comparability
23. Lack of valid, reliable or complete performance data

ii. Abbreviated Resolution

Abbreviated resolution may be used to address cases where:

- The audit finding does not meet the criteria of “Full Resolution,” and there is no indication of misrepresentation, fraud or other evidence to show an intentional or otherwise serious violation;
- An auditee accepts an audit finding and has corrected, or agrees to fully correct, the problem, and has provided reasonable evidence of the corrective action or asserts to complete an acceptable plan for the implementation of the corrective action within a reasonable time frame; or
- An auditee has already returned any funds questioned in the audit report to the Federal Government.

Whether to use abbreviated resolution is a judgment call, based on the facts of an individual case and the interests of ED that were affected by the audit. In addition to the criteria described above, factors that may be considered in deciding whether to use abbreviated resolution include:

- The amount of the questioned costs;
- The auditee’s history in managing ED funds; and/or
- If it is a cross-cutting finding, whether the POs agree on the resolution approach.

If abbreviated resolution is taken, an abbreviated form letter may be sent to the auditee, explaining that ED has accepted the auditee's assertion that corrective action has been completed and that this corrective action will be reviewed in a subsequent audit or program review to ensure the action taken was appropriate.

Abbreviated resolution should not be used:

- When the PO is seeking further corrective action or proof of implementation;
- If requesting the repayment of funds, even if the auditee has already acknowledged that funds should be returned to the Federal Government, because the repayment and appeal language must be included in the PDL; or

- For monetary findings when there is a need to establish a *prima facie* case.

The abbreviated letter should include ED contact information, i.e., the name, telephone number and/or email address of the ED staff member who prepared the letter.

### iii. Informal Resolution

Informal resolution is appropriate when the audit finding(s) is not substantial or serious, and does not require full or abbreviated resolution. Documentation of the resolution activity is required. The documentation, included in the audit file, should indicate both the ED and auditee contact information, i.e., the name, telephone number and/or email address of the ED staff member and the representative of the auditee. In addition, the documentation should provide: (1) the date of the informal resolution activity, (2) an explanation of the specific problem(s) being addressed, (3) a description of the corrective action(s) taken, and (4) the date of implementation of the corrective action(s). A formal letter is not necessary, but written correspondence (e.g., an e-mail or short form letter) should be sent to the auditee acknowledging that the corrective action taken resolves the audit.

**Please Note:** Technical assistance is appropriate for full, abbreviated, and informal resolution when the audit finding(s) concerns an issue for which ED has knowledge or expertise that would be helpful to the auditee in solving the problem. Technical assistance may be provided over the phone or in a meeting. For some audit findings, more substantial technical assistance may be required. Such assistance may be offered through an on-site or monitoring visit, development of program guidance (e.g., Dear Colleague Letter), by a Department-funded regional comprehensive center, or through similar efforts. This assistance may be combined with requiring corrective action contained in a PDL. It is important that all communication with the auditee in the resolution of an audit finding using the technical assistance approach be available in the audit file. Documentation included in the audit file when providing technical assistance should consist of: (1) ED and auditee contact information, i.e., the name, telephone number and/or email address of the ED staff member and the representative of the auditee; (2) the date the technical assistance was provided; (3) an explanation of the specific problem(s) being addressed, (4) a description of the corrective action(s) taken, and (5) the date of implementation of the corrective action(s).

- d. If during this process the PO determines that findings have been incorrectly assigned, a request for change should be submitted as early as possible to PAG/OCFO.
- e. Also during this PO triage process, the AO contacts the auditee, either by telephone or in writing, acknowledging receipt of the audit. This is accomplished by sending a "35-day letter" (so called because the auditee has 35 days to respond) or other form of documented written or verbal communication to the auditee before proceeding with



the resolution of audit findings. The documented written or verbal communication invites the auditee to provide ED with any additional information regarding the auditor's findings, corrective actions planned or taken, or any other data that may have a bearing on the resolution of findings.

- f. Prior to the Department-level triage meeting, the PO and OGC must submit to PAG/OCFO their recommendations, and ED-OIG must submit its comments on the resolution approaches they have determined should be taken for each of the audit findings.

**Note:** If the findings are severe and long-standing or numerous findings suggest that an extremely difficult and complex problem needs correcting, the PO-level triage team should consider recommending to the Department-level triage team that the audit be considered for resolution using a Department-level team approach, which may include referral to ED's Risk Management Team for consultation and advice.

## 2. *Department Triage*

- a. A Department-level triage meeting occurs regularly (usually the second Wednesday of each month) to review PO recommendations and ensure consistency in the resolution approach used for audit findings in the various POs. The participants include the ALOs and representatives from PAG/OCFO, and ED-OIG and OGC in their advisory capacities.
- b. PAG/OCFO compiles the list provided by the POs of the approaches recommended to resolve the audit findings. During this meeting, the participants review and discuss the recommendations and reach a consensus on the final resolution approach for each finding and/or audit report.
- c. OGC recommendations and ED-OIG comments during the Department-level triage meeting are advisory only. In addition, ED-OIG does not participate in the final consensus decision involving the resolution approach for each finding and/or audit report.
- d. It is the responsibility of the ALO, in the case of any disagreement, to convey to the respective AO, the advisory recommendations made by OGC and the advisory comments made by ED-OIG during the Department-level triage meeting, as well as the final triage discussion.
- e. For cross-cutting findings, a "lead office" is identified during the Department-level triage meeting. POs can elect to issue single, or separate, PDLs. However, the lead office is responsible for ensuring that the PDLs, whether issued separately or jointly, are consistent in the resolution approach for that particular cross-cutting finding.
- f. If the findings are severe and long-standing or numerous findings suggest that an extremely difficult and complex problem needs correcting, the Department-level

triage team should consider using a Department-level team approach, which may include referral to ED's Risk Management Team for consultation and advice.

- g. Based on decisions reached during the meeting, PAG/OCFO updates the finding assignments in AARTS.

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## Section III: External Audits

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### *Chapter 4: Cooperative Audit Resolution Activity*

#### A. Preparation for Resolving Audit Findings

In developing PDLs for audit findings, the cooperative audit resolution specialist must take into consideration the following:

- All responses from the auditee.
- All information included in the audit report.
- Prior audit reports, PDLs, appeal decisions and other related documents issued for the auditee as they apply to the current findings requiring resolution.

These documents should be obtained and reviewed by the specialist before program PDLs are prepared on findings included in the audit report.

The cooperative audit resolution specialist may also find it beneficial or necessary to obtain additional information, including:

- Audit documentation, including the auditors' work papers.
- Previously issued PDLs (to any auditee) on findings similar to those assigned for resolution.
- Appeal decisions on prior audits with similar findings.

If a review of audit findings indicates that more information is needed to address the findings, the specialist contacts the auditee and/or auditors for the additional information. If additional audit assistance is required, including further audit work, the specialist contacts the appropriate ED-OIG Regional Inspector General for Audit/Headquarters Director.

In many cases, audits can be resolved based upon the information contained in the audit report. Requests for *all* audit documentation related to a particular audit should be *avoided* whenever possible. Generally, requests should be limited to audit documentation in support of specific statements or dollar amounts appearing in the audit report. Audit documentation is generally needed when there is a significant monetary issue or a significant violation of law, even if no costs are questioned.

When audit documentation is needed for audits prepared by non-federal auditors, the ALO should first contact those auditors to request the audit documentation. Such requests should be made as early as possible in the resolution process, preferably during the PO-level triage

process. OMB Circular A-133 states that auditors must give federal agencies access to copies of audit documentation. Non-federal auditors are required to keep audit documentation for single audits on file for three years, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, or pass-through entity to extend the retention period. The audit work documentation is the property of the auditors who produce it. If the auditors are uncooperative, the cooperative audit resolution specialist should contact the Director of ED-OIG's Non-Federal Audit Team for assistance. In addition, ED staff are not required to, and should not, sign releases for auditors' work papers of single audits that non-federal auditors sometimes request. For further guidance concerning this, please contact OGC.

When audit documentation is needed for audits prepared by ED-OIG auditors, the ALO should request the documentation as early in the resolution process as possible, and should coordinate with ED-OIG managers concerning the process for releasing audit documentation.

## **B. Changing Triage Decisions**

If, in the judgment of the ALO or a cooperative audit resolution specialist, a finding has not been triaged or assigned appropriately, the following procedures should be followed:

- The ALO contacts by e-mail or telephone the ALO in the appropriate PO to reach agreement on transferring responsibility for the finding.
- If there is agreement, the ALO requesting the change e-mails this information to PAG/OCFO, ED-OIG, OGC, and other POs assigned to that audit.
- If someone disagrees with the change, it is that individual's responsibility to initiate communication with the ALO making the change to resolve the disagreement. If the disagreement persists, the ALO requesting the change seeks assistance from PAG/OCFO to resolve the dispute.
- PAG/OCFO revises all records accordingly and updates AARTS to reflect the change.

**Note:** A proposal to change a triage decision should include a sufficient rationale for the change.

## **C. Statute of Limitations**

Section 452(k) of GEPA, [20 U.S.C. 1234a\(k\)](#), states that no recipient under an applicable GEPA program shall be liable to return funds which were expended, in a manner not authorized by law, more than five years before the recipient received written notice of a preliminary departmental decision. In resolving audits, AOs must make every effort to ensure that the recovery of funds is not barred due to the Statute of Limitations. [For the purpose of calculating the Statute of Limitations, the five-year start date begins on the date of obligation of the funds; therefore, any funds that are obligated more than five years prior to

receipt of a PDL are barred from recovery.] The policies and procedures to be followed are outlined below.

*1. Resolution of Audits Affected by the Statute of Limitations*

In instances where the recovery of funds will be barred by the Statute of Limitations within 24 months, the AOs, OGC and PAG/OCFO must expedite the audit resolution and review process, and issue a PDL for the audit as soon as possible.

*2. Monitoring Audits Affected by the Statute of Limitations*

AOs assigned responsibility for resolving audits with Statute of Limitations issues must give top priority to resolving such audits. In addition, PAG/OCFO is responsible for discussing the status of these audits with the ALOs at the monthly Department-level triage meetings.

*3. Requests from Auditees for Additional Time to Prove Compliance*

When an audit report is accepted by ED for resolution, the AO sends a 35-day letter or other form of documented communication to the auditee to provide additional information (if appropriate) that may affect the resolution of the findings. (In cases where the Statute of Limitations will soon lapse, less time may be granted to the auditee.) In some situations, auditees may request extensions for providing that information. If the request is practical, it should be granted. For audits affected by the Statute of Limitations, such extensions generally should not be granted. If necessary, OGC should be consulted for assistance in dealing with a request for an extension under these circumstances.

**D. Consultation with OGC Attorneys**

As early in the process as possible (preferably during PO-level triage), the cooperative audit resolution specialist should consult with appropriate OGC attorneys on the approach proposed to be taken to resolve the findings included in the audit report. Such consultations are initiated by the specialist as he/she deems necessary or in accordance with any established agreements between the PO and OGC.

**E. Criteria for the Resolution of Audit Findings**

In the resolution of audit findings, all decisions to allow or disallow costs must be determined solely on the basis of applicable laws, regulations, policies, cost principles and other provisions of the specific award document, taking into account authoritative interpretations issued by the courts, GAO, OGC, ED's Office of Administrative Law Judges, or other appropriate authorities. Resolution actions must include written justification and the legal basis for such decisions.

If a decision is made that a violation did occur and (1) there is evidence that repayment has been received, (2) arrangements have been made for repayment, or (3) the indebtedness will be referred to OCFO's Grant Programs and Administrative Reporting and Reconciliations Group (GPARRG/OCFO) for appropriate recovery; it must be documented in a PDL.

Ongoing communication with the auditee during the resolution period is not a basis for exceeding the six-month time limit. However, it is ED policy to pursue appropriate resolution opportunities. Thus, while the PDL should be issued within the required six months, the AO should not terminate communications with an auditee when those communications hold the promise of success within a reasonable period of time following the six-month period.

#### *1. Findings Involving Non-monetary Matters*

If information included in the audit report or subsequent information provided by the auditee indicates that appropriate corrective action is underway, with reasonable assurances that the necessary action will be completed by a specific date, the AO may accept these assurances and consider the finding resolved, or request more documentation that appropriate corrective actions are implemented. Before accepting corrective action from the auditee as resolving a particular audit finding, the AO should review the corrective action to make sure it:

- Addresses the complete finding and all recommendations;
- Contains a solid, workable plan for action;
- Is supported by documentation to show that it is fully implemented or is accompanied by a timeline for implementation that would be completed within a reasonable specific time; and
- Provides for the auditee to review whether the corrective action plan, once implemented, has fully corrected the problem identified by the auditors and/or the auditors' specific recommendations.

If the corrective action provided by the auditee does not respond to all of the above elements, the PDL should require additional corrective action, which should be described in detail in the PDL.

The PDL should note that review of the implementation of these corrective actions may occur during future reviews or audits of the auditee's programs, and failure to implement the corrective actions properly may result in the issuance of monetary determinations against the auditee or affect future federal funding. In instances where it appears that little or no progress has been made by the auditee in correcting the deficiency, the AO may request that further evidence of actions taken to correct the deficiency be provided within a reasonable period of time, e.g., 60 days after the PDL is issued. Where the AO seeks further corrective action, the AO may issue the PDL but leave open the possibility

that after reviewing the corrective action submitted, the AO may require additional corrective action in a separate PDL.

2. *Findings Involving Questioned Costs (Other than Unsupported Costs)*

In instances where the auditee cannot provide sufficient evidence that costs were eligible under the program, the AO must disallow the costs if there is a *prima facie* case for the recovery of those funds. In instances where the auditee provides sufficient evidence that funds were not spent in violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, the AO does not sustain the questioned costs. Also, the AO does not seek a recovery of the questioned costs if (based on the provisions of law, regulation, contract, grant or other applicable agreement) it is determined that a violation did not in fact occur, there is not sufficient evidence to support a *prima facie* case for the recovery of funds, or there is evidence that in view of the benefits received by the program, no harm accrued to a federal interest.

3. *Findings Involving Unsupported Costs*

In instances where the auditee cannot provide sufficient evidence that costs were supported and/or eligible under the program, the AO must disallow the costs if there is a *prima facie* case for the recovery of those funds. Under GEPA, not having records establishes a *prima facie* case. In instances where the auditee provides sufficient evidence that costs were supported and eligible under the program, the AO may allow such costs. Such evidence should be in the form of schedules, records or other written materials to support the costs.

4. *Findings Involving Other Recommended Recoveries*

In instances where the auditee cannot provide sufficient evidence that the issue surrounding the recommended recoveries has been addressed, the AO must sustain the recommended recoveries if there is a *prima facie* case for the recovery of those funds. These findings relate to the recovery of funds for reasons other than those identified under questioned and unsupported costs. Examples of other recommended recoveries include: (1) excess cash held by a recipient that is no longer available for obligation, or (2) over allocations of program funds discovered during the audit that were based on inaccurate data provided by the auditee.

5. *Findings Involving BUF*

BUF is primarily used in audits conducted by ED-OIG and relates to recommendations that funds could be used more efficiently if responsible officials took specific actions. Such actions include (1) a reduction in outlays; (2) withdrawal of interest subsidy costs on loans or loan guarantees, insurance or bonds; (3) a reduction in costs by implementing recommended improvements related to the grantee's operations; or (4) other savings that are specifically identified. When the auditee provides sufficient evidence that appropriate

actions have been taken to use the funds in question more efficiently, the AO may consider the finding closed.

#### 6. *Less Significant Findings and Other Findings*

Less significant or minor findings identify instances where the impact of the auditee's non-compliance has been determined by ED during Department-level triage to be relatively insignificant. These findings are typically addressed through an abbreviated or informal resolution approach if the full resolution approach does not apply. In cases where a recommendation is no longer applicable (e.g., conditions upon which the recommendation was made have changed extensively as to negate any corrective action or a recommendation was implemented through corrective action), the AO may consider the finding resolved.

### **F. Administrative Stay – Suspension of Completion and Issuance of a PDL**

While resolving an audit report, it may be determined that conditions exist that preclude the timely completion and issuance of the PDL. In such situations, the AO may request an administrative stay of the audit report.

**Note:** An administrative stay will not impact the six-month resolution period. Audits on administrative stay over six months old will be considered overdue.

#### 1. *Criteria for Approving an Administrative Stay*

PAG/OCFO reviews a request from an AO to place an audit report on administrative stay when such a request is based on any of the following criteria.

- Additional audit work is required to obtain sufficient information necessary to resolve audit findings involving questioned or unsupported costs, and the auditor has agreed to conduct the additional work.
- Additional time is required by a resolution official for any of the following:
  - Evaluate the results of additional audit work;
  - Evaluate additional audit information, including audit documents provided by the auditor;
  - Evaluate additional audit information provided by the auditee (not previously evaluated by the auditor) concerning audit findings involving questioned or unsupported costs;
  - An investigation in progress or indictment of an auditee prevents resolution officials from obtaining documentation from the auditee



necessary to resolve the audit findings involving questioned or unsupported costs;

- OGC advises the AO that, pending the outcome of an investigation or litigation in progress that has a direct bearing on the issues contained in an audit report, it would not be in the best interest of ED to proceed with the resolution of the audit;
- ED-OIG advises the AO that ED-OIG is also in the process of conducting an audit of the auditee in question, and ED-OIG advises the AO that it would not be in the best interest of ED to proceed with all or a portion of the resolution of the audit report; or
- The auditee has been adversely affected by a major natural or man-made disaster.

## 2. *Requesting an Administrative Stay*

A request for an administrative stay must be made in writing and submitted to the AFUO's delegated designee, the Director of [PAG/OCFO](#).

A request must state the justification for the administrative stay. In addition, a request made pursuant to the criteria stated above must cite a specific time frame (e.g., 60 days, 90 days) that the administrative stay is to be in effect.

A request may not exceed 90 days; however, extensions may be granted. If an administrative stay is approved, and a request to extend the administrative stay is not received prior to the end of the time period granted, the administrative stay will automatically expire.

## 3. *Responding to a Request for an Administrative Stay*

The Director of PAG/OCFO must respond in writing within 10 working days to the requester. The written approval states the period of the stay. When a request is disapproved, the reasons are clearly stated.

## 4. *Resolution Activity During the Administrative Stay*

If an administrative stay is granted to an AO, resolution work should proceed on other findings in the audit report that do not meet the criteria for requesting an administrative stay. An AO should not issue his/her PDL until determinations on all findings are ready, except as indicated in number 5. below.

## 5. *Findings Affected by the Statute of Limitations that are Included in an Audit Report on Administrative Stay*

A partial PDL should be issued providing program determinations for those findings affected, or soon to be affected, by the Statute of Limitations. The partial PDL indicates that a subsequent PDL will be issued providing program determinations for the remaining findings.

## G. Preparing a Program Determination Letter (PDL)

The PDL provides notice to the auditee of management decisions or program determinations made by ED on the monetary and non-monetary findings in the audit report. To assist AOs in meeting the standards for sufficiency in a PDL and to ensure policy and procedural consistency, continuity and clarity in presenting the Department's determinations on audit findings, AOs are encouraged to use the format included in the suggested PDL format and language (See Section VI, Chapter 1).

### 1. PDLs Involving Monetary Determinations

For determinations requiring the return of funds, a description of the required contents of a full resolution PDL follows.

- List the recipient's disallowed expenditures.
- Establish a *prima facie* case for the recovery of funds, including an analysis reflecting the value of the program services actually obtained in determining harm to the federal interest ([34 CFR 81.34\(b\)](#)). To establish a *prima facie* case of a violation means that the PDL must contain sufficient discussion and evidence to enable a reasonable person to conclude that the violation has occurred that should result in the recovery of funds. The evidence that could be used in a PDL to support a recovery of funds could come from a variety of sources, including the following: pages from the underlying audit report, pages from the auditor's audit documentation, program reviews, records of the grantee, reports from the grantee, records from ED, correspondence with the grantee, or affidavits from auditors or other officials. (Section 452(a)(2) of GEPA, [20 U.S.C. 1234a\(a\)\(2\)](#)). An example of a *prima facie* case response can be found in the suggested PDL format and language, Section VI, Chapter 1.3.d.i.)
- Notify the recipient of the requirements and procedures for repayment. If interest is to be charged, the PDL should include a statement to this effect.
- Inform the recipient that it must either repay the disallowed expenditures or submit an application for review of the monetary determinations by the Office of Administrative Law Judges ([OALJ](#)) within 60 calendar days from the date the auditee receives the PDL.
- Describe the procedures for filing an application for review.
- Notify the recipient of the right to request mediation of the dispute if an acceptable application for review is filed with the OALJ.

## 2. *PDLs Involving Monetary Determinations of the Impact Aid Program*

A description of the required contents of a full resolution PDL involving monetary determinations of the [Impact Aid Program](#) follows:

- List the recipient's disallowed expenditures.
- Notify the recipient about the requirements and procedures for repayment by administrative offset or direct payment. If interest is to be charged, the PDL should include a statement to this effect.
- Inform the recipient that it may appeal the disallowance by submitting a written request for an administrative law hearing within 60 calendar days after the issuance of the PDL in accordance with Section 8011 of the Impact Aid statute (Title VIII of the Elementary and Secondary Education Act of 1965 (ESEA), [20 U.S.C. 7711](#)).
- Describe the procedures for filing a request for administrative review or reconsideration.

## 3. *PDLs Involving Non-Monetary Determinations*

For all non-monetary determinations on ED programs, the PDL follows the procedures outlined in the suggested PDL format and language, Section VI, Chapter 1.

## 4. *PDLs Involving Discretionary Grant Determinations*

PAG/OCFO, the entity responsible for issuing PDLs on audit findings of ED discretionary grants, communicates with the appropriate program office regarding the resolution of these findings. For draft PDLs that include findings in which ED is seeking the recovery of funds, PAG/OCFO forwards the draft PDL to the appropriate program office for review. The program office has five days in which to review and comment on the draft PDL. The draft PDL is then returned to PAG/OCFO for revision, if necessary, and issuance. At the time PAG/OCFO issues the PDL to the auditee, PAG/OCFO also sends a copy to the appropriate PO's ALO. The ALO, in turn, forwards the PDL to the appropriate program staff for inclusion in the official file for the auditee/grantee.

For discretionary grant findings in audits of high-risk entities, the audit findings are resolved in a cooperative manner between PAG/OCFO and the PO that placed the entity on high-risk, with PAG/OCFO serving as the lead office. A high-risk entity is one for which a PO has issued a letter of high-risk designation or a letter outlining special terms, conditions or sanctions. For tracking purposes, both PAG/OCFO and the appropriate PO are assigned the discretionary grant findings in AARTS. The PDL that resolves the discretionary grant findings is signed by both PAG/OCFO and the appropriate PO. The

ALO forwards the PDL to the appropriate program staff for inclusion in the official file for the auditee/grantee.

## H. Preparing a Settlement Agreement

The principles of cooperative audit resolution present an opportunity to resolve audit findings, particularly involving questioned costs, by mutual agreement. Through direct negotiation with the auditee, an agreement can be reached on the appropriate resolution of the questioned costs.

A settlement agreement must be tailored to the appropriate circumstances in accomplishing resolution. The key is keeping the lines of communication open, with both sides sharing as partners in the audit resolution process. Since there are legal requirements for when a monetary claim can be settled and under what circumstances, OGC should be consulted early in the settlement negotiation. The following are common elements in resolving audit findings by negotiation:

- Provisions stating agreements or "stipulations" on the findings and resolution actions.
- Provisions spelling out when and how much money is to be repaid, the source of the funds (generally it should not be from federal funds for which there is accountability), the payment options, and the interest rate for installment or late payments.
- Provisions stating that the action does not create a precedent for future audit resolution actions.
- Provisions detailing and certifying corrective actions that have been taken.
- Provisions stating that the audit is closed only after both sides agree that the corrective action taken is appropriate and complete.
- Provisions stipulating that ED reserves the right to fully protect its financial and other interests through other enforcement remedies, especially if there is a violation of the settlement agreement.
- Provisions stipulating that any ED settlement agreement is only settling issues within ED's authority and does not settle any matters within the jurisdiction of another agency, including any criminal or tax issues.

**Note:** The settlement agreement must be signed by the parties who have the authority to bind the Federal Government and the auditee to the resolution action.

## I. OGC Review of PDLs

OGC reviews draft PDLs for external audit findings recommended for full resolution in instances where the AO determines that an audit addresses monetary or significant legal or

policy issues. In addition to OGC review of PDLs discussing significant issues, OGC and individual program offices may enter into separate arrangements for review of PDLs. The procedures for OGC review are as follows.

- The AO requests OGC review of the draft PDL 60 days prior to the expiration of the six-month resolution period.
- In requesting OGC review of a PDL, the AO supplies a copy of the audit report and any subsequent auditee response and audit documents obtained, along with a copy of the draft PDL.
- PDLs transmitted to OGC should contain enough factual detail and documentation on the monetary findings to establish a *prima facie* case under Section 452(a)(2) of GEPA, 20 U.S.C. § 1234a.(a)(2). Draft PDLs without sufficient detail and documentation may be returned to the AO for further work.
- All attorneys are encouraged to discuss concerns about the draft PDLs with the appropriate resolution staff during the development of OGC's written comments.
- OGC completes its review of a draft PDL within 30 calendar days. If additional review time is required, OGC notifies the ALO as soon as possible within the 30-day period. OGC provides to the ALO written recommendations for modifying and improving the PDL. The process should follow the steps described below:
  - When the attorney forwards a copy of his/her comments to the ALOs, the attorney indicates whether the draft PDL should be returned to OGC for review of the revisions.
  - To the extent possible, final OGC comments should be detailed enough to allow the cooperative audit resolution specialist to make any needed revisions and to issue the PDL in a timely fashion.
  - It is the responsibility of the ALOs to work with the attorneys to obtain final OGC clearance on their respective PDLs.
- If by the 30th day OGC indicates that complete review of the draft PDL is not possible, the ALO is contacted to determine whether OGC should return any portion of the PDL in which OGC has completed making its comments.

## **J. ED-OIG Review of PDLs**

Draft PDLs and Audit Clearance Documents (ACDs) must be submitted to ED-OIG for review if the audit was conducted by ED-OIG. This includes all ED-OIG audits with monetary or non-monetary findings. Draft PDLs and ACDs will be forwarded electronically to the appropriate Regional Inspector General for Audit or Headquarters Director who issued the audit report.

For all non-ED-OIG audits, draft PDLs and ACDs will be submitted for ED-OIG review if:

- The audit report contains monetary findings totaling \$500,000 or more (this may consist of multiple findings that, in the aggregate, total \$500,000 or more); or
- The proposed PDL contains sensitive or possibly controversial information that may affect ED operations; or
- The PDL addresses significant legal, audit or programmatic issues; or
- Specific requests for review are made by ED-OIG or the AO.

Therefore, ED-OIG must review the proposed resolutions of all single audits that meet any of the above criteria.

For each such single audit, draft PDLs (in a Microsoft Word file) and draft ACDs, along with a PDF file copy of the actual findings covered in the PDL, must be submitted electronically to the Director of ED-OIG's Non-Federal Audit Team. If multiple offices are involved in the resolution of an audit, with the result that multiple PDLs are to be issued, drafts of all PDLs/ACDs must be submitted for ED-OIG review.

For draft PDLs requiring ED-OIG review, the AO submits to ED-OIG a copy of the proposed PDL and ACD no later than 20 days before the end of the six-month resolution period. Within 15 days of receipt of the proposed PDL and ACD, ED-OIG reviews and advises the AO of its position on the proposed resolution. ED-OIG may either: (1) provide no comments, (2) provide comments that do not involve a significant disagreement with the proposed resolution, or (3) indicate a significant disagreement with the proposed resolution. If ED-OIG provides no comments or provides comments that do not involve a significant disagreement with the proposed resolution, that means ED-OIG believes, if implemented, the proposed resolution should address the finding/recommendation. If ED-OIG indicates a significant disagreement with the proposed resolution, the draft PDL and ACD may not be issued until the dispute is resolved as outlined in the procedures in Section VI, Chapter 5.

#### **K. Audit Follow-up Official (AFUO) Dispute Resolution**

Audits *should not* be routinely referred to the AFUO, who is the ED Chief Financial Officer, for dispute resolution. Disputed issues between offices with audit resolution responsibilities should, instead, be elevated to higher-level managers in the respective offices. Decisions should be sought from the AFUO only when persistent good faith efforts have failed to produce an agreement.

If, however, an agreement cannot be reached, the audit report and all necessary documentation should be provided to the AFUO for decision. This should be done as soon as possible within the six-month resolution period.

Upon receipt of a case presented for AFUO decision, the AFUO advises the Under Secretary of its receipt, reviews the documentation provided, requests additional information and documentation deemed necessary, and within 35 working days directs to the appropriate parties the steps to be taken.

The AFUO may refer the case back to a specific office with recommendations for issuing the PDL or may directly issue the PDL where this action is not precluded by law or regulation. In cases involving work under the authority of or performed by the AFUO, or in cases where the AFUO negotiated or proposed a resolution action, the functions otherwise carried out by the AFUO are performed by the Under Secretary.

#### **L. Shifting Accountability for Overdue or Potentially Overdue Audits**

For an audit report with findings involving two or more AOs, one AO is designated as being accountable for the report, based on the following criteria (in the order listed):

1. The AO having the highest dollar amount in questioned costs, or
2. The AO having the greatest number of full resolution audit findings, or
3. The AO having the greatest number of abbreviated resolution audit findings.

If, during the six-month resolution period, the accountable AO has resolved all of its full and abbreviated findings and other AOs have not resolved all of their full and abbreviated findings, PAG/OCFO will shift accountability for the report to another AO, based on the above criteria. This shift in accountability may occur at any point in the six-month resolution period, and PAG/OCFO will notify the ALOs of the affected AOs of the shift.

Tracking reports generated from the AARTS database attribute overdue or potentially overdue audit reports to the accountable AO at the end of any quarter following the end of the six-month resolution period.

#### **M. Tracking Open Audit Reports**

PAG/OCFO maintains a database of all open audit reports through AARTS. Information on the status of overdue or potentially overdue audits is included in the database. PAG/OCFO obtains information on the status of all open audit reports at the monthly Department-level triage meetings with the ALOs, and periodically provides ED officials with reports on the status of ED's audit resolution activity.

In those cases where the program determinations recommended by the AO and transmitted to the auditee in the PDL do not specifically address all findings in the audit report, the audit

report remains on the list of open and unresolved audit reports until all findings are addressed. The AO is charged with the overdue audit.

## **N. Audit Clearance Document (ACD)**

The ACD is an AARTS-generated electronic form that summarizes an AO's determinations for external audit report findings addressed in a PDL. It serves as an AO's request to remove an audit report from the list of unresolved audits and establish an accounts receivable for monetary determinations (see Section VI, Chapter 4).

### *1. Transmittal of ACDs*

When an AO issues a PDL for an audit report in which no other office has findings, the AO enters AARTS and completes an electronic ACD that addresses all findings and submits a hard copy of the PDL to PAG/OCFO.

When an AO issues a separate PDL for an audit report in which other offices also have findings, the AO completes the ACD in AARTS and uploads the PDL that is relevant to the findings. Once each AO involved in the audit report has prepared an ACD and uploaded the PDL, AARTS automatically generates an audit-level ACD that captures each AO's ACD.

**Note:** The ACD is *not* sent to the auditee.

### *2. Establishing an Accounts Receivable for Monetary Determinations*

In instances where a monetary determination has been made, the AO is responsible for initiating the establishment of an accounts receivable. To do this, the AO submits a copy of the ACD and PDL to GPARRG/OCFO.

### *3. Amendments to ACDs*

Amended ACDs are those which are submitted after the original issuance of the PDL and ACD. Usually, actions reported as taken or in process on ACDs are final. However, when an administrative appeal decision changes what the AO reported in the original ACD, the AO must adjust the ACD to reflect the appeal decision. AARTS provides for an amended ACD. Instructions for the preparation of the original ACD generally apply to any amendments.

## **O. Issuing the PDL to the Auditee**

The AO issues the PDL communicating the program determinations to the auditee. The AO must forward the PDL by Certified Mail, Return Receipt Requested, to the auditee not later than the end of the six months after issuance of the audit report for resolution. If the AO does not issue the PDL within six months, the audit will be reflected as overdue in AARTS.



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## Section III: External Audits

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### *Chapter 5: Post Audit Resolution Activity*

Post audit resolution activities occur after a PDL has been issued and include close-out activity, record maintenance, follow-up on corrective actions resulting from program determinations on audit findings and appeal procedures. This chapter includes a description of each activity and the applicable procedures.

#### **A. Close-out Activities/Record Maintenance**

In accordance with the [Guidelines for Establishing File Folders and Maintaining Documentation](#) and guidance provided by ED-OIG, the AO is required to maintain on file for a minimum of five years after the auditee has exhausted its appeal rights all documentation describing the actions taken on findings. In addition to the relevant parts of the audit report, the PDL, and ACD, the file should include, as appropriate, auditee correspondence and responses, audit documentation, ED-OIG and OGC comments and any other documentation pertinent to the resolution of the audit findings. The AO is also required to maintain on file sufficient and pertinent information describing the actions taken on findings identified for technical assistance. After all corrective actions have been completed and all appeal rights exhausted, the audit files are retained for five years before being destroyed, i.e., confidential information in paper files is shredded and all other paper is recycled; electronic files are definitively deleted.

#### **B. Follow-up on External Audit Finding Determinations**

OMB [Circular A-50](#) requires federal departments and agencies to have systems in place for following up on determinations to ensure the appropriate recovery of funds and that recommended corrective actions are implemented by auditees. Primary responsibility for following up on monetary determinations rests with OCFO, with the assistance of AOs. Primary responsibility for following up on non-monetary determinations rests with AOs, who must have systems in place to ensure that recommended corrective actions are implemented by auditees. PAG/OCFO has responsibility for ensuring that AOs have systems in place to follow up on corrective actions and ensuring the overall effectiveness of ED's audit resolution follow-up system.

##### *1. Follow-up on Monetary Determinations*

GPARRG/OCFO is responsible for establishing accounts receivable for funds owed to ED as a result of program determinations on audit findings. OCFO's Financial Improvement and Debt Management Group (FIDMG/OCFO) is responsible for collecting such funds until the recovery is completed.

## 2. *Follow-up on Corrective Actions*

### a. AO Actions

The AO is responsible for maintaining an effective system that is documented with written procedures for following up on all corrective actions except the recovery of funds. The system must include procedures for:

- Ensuring that auditees respond to requests for documentation included in PDLs that is used to determine whether appropriate corrective action has been taken.
- Analyzing documentation received from auditees to determine whether corrective action has been taken, and ensuring that the corrective action:
  - Addresses the complete finding and all recommendations;
  - Contains a solid, workable plan for action;
  - Is supported by documentation to show that it is fully implemented or is accompanied by a timeline for implementation that would be completed within a reasonable specific time; and
  - Provides for the auditee to review whether the corrective action plan, once implemented, has fully corrected the problem identified by the auditors and/or the auditors' specific recommendations.
- Following up with auditees until all appropriate corrective action has been taken, if the corrective action provided by the auditee does not respond to all of the above elements.
- Notifying auditees of the AO's determination on whether the corrective action taken was appropriate.
- Integrating the AO's cooperative audit resolution/follow-up function with any on-site monitoring activities.
- Ensuring that current and prior audit reports are compared to determine if corrective action was taken or whether there are repeat findings that require ED to take significant action.

Accurate records must be kept of all audit follow-up activities, including all correspondence, documentation and analysis of documentation.

b. PAG/OCFO Actions

PAG/OCFO ensures that AOs have appropriate audit follow-up systems in place and that these systems are being effectively used.

c. ED-OIG Actions

For ED-OIG conducted audits, the ED-OIG:

- May verify the completion of corrective actions from prior audits when performing an audit of a later period.
- Performs or assists in the performance of an on-site verification of corrective actions under special circumstances.

### C. Appeal Procedures

1. *Office of Administrative Law Judges (OALJ) Review of Monetary Decisions Involving Audit Findings for ED Programs Authorized by Part D of the General Education Provisions Act (GEPA)*

Monetary decisions involving audit findings for certain discretionary and formula grants may be appealed by the auditee to the OALJ pursuant to Section 452(b)(1) of GEPA, [20 U.S.C. 1234a \(b\)\(1\)](#), and under ED regulations at [34 CFR Part 81](#). PDLs issued with these monetary determinations must contain notice of the auditee's right to obtain OALJ review and notice of the right to request mediation of the dispute if an acceptable application for review is filed with the OALJ. (See the suggested PDL format and language for specific language to include in the PDL.) The application for review must be submitted within 60 calendar days from the date the auditee receives the PDL.

a. Reporting on Acceptance of Appeals

In instances where an Application for Review (AFR) is received by the OALJ, the OALJ notifies the AO and FIDMG/OCFO whether it has accepted the application within three working days of receipt of the AFR. The AO should immediately notify his/her representative in OGC of the action taken by the OALJ. If the AFR has been accepted, FIDMG/OCFO immediately suspends collection action. The OALJ also informs the auditee and the authorized ED official that the OALJ has accepted jurisdiction over the case and scheduled a hearing.

b. Remanded PDLs

If the OALJ determines that a PDL does not meet the regulatory notice requirements, the OALJ expeditiously remands the PDL to the AO so that it may be properly

modified. Copies of the remanded PDL, together with the cover letter or decision to the AO, will be forwarded by the OALJ to the AO, OGC, ED-OIG, FIDMG/OCFO, and PAG/OCFO. Where appropriate, OGC, ED-OIG, and PAG/OCFO assist the AO in addressing the PDL's deficiencies. The OALJ states the reason the PDL does not meet the regulatory notice requirements. The AO ensures prompt re-issuance of the remanded PDL.

c. Handling of Appeals

OGC represents the AO in proceedings before the OALJ. Program staff must cooperate and assist OGC in the appeal process.

d. OALJ Final Decision

Within three working days of the final decision, the OALJ notifies FIDMG/OCFO of its decision on the appeal or any other action that would reactivate collection activity on the audit.

e. OALJ Reporting on Appeal Activity

On not less than a quarterly basis, the OALJ issues reports to the AOs, FIDMG/OCFO, OGC, and ED-OIG on the status of all audits under appeal.

f. Judicial Review

If the auditee files a legal challenge in court to a final agency decision by ED upholding a monetary liability, OGC works with the Department of Justice to represent ED in court.

**Note:** For purposes of closing an audit report, the final agency action under GEPA Section 452(g) determines closure.

2. *Appeals of Impact Aid Determinations*

A PDL which contains a determination that is a new adverse action with regard to an Impact Aid recipient must provide notice that the auditee may appeal the determination in accordance with Title VIII of the Elementary and Secondary Education Act (ESEA)([20 U.S.C. 7711](#)). The PDL should inform the auditee that (1) the appeal request must be submitted within 60 calendar days of the auditee's receipt of the PDL or the initial notices of the adverse action; (2) the hearing request must contain a statement clearly specifying the issues of fact and law to be considered in the appeal; and (3) the auditee must furnish a copy of its hearing request to its SEA (34 CFR 222.153).

**Note:** For purposes of closing an audit report, the decision of the Secretary is the final appeal that determines closure.

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## Section IV: Internal Audits

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### *Chapter 1: ED Office of the Inspector General (ED-OIG) Audit Reports and Alternative Products*

#### **A. Types of ED-OIG Audits and Alternative Products**

##### *1. Audits of ED's Programs, Operations and/or Activities*

Audits of ED's programs, operations and/or activities are conducted by [ED-OIG](#) or by Independent Public Accountants under contract by ED-OIG. These audits provide ED managers and executives with an independent examination of ED programs, operations and management controls that include recommendations for needed corrective actions.

##### *2. Nationwide Audits*

Nationwide audits include audit work at more than one location. Their purpose is to identify and address problems and recommend improvements to ED from a broad national perspective, to ensure the proper and/or better use of federal funds.

##### *3. Attestation Engagement Reports*

Attestation engagement reports convey the results of attestation engagements performed within the context of their stated scope and objective(s). Attestation engagements concern examining, reviewing, or performing agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results. An assertion is any declaration or set of declarations made by management about whether the subject matter is based on or in conformity with the criteria selected. Attestation engagements can cover a broad range of financial or non-financial objectives and may provide different levels of assurance about the subject matter or assertion depending upon the user's needs.

##### *4. Alternative Products*

Alternative products are reports or documents prepared by ED-OIG that are not audit reports but raise issues that may need to be addressed by management. Alternative products are generally, but not limited to, Management Information Reports, Alert Memoranda, Interim Audit Memoranda/Letters, Audit Closeout Memoranda/Letters, and Inspection Reports.

#### **B. Content of ED-OIG Audit Reports and Alternative Products**

ED-OIG audit reports include the results of audits, attestation engagements or alternative products relating to the programs, operations and activities of ED. The audit or attestation engagement can be performed by ED-OIG staff or under contract by ED-OIG. These reports

provide managers with an independent evaluation of whether (1) operations are conducted properly and presented fairly, (2) applicable laws, regulations, policies and procedures have been complied with, (3) resources are managed economically and efficiently, and (4) desired results or objectives are being achieved.

**Management Information Reports** – provide ED management with information derived from audits (when the issuance of an audit report is not appropriate) or special projects that may be useful in ED program administration or the conduct of program activities. If a Management Information Report identifies conditions needing corrective action, it may include suggestions.

**Alert Memoranda** – are prepared when auditors identify a serious condition requiring immediate ED management action that is either outside the agreed-upon objectives of an ongoing audit assignment or is identified while engaged in work not related to an on-going assignment. Alert Memoranda are also used during an audit of an external entity when a serious condition is identified at the Department level and needs to be forwarded to an ED AO for immediate action. Alert Memoranda focus on only one or two issues and generally do not exceed five pages in length. An Alert Memorandum may not contain all elements of a finding (i.e., condition, criteria, cause, and effect) but provides sufficient information to add perspective and demonstrate the seriousness of the condition. An Alert Memorandum may contain suggestions for addressing the issue(s) identified. Alert Memoranda are documents issued in both draft and final form.

**Interim Audit Memoranda/Letters** – result from a serious condition or urgent issue identified during the course of an ongoing audit when there is a strong likelihood that waiting until the audit report's issuance would result in the loss of an opportunity to prevent or curtail significant harm to ED's interest. Interim Audit Memoranda/Letters may contain one or more recommendations for addressing the issue(s) identified. After the Interim Audit Memorandum/Letter is issued, it will be followed by a draft and final audit report (or Audit Closeout Memorandum/Letter if the condition is fully addressed and no other findings are developed).

**Closeout Memoranda/Letters** – are used when decisions are made to close assignments without issuing an audit report. The memoranda/letters are sent to notify auditees of ED-OIG's decision to close assignments. The notification is called an Audit Closeout Memorandum (if the auditee is an ED component) or Audit Closeout Letter (if the auditee is an external entity).

**Inspection Reports** – present the results of evaluations, reviews, studies or other analyses of ED programs and activities for the purposes of (1) providing information to managers for decision-making, (2) recommending improvements to programs, policies or procedures, or (3) administrative action.

## C. Audit Terms

### 1. *Management Decision*

A management decision is made when the PO responsible for the findings has developed a Corrective Action Plan (CAP).

### 2. *Resolution*

Resolution occurs when there is agreement between the PO and ED-OIG on the proposed corrective action, or in the event of disagreement, the point at which the AFUO determines the matter to be resolved. In commenting on the proposed corrective action, ED-OIG may either: (1) provide no comments, (2) provide comments that do not involve a significant disagreement with the proposed corrective action, or (3) indicate a significant disagreement with the proposed corrective action. If ED-OIG provides no comments or provides comments that do not involve a significant disagreement with the proposed corrective action, that means ED-OIG believes, if implemented, the proposed corrective action should address the finding/recommendation. If ED-OIG indicates a significant disagreement with the proposed corrective action, the dispute must be resolved as outlined in the procedures in Section VI, Chapter 5.

### 3. *Final Action/Closed*

Final action/closed status occurs when the PO has certified that all corrective actions have been implemented, and PAG/OCFO has verified supporting documentation and issued a Request for Closure/Certification Memorandum.

## D. Distribution of and Response to Draft ED-OIG Audit Reports and Selected Draft ED-OIG Alternative Products

### 1. *Distribution of Draft Audit Report*

ED-OIG provides a draft report to the AO in hard copy and electronically, and requests written comments on the report's findings and recommendations. Electronic copies are provided to other ED officials, as appropriate.

### 2. *Response to Draft Audit Report*

A response should be made directly to the ED-OIG manager identified in the transmittal letter for bound reports or the administrative matters section for letter reports. Bound report formats are generally used for reports with three or more findings, while letter reports are used for reports with one or two findings, or for reports without findings. The response should be made within the time frame specified in the transmittal letter. When legal interpretations are at issue, OGC should be consulted. Normally, the AO is requested to submit written comments within 30 calendar days from the date of the draft report's issuance or within a timeframe stated in the transmittal letter or letter report. In the case of internal audits only, if the AO notifies ED-OIG within five business days from

the date of transmittal of the draft report, of his/her intent to attach a draft CAP as a separate document, the deadline is extended to 45 calendar days. The AO should indicate whether he/she concurs or non-concurs with the findings/recommendations included in the report, with a detailed explanation for each concurrence and non-concurrence. The procedures for responding to draft reports are disclosed in the transmittal letter or letter report.

When a draft report is issued to more than one office, the Primary Action Official (PAO), as designated in ED-OIG's transmittal letter for bound reports or the administrative matters section for letter reports, is responsible for coordinating and consolidating the response of all Collateral Action Officials (CAO). Generally, the PAO is assigned based on having the greater amount of monetary findings in the report. If the report does not recommend the recovery of funds, then the PAO is assigned based on the largest amount of program funds covered in the report or on the basis of the finding's significance.

### *3. Distribution of and Response to Draft Alternative Products*

Three of the five alternative products have draft responses.

#### *a. Management Information Report*

ED-OIG provides a draft Management Information Report to the AO, and written comments are requested. The AO will normally be given 30 calendar days to provide a written response to ED-OIG, or within a time frame otherwise specified in the transmittal letter or letter report.

#### *b. Alert Memorandum*

ED-OIG provides a draft Alert Memorandum to the AO, and written comments are requested. The AO will normally be given 10-15 work days to provide a written response to ED-OIG or within a time frame otherwise specified in the draft Alert Memorandum.

#### *c. Inspection Report*

ED-OIG provides a draft Inspection Report to the AO, and written comments are requested. The AO will normally be given 30 calendar days to provide a written response to ED-OIG or a time frame otherwise specified in the transmittal letter or letter report.



## **E. Distribution of and Response to Final ED-OIG Audit Reports and Alternative Products**

### *1. Distribution of Final Audit Report*

A final audit report is addressed to the appropriate AO in hard copy and electronically. Copies are also furnished to other ED officials, as appropriate. ED-OIG will upload the findings and recommendations of the final report into AARTS.

### *2. Response to Final Audit Report*

The response should be made within the time frame specified in the transmittal letter for bound reports or in the administrative matters section for letter reports. When legal interpretations are at issue, the AO should consult OGC. Normally, the AO is required to develop a corrective action plan within 30 calendar days from the date of issuance of the final report. The AO or AO designee should enter the comments (i.e., action items to address the findings and recommendations) directly into AARTS.

### *3. Distribution of and Response to Alternative Products*

#### *a. Management Information Report*

A final report will be provided to the AO in hard copy and electronically. Other ED officials, as appropriate, will receive an electronic copy of the report. Management Information Reports usually contain suggestions, and it is up to the AO to determine the course of action.

#### *b. Alert Memorandum*

A final Alert Memorandum is addressed and provided to the appropriate AO in hard copy and electronically. Other ED officials, as appropriate, will receive an electronic copy of the Alert Memorandum. The AO will normally be given 30 calendar days from the date of the final Alert Memorandum to submit a CAP through AARTS.

#### *c. Inspection Report*

An Inspection Report will be provided to the AO in hard copy and electronically. Other ED officials, as appropriate, will receive an electronic copy of the report. The AO will normally be given 30 calendar days from the date of the final Inspection Report to submit a CAP through AARTS.

#### *d. Interim Audit Memorandum*

An Interim Audit Memorandum is generally addressed and provided to the appropriate AO in hard copy and electronically. Other ED officials, as appropriate, will receive an electronic copy. The AO generally will be given 15 calendar days from issuance of the Interim Audit Memorandum or within a time frame otherwise

specified to submit a response. The draft and final audit reports (or Audit Closure Memorandum/Letter) will note that the Interim Audit Memorandum was issued, the recommendations, and the status of any actions planned or taken by the AO or entity.

e. Closeout Memorandum/Letter

An Audit Closeout Memorandum/Letter is used when a decision is made to close an assignment without issuing an audit report. The Audit Closeout Memorandum/Letter is sent to notify the auditee of ED-OIG's decision to close the assignment. This notification is called an Audit Closeout Memorandum (if the auditee is an ED component) or an Audit Closeout Letter (if the auditee is an external entity).

4. *Entering Response to Final Audit Report and Alternative Products Into AARTS*

- a. The AO or AO designee should enter corrective actions to address each recommendation identified in a final report or final alternative product. Each corrective action should have a target completion date. The AO or AO designee should provide the name(s) of the contact person(s) for each corrective action. If the AO or AO designee non-concurs with a recommendation, the reason for the non-concurrence should be entered in AARTS.
- b. When a final report is issued to more than one office, the PAO is responsible for coordinating AARTS user roles with all CAOs and notifying PAG/OCFO of the name of the writer, reviewer and authorizer, as well as the responsible manager for each recommendation.
- c. If there is a CAO with recommendations assigned to it, the AO or AO designee for the CAO is responsible for entering into AARTS its individual corrective actions and providing contact names and target completion dates.
- d. The AO or AO designee can enter information into AARTS at any point within the time allotted. The AO or AO designee should submit each recommendation to ED-OIG, via AARTS, once all corrective actions have been entered to address the recommendation.
- e. After the AO or AO designee has submitted all recommendations to ED-OIG, and ED-OIG has concurred with all recommendations, the AO or AO designee should complete the ACD and BUF form (if applicable), both of which are in AARTS.  
**Note:** An ACD must be completed for all ED-OIG issued audit reports, Alert Memoranda, Audit Closeout Letters, and Inspection Reports. A BUF form is only applicable if BUF was identified in the audit report or alternative product.

## F. Resolution Time Frame

OMB [Circular A-50](#) requires federal agencies with audit resolution responsibility to resolve audit reports within six months after issuance. Resolution occurs when there is agreement

between the PO and ED-OIG with all proposed corrective actions, or in the event of disagreement, the point at which the AFUO determines the matter to be resolved. In addition, the [Inspector General Act, as amended](#), requires that ED-OIG and management report separately to Congress twice a year (periods ending March and September) on the number of audits unresolved, i.e., [IG](#) and [ED management's Semiannual Reports to Congress on Audit Follow-up](#).

## G. AFUO Dispute Resolution

Audits *should not* be routinely referred to the AFUO for dispute resolution. Disputed issues between ED-OIG and offices with audit resolution responsibilities should, instead, be elevated to higher level managers in the respective offices. Decisions should be sought from the AFUO only when ED-OIG and the AO cannot reach agreement.

If, however, an agreement cannot be reached, the audit report and all necessary documentation should be provided to the AFUO for decision. This should be done as soon as possible within the six-month resolution period. A request for dispute resolution should be made through AARTS and in writing to the Director of PAG/OCFO.

Upon receipt of a case presented for AFUO decision, the AFUO advises the Under Secretary of its receipt, reviews the documentation provided, requests additional information and documentation deemed necessary, and within 35 working days directs in writing to the appropriate parties the steps to be taken.

In cases involving work under the authority of or performed by the AFUO, or in cases where the AFUO negotiated or proposed a resolution action, the functions otherwise carried out by the AFUO are performed by the Under Secretary.

## H. Corrective Actions

### 1. *Updating the CAP*

The AO or AO designee should periodically review and update the CAP through AARTS, which includes updating the expected completion dates and status comments.

### 2. *Completing Recommendations*

Upon completion of an action item, the AO or AO designee should enter into AARTS the actual date of completion and any comments. Upon completion of all action items related to a recommendation, the AO or AO designee must send to PAG/OCFO for review, documentation to support completion of each action item in the completed recommendation.

### 3. *Closing an Audit Report*

When all corrective actions have been implemented and all recommendations completed in AARTS, the AO or AO designee should request closure of the audit report through submission of a Request for Closure/Certification Memorandum to the Director of PAG/OCFO through AARTS. A hard copy of the signed Request for Closure/Certification Memorandum should also be sent to the Director of PAG/OCFO. The Request for Closure/Certification Memorandum should state at a minimum that (1) all corrective actions have been implemented, (2) the information contained in AARTS is accurate and current, (3) there is documentation to support implementation of all corrective actions, and (4) the documentation is available for review upon request. In addition, the AO or AO designee should submit a completed [Internal Audit Checklist](#) to PAG/OCFO.

### 4. *Documenting Corrective Actions*

Each AO must maintain documentation to support implementation of each corrective action in accordance with the [Guidelines for Establishing File Folders and Maintaining Documentation](#). The documentation must be specifically identifiable to a corrective action to withstand any post audit review by PAG/OCFO, ED-OIG, GAO and/or OMB.

The PAO and CAO are each responsible for collecting and maintaining all supporting documentation for completed recommendations and/or corrective actions assigned to them. The PAO is responsible for maintaining documentation for all completed recommendations in the audit report.

The CAO is responsible for submitting a Certification Memorandum to the PAO when all of its corrective actions have been completed.

After PAG/OCFO closes the audit report, the audit files are retained for five years before being destroyed, i.e., confidential information in paper files is shredded and all other paper is recycled; electronic files are definitely deleted.

## **I. PAG/OCFO Closure Process**

Upon receipt of the AO's Request for Closure/Certification Memorandum, PAG/OCFO will perform a timely review of the [Internal Audit Checklist](#) and any outstanding documentation.

If the audit was issued to more than one office, the PAO is responsible for submitting the Request for Closure/Certification Memorandum for the audit. The PAO must have the above-mentioned Certification Memorandum from the CAO before submission of the Request for Closure/Certification Memorandum to PAG/OCFO.

Upon completion of the closure process, the Director of PAG/OCFO will issue a Closure Memorandum to either the AO or PAO through AARTS.

## **J. Follow-up**

### *1. PAG/OCFO Follow-up*

PAG/OCFO initiates its follow-up process upon issuance of the final audit report. For example, PAG/OCFO monitors an AO's progress in developing and implementing corrective actions. Monitoring continues until all corrective actions have been implemented.

### *2. ED-OIG Follow-up*

The transmittal letter or letter report transmitting the final report from the ED-OIG manager to the AO states that corrective action proposed (resolution phase) and implemented (closure phase) will be tracked and monitored through AARTS. (Note: ED-OIG monitors this process through the resolution phase, and PAG/OCFO monitors this process through the closure phase.) Upon receipt of the AO's initial response to the final audit report and all subsequent submissions for resolution, the ED-OIG manager who issued the report will comment through AARTS. In commenting on the response to the final audit report, ED-OIG may either: (1) provide no comments, (2) provide comments that do not involve a significant disagreement with the response to the final audit report, or (3) indicate a significant disagreement with the response to the final audit report. If ED-OIG provides no comments or provides comments that do not involve a significant disagreement with the response to the final audit report, that means ED-OIG believes, if implemented, the actions included in the response should address the finding/recommendation. If ED-OIG indicates a significant disagreement with the response to the final audit report, the dispute must be resolved as outlined in the procedures in Section VI, Chapter 5.

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## Section IV: Internal Audits

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### *Chapter 2: Government Accountability Office (GAO) Audit Reports*

#### **A. Role of the Executive Secretariat**

The Director of the Executive Secretariat (Exec Sec), in the Office of the Secretary, is the Department's Liaison to GAO. In order to begin a study in ED, GAO is required to send a letter of initiation to Exec Sec. The initiation letter explains the scope and objectives of the GAO study, whether the study includes other federal agencies, and how GAO plans to conduct the study. Exec Sec then coordinates the study in ED by:

- Distributing a copy of the letter of initiation (and subsequent documents) to all appropriate offices;
- Designating a Lead Office that will have primary responsibility for working with GAO on the study and coordinating with other POs as needed;
- Arranging GAO entrance and exit conferences with the Lead Office and other relevant POs ("other relevant principal offices" usually include Office of the Secretary; Office of the Deputy Secretary; Office of Planning, Evaluation and Policy Development [including Budget Service and Policy and Program Studies Service]; Office of Communications and Outreach; Office of Legislative and Congressional Affairs; OCFO; OGC; and ED-OIG);
- Overseeing the preparation, clearance, signing, and transmittal of ED's response to GAO's draft and final reports; and
- Maintaining a tracking system that indicates the status of all GAO studies underway in ED.

**Note:** ED employees should not engage in discussions with GAO until Exec Sec has received the letter of initiation and convened an entrance conference with GAO.

#### **B. Role of the PO GAO Contact**

Each PO in ED has designated a PO GAO Contact. Exec Sec sends meeting invitations, information requests, and documents to the PO GAO Contacts and relies on them to forward this information to appropriate PO staff, and to manage GAO activity within the POs.

Exec Sec invites the PO GAO Contacts for all relevant POs to GAO entrance and exit conferences (and preparatory meetings, if any). The PO GAO Contacts forward the invitation to the appropriate staff and ensure that the PO is represented at the meetings.

Exec Sec will also forward GAO's draft reports and final reports to the PO GAO Contacts, either to prepare a response (Lead Office) or to review a draft response (other POs). The PO GAO Contact is responsible for forwarding the assignment to the appropriate staff and ensuring that Exec Sec receives a timely response on behalf of the PO.

The PO GAO Contacts are responsible for maintaining records of the PO's involvement with GAO, including copies of any information provided to GAO.

### **C. Role of Lead Office and Lead Office GAO Contact**

When a PO is identified as the Lead Office for a GAO study, the GAO Contact for that office will facilitate GAO's access to ED staff and ensure that requested information is provided to GAO within reasonable time frames.

When setting up meetings with GAO, the Lead Office GAO Contact identifies appropriate ED staff and ensures they attend. The Lead Office GAO Contact should involve OGC in all meetings and should obtain OGC review before releasing nonpublic information to GAO. OGC can also provide advice regarding GAO's statutory authority to obtain and review information.

In addition, the Lead Office GAO Contact ensures that the Lead Office prepares ED's response to any GAO draft or final report on the study, within the established time frames, and transmits the response to Exec Sec for clearance and the Secretary's approval. This may include coordinating the preparation of documents by more than one PO.

### **D. GAO Entrance Conference**

At the beginning of a new GAO study, GAO will request an entrance conference with ED personnel. Exec Sec will arrange the entrance conference (including arranging a teleconference or videoconference if needed) and will coordinate with the GAO Contacts in the Lead Office and other relevant POs to ensure that key staff are present. Exec Sec will ask GAO to provide written materials in advance of the meeting.

**Note:** It is important that the Lead Office's Senior Officer or his/her designee attend the entrance conference.

At the entrance conference, GAO will discuss the objectives of the study and its plans and methodology for carrying out the study. GAO will generally provide an estimated time frame for completing the study. GAO will also identify the information it will need from ED and will ask ED to designate one or more key contact people who will primarily assist GAO throughout the study. Exec Sec will obtain and distribute a list of meeting attendees and contact information.

ED participants at the GAO entrance conference should:

- Ask any questions needed to clarify their understanding of GAO's objectives and methodology for the study;
- Correct any errors of fact on GAO's handouts;
- Identify any resources that would be of assistance to GAO (such as research studies, technical assistance centers, upcoming conferences, etc.);
- If requested, assist GAO in selecting appropriate site visits; and/or
- Identify ED's key contact people for the study and provide contact information.

ED participants should *not*:

- Offer opinions on the merits of the study or probable findings;
- Support or oppose potential recommendations that may result from the study;
- Discuss pre-decisional matters that have not been fully reviewed within ED;
- Discuss potential ED policy decisions (such as whether specific legislation, if introduced, would be supported by ED); and/or
- Feel obligated to answer questions at the meeting if not sure of the correct answer (i.e., participants should feel free to offer to get back to GAO after the meeting or refer them to another source).

After the entrance conference, GAO will carry out its study. GAO may schedule follow-up meetings directly with the people identified during the entrance conference as ED's key contacts and may also request copies of relevant documents. All staff should ensure that they keep their respective PO GAO Contacts apprised of GAO meetings and requests for information, and provide to their ALO complete records of the information furnished to GAO. Staff should obtain OGC review before releasing to GAO nonpublic (or otherwise privileged) information or information covered by the Privacy Act. The GAO study may take a year or longer to complete, although some are much briefer.

## **E. GAO Exit Conference**

At the conclusion of GAO's study, GAO will request an exit conference to share its findings with ED, prior to issuing a written report. Exec Sec will arrange the exit conference (including arranging a teleconference or videoconference if needed) and coordinate with the PO GAO Contacts to ensure that key staff are present. Exec Sec will ask GAO to provide a written summary of its preliminary findings in advance of the meeting. In some cases, it may



be advisable for ED officials to discuss the potential GAO findings prior to the exit conference. Exec Sec will arrange these discussions if needed.

**Note:** It is very important that the Lead Office's Senior Officer or his/her designee attend the exit conference.

At the exit conference, GAO will present the study's findings. GAO may provide a written document that includes the key facts and other information on which GAO is relying to formulate recommendations. The purpose of the exit conference is to confirm that GAO's facts are correct. GAO may also discuss recommendations that will be made to ED.

The Senior Officer (or designee) should advise GAO of any significant concerns ED has with GAO's methodology or findings, either at the exit conference or as soon afterward as possible.

ED participants at the GAO exit conference should:

- Ask any questions needed to ensure they understand GAO's material;
- Indicate any factual errors in GAO's material, at the exit conference if possible, otherwise, as soon as possible afterward; and/or
- Alert GAO to any new publicly available information, such as recently released reports or regulations, that would assist GAO in preparing its report.

ED participants should *not*:

- Discuss potential ED policy decisions (such as whether specific legislation, if introduced, would be supported by ED);
- Discuss pre-decisional (or otherwise privileged) matters that have not been fully reviewed within ED; and/or
- Discuss legal advice they have received from OGC, including discussions of privileged matters or matters covered by the Privacy Act.

**Note:** Occasionally GAO will collect its handouts at the end of the exit conference; therefore, it is important to take notes during this meeting.

Exec Sec will obtain and distribute a list of meeting attendees and contact information.

## **F. GAO Draft Reports**

In most cases, when GAO completes a study in ED, GAO prepares a written report detailing the findings of the study and, in some cases, makes recommendations for corrective actions.

GAO provides a draft version of its report to ED, through Exec Sec, and provides an opportunity for ED to comment on the report before it is final.

**Note: GAO draft reports should be given very high priority by all POs.**

GAO normally provides only 10 business days (sometimes fewer, occasionally more) for ED to respond to the report. During those 10 days, the Lead Office must prepare a draft response to the report and Exec Sec must obtain ED clearance and the Secretary's approval of the draft response. ED's response to the draft report is printed in the final report, and this is the only opportunity for ED to comment formally on GAO's findings and recommendations.

The Lead Office GAO Contact is responsible for coordinating the Lead Office activities listed below.

If the draft report contains recommendations to ED:

1. Exec Sec will immediately distribute the draft report and assign it to the Lead Office to prepare a draft response for the Senior Officer's signature. Exec Sec will normally set a deadline of five business days (depending on GAO's time frame) for the Lead Office to submit a draft response to Exec Sec.
2. Exec Sec will also provide copies to all relevant POs for review.
3. The Lead Office will prepare a draft response, which should, at a minimum, indicate whether ED agrees with GAO's findings and recommendations, or why it disagrees.
4. The Lead Office may also want to offer technical comments as an addendum to the draft response, correcting errors of fact in GAO's document.
5. The Lead Office GAO Contact should obtain the Senior Officer's approval of the draft response and return the draft response and technical comments to Exec Sec by the deadline established by Exec Sec.
6. Exec Sec will forward the draft response to the GAO Contacts in other relevant POs for review and comment. Exec Sec will coordinate with the Lead Office GAO Contact to revise the response in accordance with any comments received, and then forward the draft response to the Secretary for approval.
7. When the Secretary has approved the response, Exec Sec will inform the Lead Office GAO Contact, who will arrange to have the Senior Officer sign it, and will transmit the response to GAO, providing a signed copy to Exec Sec.
8. GAO will include ED's response in its final report.

If the GAO draft report does not contain recommendations to ED:

1. Exec Sec will assign it to the Lead Office for “appropriate handling,” and will also provide copies to all relevant POs.
2. ED is not required to respond to GAO draft reports that do not have recommendations; however, ED has the option to do so and often chooses to send a response if the report discusses major ED programs or policies. The Lead Office should review the report and determine whether ED wants to provide a written response that will be printed in the final report.
3. If the Lead Office decides to provide a written response, the Lead Office should advise Exec Sec immediately, and then coordinate the preparation of a response for the Senior Officer’s signature and submit it to Exec Sec, following the procedure outlined above for reports containing recommendations.
4. The Lead Office may also want to offer technical comments (correcting errors in the GAO draft report).
5. If the Lead Office decides to submit only technical comments, the Lead Office GAO Contact should still submit them to Exec Sec for clearance. However, the Secretary’s approval is not normally needed on technical comments. Once the technical comments have been cleared in ED, Exec Sec will transmit them informally (with no signature) to GAO.

After GAO has received and reviewed ED’s comments on its draft report, GAO will issue the report in final form.

## **G. GAO Final Reports**

GAO’s final report is generally addressed to the Member of Congress who requested the study. GAO final reports are public documents and are posted on GAO’s Web site, [www.gao.gov](http://www.gao.gov). GAO officially transmits a copy of its final report to the Secretary of Education, through Exec Sec.

If a GAO final report **does not** contain recommendations to the Secretary of Education, Exec Sec will distribute copies of the report to interested POs for information only. There is no further action needed on these types of reports.

If a GAO final report contains recommendations to the Secretary of Education, the Secretary is statutorily required to advise Congress of the corrective actions that will be taken to implement the recommendations. The Secretary has 60 days to provide this response. During those 60 days, the Lead Office must prepare a draft response to the report and Exec Sec must obtain ED clearance and the Secretary’s approval of the response.

The following is ED's process for preparing the Secretary's response to GAO final reports that contain recommendations. The Lead Office GAO Contact is responsible for coordinating the Lead Office activities.

1. Exec Sec will assign the final report to the Lead Office to prepare a response for the Secretary's signature.
2. The Lead Office will prepare a response for the Secretary's signature. This response will be addressed to OMB, GAO, and certain Members of Congress. Exec Sec will be responsible for preparing the mailing list; the Lead Office just needs to provide the text of the letter.
3. The text of the letter must state each GAO recommendation as it is worded in the report and, for each recommendation, identify the actions ED plans to take to implement the recommendation. GAO's exact wording – verbatim – should be used for the title of the report and the recommendations.
4. If ED disagrees with a recommendation, or is unable to carry out the recommendation, the Lead Office should state that ED will not comply and explain the reasons. (For example, ED may argue that it lacks statutory authority to implement the recommendation.)
5. The Lead Office should obtain its Senior Officer's approval of the letter, and then forward the letter electronically to Exec Sec for the Secretary's signature, no later than the deadline established by Exec Sec (normally 30 calendar days).
6. Exec Sec will clear the letter in ED, including obtaining OGC review, and obtain the Secretary's signature.
7. Exec Sec will notify the Lead Office GAO Contact when the Secretary has signed the letter.
8. Exec Sec will be responsible for distributing the letter to Congress, OMB, and GAO, and for providing a signed copy to the Lead Office GAO Contact (and to others upon request).
9. PAG/OCFO will monitor ED's implementation of the corrective action plan through AARTS.
10. Exec Sec will coordinate with PAG/OCFO to respond to requests from GAO for information on the status of the Department's implementation of corrective actions.

#### **H. Entering Responses to GAO Final Reports into AARTS**

1. The AO or AO designee should enter a response directly into AARTS only after the Secretary has signed the Department's official response to the final report. The corrective actions entered into AARTS should match the ones included in ED's response

to Congress, OMB, and GAO. Each corrective action should have a target completion date. The AO or AO designee should provide the name(s) of the contact person(s) for each corrective action.

2. When a final report is issued to more than one office, the PAO is responsible for coordinating AARTS user roles with all CAOs and notifying PAG/OCFO of the name of the writer, reviewer and authorizer for each recommendation, as well as the responsible manager for each recommendation.
3. If there is a CAO with recommendations assigned to it, the AO or AO designee for the CAO is responsible for entering his/her individual corrective actions in AARTS, providing contact names and target completion dates.
4. The AO or AO designee should submit each recommendation to PAG/OCFO, via AARTS, once all corrective actions have been entered to address the recommendation.

## I. Corrective Actions

1. The AO or AO designee should periodically review and update the CAP through AARTS, which includes updating the expected completion dates and status comments.
2. Upon completion of an action item, the AO or AO designee should enter into AARTS the actual date of completion and any comments. Upon completion of all action items related to a recommendation, the AO or AO designee must send to PAG/OCFO for review, documentation to support completion of each action item in the completed recommendation.
3. When all corrective actions have been implemented and all recommendations completed in AARTS, the AO or AO designee should request closure of the audit report through submission of a Request for Closure/Certification Memorandum to the Director of PAG/OCFO through AARTS. A hard copy of the Request for Closure/Certification Memorandum should also be sent to the Director of PAG/OCFO. The Request for Closure/Certification Memorandum should state at a minimum that (1) all corrective actions have been implemented, (2) the information contained in AARTS is accurate and current, (3) there is documentation to support implementation of all corrective actions, and (4) the documentation is available for review upon request. In addition, the AO or AO designee should submit a completed [Internal Audit Checklist](#) and any documentation to PAG/OCFO.
4. Each AO must maintain documentation to support implementation of each corrective action in accordance with the [Guidelines for Establishing File Folders and Maintaining Documentation](#). The documentation must be specifically identifiable to a corrective action to withstand any post audit review by PAG/OCFO, ED-OIG, GAO and/or OMB. All ED-OIG audit records must be retained by an AO for at least five years after PAG/OCFO has closed the audit report

5. The PAO and CAO are each responsible for collecting and maintaining all supporting documentation for completed recommendations and/or corrective actions assigned to them. The PAO is responsible for maintaining documentation for all completed recommendations in the audit report.
6. The CAO is responsible for submitting a Certification Memorandum to the PAO when all of its corrective actions have been completed.

#### **J. PAG/OCFO Closure Process**

1. Upon receipt of the AO's Request for Closure/Certification Memorandum, PAG/OCFO will perform a timely review of the [Internal Audit Checklist](#) and any outstanding documentation.
2. If the audit was issued to more than one office, the PAO is responsible for submitting the Request for Closure/Certification Memorandum for the audit. The PAO must have the above-mentioned Certification Memorandum from the CAO before submission of the Request for Closure/Certification Memorandum to PAG/OCFO.
3. Upon completion of the closure process, the Director of PAG/OCFO will issue a Closure Memorandum to either the AO or PAO through AARTS.

#### **K. Follow-up**

1. PAG/OCFO initiates follow-up procedures upon issuance of the final audit report.
2. PAG/OCFO monitors an AO's progress in developing and implementing corrective actions. Monitoring continues until all corrective actions have been implemented.
3. Upon receipt of the AO's initial response to the final audit report and all subsequent submissions for resolution, PAG/OCFO will concur/non-concur through AARTS. PAG/OCFO will enter any reasons for non-concurrence through AARTS.

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## Section V: Department Responsibilities/ Authorizations

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### *Chapter 1: Responsibilities*

This chapter describes the general responsibilities of ED officials, offices and other organizations in the cooperative audit resolution and follow-up process. None of the responsibilities described here are inconsistent with a law or regulation, and they may not be interpreted in a way that is inconsistent because the law or regulation takes precedence.

Cooperative audit resolution and follow-up responsibilities are distributed within ED as follow:

#### **A. Action Official (AO)**

Each Assistant Secretary (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 (or equivalent office head) may delegate in writing part or all of the cooperative audit resolution responsibilities to another official(s) within the Assistant Secretary's (or equivalent office head's) organization. This official(s) is authorized to sign program determination letters; respond to draft and final audit reports and alternative products issued by [ED-OIG](#) and [GAO](#); and request closure/certification of internal, nationwide, GAO, and ED-OIG alternative products; as well as carry out other responsibilities as appropriate. For purposes of audit follow-up, a re-delegation of cooperative audit resolution responsibilities to another official within the AO's organization should be communicated to PAG/OCFO.

The AO is responsible for:

1. 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 within the six-month resolution time frame.
2. Collaborating with OGC and ED-OIG on anticipated program determinations, as appropriate, using cooperative audit resolution principles and practices.
3. Identifying and pursuing opportunities with the auditee to resolve audit findings using cooperative audit resolution principles.
4. Monitoring auditee actions in order to ensure implementation of recommendations sustained in program determinations.
5. Linking cooperative audit resolution with program monitoring and technical assistance efforts so that monitoring teams are aware of audit issues.

6. Providing information, technical assistance, and logistical support to OGC in presenting ED's position in the case of an audit appeal and/or voluntary mediation of an audit dispute.
7. Ensuring that cooperative audit resolution and follow-up personnel are appropriately trained.
8. Elevating disputed issues to the AFUO.
9. Providing information and logistical support to the AFUO when required.
10. Providing periodic reports to the AFUO on the status of corrective actions to be taken by ED in response to the recommendations contained in GAO and ED-OIG audits. Also, providing periodic reports to the AFUO on the status of PDLs for findings in external audit reports.
11. Designating an ALO to coordinate the resolution process or other responsibilities as deemed appropriate by the AO.
12. Submitting to ED-OIG, via AARTS, action items for resolution of ED-OIG audits and alternative products.
13. Submitting to PAG/OCFO, via AARTS, action items for closure of ED-OIG audits and alternative products.
14. Submitting to PAG/OCFO, via AARTS, action items for resolution and closure of GAO audits.
15. Submitting to PAG/OCFO a Request for Closure/Certification Memorandum of audit reports, as appropriate, after implementation of all corrective actions for GAO and ED-OIG audits and alternative products.
16. Maintaining formal, documented systems of cooperative audit resolution and follow-up to ensure that:
  - a. Audit reports are reviewed promptly and program determinations are made on audit findings.
  - b. Determinations are issued for monetary audit findings when possible before an applicable Statute of Limitations bars recovery of disallowed costs.
  - c. Audit recommendations are implemented, completion dates captured, and appropriate documentation maintained to support completed corrective actions, which includes verifying the recovery of all amounts determined to be owed to ED.



- d. Timely assistance/cooperation is provided to PAG/OCFO during the verification process.
- e. Reports are received from OCFO on collection activity verifying recovery of all amounts determined to be owed to ED.
- f. PDLs and ACDs that require the return of funds are promptly reported to GPARRP/OCFO for appropriate action.

## **B. Audit Liaison Officer (ALO)**

Each AO responsible for issuing determinations has designated an ALO who is responsible for coordinating the overall resolution and closure of the audit report from beginning to end. The ALO is responsible for:

1. Acting as the central control point for all audit reports, audit resolution data and audit clearance documents relating to an AO's area of responsibility and ensuring adherence to the six-month resolution period.
2. Coordinating the PO-level triage process to obtain timely decisions, assessing whether there is adequate information to make a program determination, determining whether to request additional information from the auditor/auditee and attending Department-level triage meetings.
3. Coordinating action with other ALOs when necessary, for example, in matters involving cross-cutting findings.
4. Collaborating with OGC and ED-OIG on determinations using cooperative audit resolution principles and accepting OGC recommendations and ED-OIG comments on program determinations, as appropriate.
5. In the case of disagreement, conveying to the respective AO, the advisory recommendations made by OGC and the advisory comments made by ED-OIG, if any, on the proposed responses to an audit report, e.g., PDLs. Additionally, if an ALO does not seek OGC's review of program determinations, the ALO should inform the AO of the lack of OGC review when forwarding the PDL for the AO's signature.
6. Forwarding program determinations to the auditee not later than six months after the issuance of the audit report. If the PDL is not issued within six months, the audit will be reflected as overdue in AARTS.
7. Completing ACD and BUF through AARTS for internal audits and alternative products.
8. Verifying the PDL and ACD through AARTS for external audits.

9. Ensuring that actions are expedited for monetary determinations before an applicable Statute of Limitations bars the recovery of questioned costs.
10. Providing GPARRG/OCFO a copy of a PDL involving monetary recovery and the corresponding ACD, and notifying the team of any debts resulting from program reviews or other regulatory reviews and any changes or events (including stipulations) that affect the amounts or conditions of repayments owed to ED.
11. Requesting audit documentation if needed.
12. Establishing the AO's official audit files and logs and maintaining records necessary for timely, accurate and consistent monitoring of cooperative audit resolution activities. A system of internal controls must be established to ensure that appropriate plans to resolve audit reports using cooperative audit resolution principles are in place and to ensure that these actions are tracked through the resolution and follow-up process for each audit report.
13. Linking cooperative audit resolution with program monitoring and technical assistance efforts so that ED monitoring teams are aware of actions taken through audit resolution.
14. Maintaining proper tracking of AO responses to GAO reports, surveys and studies relating to the AO's area of responsibility to ensure that responses are timely and that status updates are entered timely into AARTS.
15. Tracking ED-OIG internal audit reports and alternative products, as appropriate, relating to the AO's area of responsibility to ensure that status updates are entered timely into AARTS.
16. Advising program officials on audit procedures and advising ED-OIG of program concerns and procedures.
17. Assisting OGC in connection with settlement negotiations and preparation of cases concerning appeals of full resolution determinations contained in PDLs.
18. Maintaining and updating records in AARTS and performing other appropriate functions to ensure the information in this tracking system is current and accurate.

### **C. Senior Managers with Audit Resolution and Follow-up Responsibilities**

Senior managers, those to whom an ALO reports, are the link between the ALO and the AO. As such, these senior managers are encouraged to keep the AO informed of resources needed by the ALOs to effectively manage cooperative audit resolution and follow-up functions. These senior managers are responsible for working with ALOs to identify the major issues related to the management of the post audit functions, as well as keeping top management informed of the implications of significant audit findings affecting the administration of ED programs.

**D. Audit Follow-up Official (AFUO)**

OMB [Circular A-50](#) provides that agency heads are responsible for designating a top management official to oversee audit follow-up, including resolution and corrective action. At ED, the Chief Financial Officer is the designated AFUO. The AFUO is responsible for:

1. Ensuring that a system of cooperative audit resolution and follow-up is documented and in place, including follow-up to ensure corrective actions are implemented.
2. Ensuring that timely responses and status reports, when necessary, are submitted for all audit reports.
3. Securing prompt cooperative audit resolution where either:
  - a. The AO has not accomplished such action within six months from the date the audit report was issued, or
  - b. A disagreement between the AO and OGC, ED-OIG, or PAG/OCFO has been elevated to the AFUO because the parties cannot reach agreement concerning the necessity and/or adequacy of proposed corrective actions.
4. Advising the Under Secretary of all audit reports that have been elevated to the AFUO for resolution.
5. Reviewing periodically all systems, controls and data collection efforts to ensure that actions necessary for the resolution of audit and alternative product report findings and recommendations are implemented.
6. Tracking and following up on all corrective actions to be taken by ED in response to internal reports issued by ED-OIG and GAO.
7. Providing semi-annual reports to the Secretary to be issued to Congress on program determinations and final actions taken on audit recommendations for a six-month period as designated in [Public Law 100-504, Inspector General Act Amendments of 1988](#).
8. Reviewing requests from AOs to suspend completion and issuance of a PDL (administrative stay).

**E. Cooperative Audit Resolution Specialist**

The cooperative audit resolution specialist is responsible for:

1. Determining actions to be taken and financial adjustments to be made in resolving findings in audit reports concerning respective program areas of responsibility within the six-month resolution time frame.

2. Sending a "35-day letter" (so called because the auditee has 35 days to respond) or other form of documented written or verbal communication to the auditee before proceeding with the resolution of audit findings and inviting the auditee to provide ED with any additional information regarding the auditor's findings, corrective actions planned or taken, or any other data that may have a bearing on the resolution of findings.
3. Requesting additional audit documentations if needed.
4. Collaborating with OGC and ED-OIG on anticipated program determinations, as appropriate, using cooperative audit resolution principles and practices.
5. In the case of disagreement, conveying to the respective ALO, the advisory recommendations made by OGC and the advisory comments made by ED-OIG, if any, on the proposed responses to an audit report, e.g., PDLs. Additionally, if the cooperative audit resolution specialist does not seek OGC's review of program determinations, the cooperative audit resolution specialist should inform the ALO of the lack of OGC review when forwarding the PDL to the ALO.
6. Identifying and pursuing opportunities with the auditee to resolve audit findings using cooperative audit resolution principles.
7. Ensuring that actions are expedited for monetary determinations before an applicable Statute of Limitations bars the recovery of questioned costs.
8. Drafting proposed program determinations that sufficiently address auditor findings and recommendations.
9. Reviewing corrective actions in order to ensure implementation of recommendations sustained in program determinations, and coordinating with the monitoring team, if applicable.
10. Maintaining proper tracking of AO responses to GAO reports, surveys and studies relating to the AO's area of responsibility to ensure that responses are timely and that status updates are entered timely into AARTS.
11. Tracking ED-OIG internal audit reports and alternative products, as appropriate, relating to the AO's area of responsibility to ensure that status updates are entered timely into AARTS
12. Maintaining and updating records in AARTS and performing other appropriate functions to ensure the information in this audit tracking system is current and accurate.

#### **F. Post Audit Group (PAG)**

[PAG/OCFO](#) is organizationally located within [OCFO](#) and provides staff support to ED's AFUO. On behalf of the AFUO, PAG/OCFO manages the cooperative audit resolution

process in ED for external, GAO and ED-OIG issued audits, develops program determinations on findings and recommendations assigned to OCFO for resolution, and oversees the post audit administrative process. PAG/OCFO is responsible for:

1. Monitoring ED's compliance with OMB Circular A-50, Audit Follow-up.
2. Chairing Department-level triage meetings and ALO issue meetings to review the appropriateness of PO-level triage decisions for unresolved audit reports within ED and discuss means of facilitating the resolution and closure of problem audit reports.
3. Managing the operation of AARTS and providing training to users.
4. Processing single audit reports received from FAC.
5. Issuing and closing single audit reports that require resolution after it is determined that the reports meet the requirements of OMB [Circular A-133](#) and contain sufficient information for resolution.
6. Identifying the AOs who have responsibility for the resolution of audit reports.
7. Preparing management's [Semiannual Report to Congress on Audit Follow-up](#) designated in [Public Law 100-504, Inspector General Act Amendments of 1988](#), for submission to Congress.
8. Participating in the review and clearance of ED responses to draft and final GAO reports (a responsibility shared with ODS, OGC, ED-OIG, and the Office of Legislation and Congressional Affairs).
9. Tracking, evaluating and documenting the completion of corrective actions by ED officials in response to internal audits and alternative products issued by ED-OIG and GAO.
10. Representing ED on interagency audit follow-up committees or groups established to improve the effectiveness and efficiency of Federal Government operations by promoting the prompt and proper conduct of cooperative audit resolution and follow-up and related activities among federal agencies.
11. Reviewing audit-related legislative proposals.
12. Providing leadership for special audit-related projects.
13. Developing cooperative audit resolution policies and procedures.
14. Coordinating ED training programs related to cooperative audit resolution and follow-up.

15. Along with POs, ensuring that ED grantees subject to the requirements of OMB Circular A-133 meet single audit reporting requirements.
16. Drafting and issuing program determinations (in consultation with program offices if the recovery of funds is sought) for audit findings that involve discretionary grant program funds and certain financial management and administrative cross-cutting issues.
17. Reviewing documentation of implemented corrective actions to ensure that pertinent documents are maintained and support closure. This review is performed prior to closure of internal audits issued by ED-OIG and GAO.
18. Reviewing, resolving and closing corrective actions submitted by AOs for GAO reports.
19. Notifying GAO when all corrective actions related to a GAO report have been taken and the audit is closed.

#### **G. Grant Programs and Administrative Reporting and Reconciliations Group (GPARRG)**

This group is a component within the OCFO. GPARRG/OCFO is responsible for:

1. Establishing receivables for amounts owed to ED.
2. Posting collections when received.
3. Providing the AO, PAG/OCFO, and ED-OIG with periodic reports on collection activity in order to verify recovery of all amounts determined to be owed to ED.
4. Notifying the AO or the ALO when collection activity has been completed.
5. Providing to ED-OIG the amounts of audit-related monetary recoveries and receivables written off during each ED-OIG semiannual period. This information is included in IG's and ED management's Semiannual Reports to Congress on Audit Follow-up.
6. Providing to the AFUO (on an annual basis) financial activity reports on receivables established for debts resulting from program reviews or similar regulatory reviews.

#### **H. Financial Improvement and Debt Management Group (FIDMG)**

This group is a component within the OCFO. The [FIDMG/OCFO](#) is responsible for:

1. Collecting monies due ED.
2. Establishing repayment schedules and ensuring that scheduled amounts are collected.
3. Referring delinquent receivables to Treasury.

4. Referring delinquent accounts to OGC for consideration of additional legal action.
5. Referring bankruptcy cases to OGC for filing claims on behalf of ED.
6. Recommending write-off of uncollectible debt.

## I. ED-OIG

The [ED-OIG](#) is responsible for:

1. Conducting independent and objective audits of ED programs, operations and/or activities, and conducting audits of entities receiving education funds.
2. Serving as the ED liaison and coordinating with governmental audit organizations and independent public accountants and other non-governmental auditors.
3. Preparing and distributing information or alerts on special or unique audit matters and notifying top management on major problem areas or possible sensitive issues.
4. Reviewing cooperative audit resolution actions proposed or taken by an AO and noting any significant disagreements.
5. Elevating issues and concerns about cooperative audit resolution to the AFUO, the Deputy Secretary, the Secretary or, through the Secretary to Congress, when appropriate.
6. Providing AOs additional data, information or audit services as needed and resources permit. [For audit services, ED-OIG and PAG/OCFO prepare a Memorandum of Understanding (MOU) detailing the parameters of ED-OIG's involvement and emphasizing in the MOU that all decisions are made solely by management.]
7. Making ED-OIG audit documentation available for examination by the AO and OGC as needed. Assisting AOs in obtaining audit documentation from non-federal auditors.
8. Providing appropriate support to OGC and AOs in representing ED in appeals of program determinations.
9. Preparing timely reports, surveys, issue papers and other documentation required by the Inspector General Act of 1978, as amended; OMB Circulars and other administrative directives.
10. Performing or assisting in the performance of on-site verification of corrective actions under special circumstances. [ED-OIG and PAG/OCFO prepare a Memorandum of Understanding (MOU) detailing the parameters of ED-OIG's involvement and emphasizing in the MOU that all decisions are made solely by management.]
11. Maintaining a work planning process for follow-up audits and Quality Control Reviews.

12. Conducting periodic reviews of the cooperative audit resolution and follow-up system in ED or specific aspects of the system.
13. Reviewing audit-related legislative proposals.
14. Along with PAG/OCFO, ensuring that ED grantees meet single audit reporting requirements.
15. Uploading into AARTS all pertinent audit information for ED-OIG issued (internal and external) audits and alternative products.
16. Reviewing and commenting in AARTS on proposed corrective actions submitted by AOs for ED-OIG issued audits and alternative products, noting any significant disagreements.

#### **J. Office of the General Counsel (OGC)**

[OGC](#) provides legal advice to ED Officials on cooperative audit resolution and is responsible for:

1. Reviewing audit findings upon request by AOs or ALOs and providing guidance and recommendations on approaches to take in developing program determinations on audit findings.
2. Reviewing and making a determination regarding documentation provided by an ALO in which the ALO states that an audit finding initially identified by PAG/OCFO as requiring resolution, does not, in fact, require resolution activity, or requires less than full resolution.
3. Reviewing program determinations in draft PDLs for legal sufficiency, upon request, and providing comments to AOs or ALOs within 30 days of receipt of draft PDLs, unless more time is requested in accordance with Section III, Chapter 4, I.
4. Representing ED in appeals of program determinations made by AOs and in settlement negotiations relating to such appeals.
5. Serving as the ED liaison with GAO and the Department of Justice (DOJ) on required referrals to those agencies of claims for compromise, corrective actions or litigation.
6. Working with DOJ in representing ED in court litigation arising from audits.
7. Notifying AOs and FIDMG/OCFO of any changes or events resulting from appeal decisions that affect the amounts or conditions of repayment of monies owed to ED.



**K. Executive Secretariat/Office of the Secretary**

The Executive Secretariat of the [Office of the Secretary](#) provides the following assistance to post audit resolution:

1. Serving as the ED focal point for all liaison and coordination with GAO concerning audit matters.
2. Reviewing and clearing ED responses to draft and final GAO audit reports.

**L. Federal Audit Clearinghouse (FAC)**

The [Federal Audit Clearinghouse](#) is organizationally located in the Bureau of the Census and serves as a central point of receipt for single audit reports submitted by entities required to submit such reports. FAC is responsible for receiving single audit reports, distributing to federal agencies reporting packages required by OMB Circular A-133, maintaining a database of completed audits, providing appropriate information to federal agencies and following up with non-respondents.

**M. Office of Administrative Law Judges (OALJ)**

The OALJ is organizationally located within ED's Office of Management (OM), [Office of Hearings and Appeals](#).

The OALJ hears appeals concerning monetary program determinations in PDLs (and certain other specific types of cases involving enforcement of grant requirements) in applicable grant programs. The regulations at [34 CFR 81.2](#) define "applicable program" to include any program for which the Secretary has administrative responsibility, except a program authorized by the Higher Education Act of 1965, as amended, or the Impact Aid statute (Title VIII of the ESEA, 20 U.S.C. 7711).

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## Section V: Department Responsibilities/ Authorizations

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### *Chapter 2: Authorizations*

The following are laws, circulars and regulations governing audit reports.

#### **A. The General Education Provisions Act ([GEPA](#)), as amended**

Section 443 of GEPA, 20 U.S.C. 1232f, establishes recordkeeping requirements applicable to recipients of federal education funds and provides the Secretary and his/her representatives access to those records during an audit examination. Part D (Sections 451 – 460) of GEPA, 20 U.S.C. 1234 – 1234i, sets forth the enforcement provisions applicable to most grant programs administered by the Secretary and creates an Office of Administrative Law Judges to hear audit appeals and other enforcement proceedings arising under those programs. Particularly noteworthy is that Part D:

1. Requires that a program determination letter establish a *prima facie* case for the recovery of funds.
2. Contains several provisions designed to improve the availability, timeliness and quality of ED's guidance to recipients.
3. Requires that the amount of funds recovered by ED be proportionate to the extent of harm the violation caused to an identifiable federal interest and reflects an analysis of the program services actually received in determining the harm to the federal interest.
4. Provides for discovery in proceedings before Administrative Law Judges in certain circumstances.
5. Expands the Secretary's authority to compromise a claim without resorting to government-wide procedures (i.e., review by the DOJ).
6. Requires ED to establish a process for the voluntary resolution of disputes.
7. Allows the Secretary to enter into a compliance agreement with a recipient in order to bring the recipient into full compliance with the law as soon as feasible.

#### **B. [Inspector General Act of 1978, as amended](#)**

The Inspector General Act, as amended, places within ED-OIG the responsibility for conducting, supervising and coordinating audits and investigations of ED programs, operations, and /or activities. The Act requires that semiannual reports summarizing

Inspector General activities be submitted through the Secretary to the Congress. The semiannual report must include:

1. A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations disclosed by audits completed during the reporting period.
2. A description of the recommendations for corrective action that address significant problems, abuses or deficiencies.
3. An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.
4. A listing of each audit report completed by ED-OIG during the reporting period.

The Act also places responsibilities on federal agency management for (1) reporting directly to Congress on management decisions (program determinations) and final actions regarding audit recommendations, and (2) providing reasons why action on any audit recommendation remains incomplete after one year following a management decision (program determination).

**C. Single Audit Act Amendments of 1996**

The Single Audit Act Amendments of 1996 establish uniform audit requirements for state and local governments, Indian tribal governments and non-profit organizations. The Amendments streamline and improve the Single Audit Act of 1984.

**D. Government Accountability Office Reports**

Section 720 of Title 31, U.S. Code states that when the Comptroller General makes a report that includes a recommendation to the head of an agency, the head of the agency shall submit a written statement to certain congressional committees within a specified time, on the action taken by the head of the agency to respond to the recommendation.

**E. OMB Circular A-21, Cost Principles for Educational Institutions**

OMB Circular A-21, amended as of May 10, 2004, establishes principles for determining allowable costs applicable to federal grants, contracts, and other agreements with educational institutions. The principles are designed to provide that the Federal Government bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law.

**F. OMB Circular A-50, Audit Follow-up**

OMB Circular A-50 requires federal departments and agencies to resolve audit reports within six months of their issuance. This requirement applies to both external audits as well as

internal audit reports. Circular A-50 also requires agencies to designate an Audit Follow-up Official and sets standards for agency audit follow-up systems as follows:

1. Require prompt resolution and corrective action on audit recommendations.
2. Specify criteria for proper resolution and implementation of audit recommendations.
3. Maintain accurate records of the status of audit reports or recommendations through the entire process of resolution and corrective action.
4. Provide a means to assure timely responses to audit reports and to resolve major disagreements between agency management and the audit organization.
5. Assure that resolution actions are consistent with laws, regulations and administrative policies, and include written justification containing, when applicable, the legal basis for decisions not agreeing with the audit recommendations.
6. Provide for coordinating resolution and corrective action on recommendations involving more than one program, agency or level of government.
7. Provide semiannual reports to the agency head on the reasons for and status of all unresolved audit reports over six months old.
8. Provide for periodic analysis of audit recommendations and resolution actions to determine trends and agency-wide problems and recommend solutions.
9. Assure that performance appraisals of appropriate officials reflect effectiveness in resolving and implementing audit recommendations.
10. Provide for periodic evaluations of whether the cooperative audit resolution and follow-up system results in efficient, prompt and proper resolution and corrective action on audit recommendations.

**G. [OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments](#)**

This circular, amended as of May 10, 2004, sets forth cost principles and standards that generally apply to grants and sub-grants awarded to governments.

**H. [OMB Circular A-102, Uniform Requirements for Grants and Cooperative Agreements with State and Local Governments](#)**

This circular, amended as of August 29, 1997, enables federal agencies to provide uniform administrative requirements for state and local government recipients and subrecipients of federal financial assistance.

**I. [OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations](#)**

This circular, amended as of September 30, 1999, establishes uniform administrative requirements for federal grants and agreements awarded to institutions of higher education, hospitals and other non-profits. Circular A-110 also provides:

1. Limited guidance for conducting audits of these institutions.
2. Consistency and uniformity among federal agencies in the administration of grants and other agreements with public and private institutions of higher education, public and private hospitals, and other quasi-public and private nonprofit organizations.
3. A set of uniform administrative requirements for educational institutions.

It should be noted that Circular A-133 supersedes the audit requirements set forth in Attachment F 2(h) of Circular A-110.

**J. [OMB Circular A-122, Cost Principles for Nonprofit Organizations](#)**

This circular, amended as of May 10, 2004, establishes principles for determining costs of federal grants, contracts and other agreements with nonprofit organizations. The circular does not apply to colleges and universities.

**K. [OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations](#)**

This circular, revised and re-published as of June 27, 2003, establishes audit requirements for states, local governments, Indian tribal governments and other nonprofit organizations. In addition, it defines federal responsibilities for implementing and monitoring these audit requirements.

**L. [OMB Compliance Supplement for Audits of States, Local Governments and Nonprofit Organizations](#)**

The compliance supplement is updated annually. It is intended to assist auditors in planning and performing audits in accordance with the requirements of the 1996 Single Audit Act Amendments and OMB Circular A-133. It sets forth the major compliance requirements that should be considered in an organization-wide audit of states, local governments, Indian tribal governments and other nonprofit institutions that receive federal assistance.

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## Section VI: Post Audit Documents, Forms and Other Resolution Matters

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### *Chapter 1: Suggested Program Determination Letter (PDL) Format and Language*

#### *Privileged Information For Internal Use Only*

The purpose of this chapter is to assist ED officials in drafting PDLs for programs that are subject to the requirements of Part D of the General Education Provisions Act (GEPA) (20 U.S.C. 1234 et seq.). Part I provides specific instructions that should be followed when preparing any GEPA PDL. Part II contains additional instructions that should be followed if the PDL is being issued by more than one AO.

This document does not cover determinations involving the Higher Education Act of 1965, as amended.

#### **A. Suggested Format and Language for Program Determination Letters**

In general, AOs should use the following format and language when drafting PDLs.

##### *1. Heading*

Include the following in the heading of the PDL:

- a. A notation that the document is being sent "Certified Mail - Return Receipt Requested" or other means that ensures proof of receipt.

**Note:** Evidence of the date of receipt of the PDL is significant in determining whether an appeal is filed timely and whether recovery of any portion of a refund demand is barred by the Statute of Limitations. The certified mail receipt (i.e., the "green card"), therefore, must contain specific information that identifies the particular PDL (e.g., the name of the recipient, the applicable ACN).

- b. The name(s) and address(es) of the grant recipient(s).
- c. The ACN and title, description or grant number(s) of the audit (or, in the case of a program review or other investigation, some identification of that review or investigation).
- d. The date the final audit report or other underlying document was issued.

**Illustration I: Heading**

Certified Mail - Return Receipt Requested  
 Name and Address:  
 Reference: ACN xx-xxxxx  
 Title, Description or Grant Number(s) of Audit:  
 Final Audit Report Issued: [Date]  
 Dear:

*2. Opening Statement*

Prepare an introduction that identifies: (1) the ED official(s) issuing the PDL, (2) the source of the audit [or review], and (3) the scope of the audit [or review].

## a. Official(s) Issuing the PDL

Identify by title the ED official(s) issuing the respective determinations in the PDL. If money is to be returned to ED, indicate that the monetary determinations of the AOs constitutes "preliminary departmental decisions" within the meaning of Part D of GEPA.

**Illustration II: Identification of Action Officials**

This letter presents the determinations of [insert title of the applicable AO]. The monetary determinations in the PDL constitute "preliminary departmental decisions" within the meaning of Section 452 of the General Education Provisions Act, 20 U.S.C. § 1234a.

## b. Source of the Audit

Identify the agency or organization that conducted the audit. (If the findings and recommendations resulted from a program review or other type of investigation, indicate which office conducted the review or investigation.)

## c. Scope of the Audit

Provide information that assists the auditee in understanding the scope of the underlying audit or review. For example, describe briefly the type of audit or review, identify generally the grants or programs examined, and state the project period(s) for which compliance was reviewed.

3. Program Determinations

Describe under separate subheadings: (1) each finding, (2) the auditor's recommendation to that finding, (3) the auditee's response, if any, to the finding, and (4) the determination of the applicable AO.

**Illustration III: Program Determination**

Determination(s) of [Insert AO's Title and Office]

The [AO's] determination on each finding is presented below. In any future correspondence with the Department concerning these determinations, please refer to Audit Control No. [insert ACN] and the finding number(s).

Finding No. xx [Insert Short Title of Finding]

Audit Finding

XX

XX

Audit Recommendation

XX

XX

Auditee's Response

XX

XX

[AO's] Determination

XX

XX

Corrective Action (if applicable)

XX

XX

When drafting a program determination, use the following instructions to prepare the respective subsections illustrated above:

a. Audit Finding

Summarize briefly and objectively the auditor's finding, including the rationale provided in the audit report for that finding and the requirements that were violated.

b. Audit Recommendation

Discuss the auditor's recommended corrective action, including recommendations for disallowed or questioned costs and recommendations for non-monetary corrective action.



c. Auditee's Response

Summarize the auditee's response to the finding. Describe in this section any new documentation or evidence that was presented by the auditee after issuance of the final audit report.

d. AO's Determination

State the applicable AO's position on the finding (i.e., whether the AO sustains, sustains in part, or does not sustain the finding). Include a carefully reasoned analysis of the findings and auditor's recommendations, the auditee's response and other documentation upon which the determination is based. Discuss the particular facts in conjunction with the relevant legal authority (with specific citations) and analyze the sufficiency of the auditee's corrective action, as discussed in paragraph e. below. If a monetary determination is made, make sure that the PDL establishes a *prima facie* case for the recovery of funds under Section 452(a)(2) of GEPA and takes into consideration the measure of recovery standards in Section 453 of GEPA.

i. Prima Facie Case

In order to meet the *prima facie* test, a PDL seeking the recovery of funds must contain a statement of the law and facts (and the supporting evidence) that, unless rebutted, is sufficient to sustain the conclusion a violation has occurred and that funds must be returned to ED. Therefore, the PDL should identify:

- The particular grant(s) and program(s) to which each disallowance relates,
- The amount of disallowance for each finding,
- How the disallowance was calculated by the AO (e.g., whether certain evidence submitted by the auditee was used to reduce the disallowance, whether and to what extent estimates or prorating was used to calculate the disallowance),
- The period to which the disallowance relates,
- The pertinent facts that led to the conclusion that funds must be returned or are not sought to be returned,
- All relevant legal authority supporting the disallowance, and
- All evidence supporting that a violation occurred.

In establishing a *prima facie* case for the recovery of funds, the PDL must contain the underlying factual evidence supporting the violation. This evidence may be from an audit report, an investigative report, a monitoring report, audit

documentation, or other sources. The underlying evidence, such as reports or audit documentation, should be attached to the PDL, as appropriate. AOs should not refer to privileged documents.

ii. Measure of recovery

In calculating the amount of funds that a recipient should be directed to return, ED's AOs must take into consideration (1) the proportionality standards, (2) relevant mitigating circumstances, and (3) the effect of the Statute of Limitations.

**Proportionality –**

Any amount disallowed in a PDL must be "proportional to the extent of the harm [the] violation caused to an identifiable federal interest associated with the program." 20 U.S.C. 1234b(a)(1); 34 CFR § 81.32(a)(1). It is important, therefore, that there be a clear link between the particular funds at issue and the legal authority that serves as the basis for the disallowance. In general, a PDL should describe the harm that a particular violation represents to an identifiable federal interest. Identifiable federal interests include, but are not limited to, serving only eligible beneficiaries, providing only authorized services, complying with expenditure requirements (such as set-aside, excess cost, maintenance of effort, comparability, non-supplanting, and matching), preserving the integrity of application, recordkeeping and reporting requirements, and maintaining accountability for the use of funds 20 U.S.C. 1234b(a)(1); 34 CFR 81.32(a)(2). A PDL must also provide an analysis reflecting the value of the program services actually obtained in determining the extent of the harm to the federal interest caused by a particular violation.

**Illustration IV: Proportionality**

The [auditee's] violation of [cite requirement] and the expenditures associated with the violation harmed the federal interest in ensuring that education grant funds are used only for allowable costs and properly supported costs. 20 U.S.C. § 1234b(a)(2) and 1234a(a)(3). [Note: Cite to 1234(a)(3) if a basis of your *prima facie* case is the recipient's failure to maintain records required by law.] When grant funds are not used for allowable activities, the intended beneficiaries of that grant are deprived of services they otherwise would have received. It is the ED determination, therefore, that [auditee] must refund to the Department \$[amount].

or

The [auditee's] violation of the [cite requirement] in [citation to relevant legal authority] represents a substantial harm to the federal interest in [describe the federal interest harmed by the violation. The degree of detail needed in this discussion will depend on the nature of the violation and the facts of the case.] It is ED's determination, therefore, that [auditee] must

refund to the Department \$[amount].

### **Mitigating Circumstances –**

Under Section 453(b)(1) of GEPA, the Department is precluded from recovering funds from certain types of recipients if a violation is attributable to certain specifically identified mitigating circumstances. The limited instances in which mitigating circumstances would permit state and local educational agencies to avoid liability for misspent funds are detailed in 34 C.F.R. § 81.33. In general, the PDL should specifically address the issue of mitigating circumstances only if the issue has already been raised by the grantee or if it is clear that mitigating circumstances exist.

### **Statute of Limitations –**

Instructions concerning the Statute of Limitations are included in paragraph 4(d) below.

#### e. Corrective Action

Before accepting corrective action from the auditee as resolving a particular audit finding, the AO should review the corrective action to make sure it:

- Addresses the complete finding and all recommendations;
- Contains a solid, workable plan for action;
- Is supported by documentation to show that it is fully implemented or is accompanied by a timeline for implementation that would be completed within a reasonable specific time; and
- Provides for the auditee to review whether the corrective action plan, once implemented, has fully corrected the problem identified by the auditors and/or the auditors' specific recommendations.

If the corrective action provided by the auditee does not respond to all of the above elements, the PDL should require additional corrective action, which should be described in detail in the PDL.

#### i. Corrective Action Not Completed

For corrective actions not yet completed, include the following language at the end of the determination.

**Illustration V: Corrective Action Required**

Within sixty days of the date of this letter, please advise this office in writing of the steps your [agency/institution/organization] has initiated to carry out the corrective actions cited in this [letter/enclosure]. Your response should be sent to the following address:

[Name and Address of AO]  
Attention: [insert name of contact person] (optional)

Review of the implementation of these corrective actions to determine if they were in fact implemented properly may occur during future reviews of your federal education programs. Please be aware that failure to implement the corrective actions may result in the issuance of monetary determinations or affect future federal funding.

After we review the [agency/institution/organization's] corrective action, we will determine whether any further corrective action is necessary, including the return of funds, in which case we will issue a separate PDL. In the meantime, we consider this finding to be resolved.

In unusual circumstances (e.g., where there are complex findings), the auditee may be given more than sixty days to initiate the corrective action.

ii. Corrective Action Completed

If the auditee has implemented some or all the corrective actions relevant to a particular AO, include the following language at the end of the AO's determinations.

**Illustration VI: Corrective Action Taken**

The information submitted by your [agency/ institution/ organization] on [specify date(s)] indicates that all corrective actions [or "corrective actions for findings number...."] required by this office have been fully implemented. Review of the implementation of corrective actions to determine if they were, in fact, implemented properly may occur during future reviews of your federal education programs. Please be aware that failure to implement corrective actions may result in the issuance of monetary determinations or affect future federal funding.

Note: This language also may be used to address abbreviated findings.

#### 4. *Repayment*

If the PDL contains monetary determinations, include the following instructions for repayment of audit-related debts. To help the grantee focus on the individual instructions, it is recommended that paragraph headings be used in the PDL, as shown below.

##### a. Source of Repayment

Indicate that repayment may not be made with federal funds for which accountability to the Federal Government is required.

#### **Illustration VII: Source of Repayment**

##### Source of Repayment

When remitting repayment for this debt, your [agency/institution/ organization] must use non-federal funds or federal funds for which accountability to the Federal Government is not required.

##### b. Method of Repayment

Include the following instruction describing the method of payment.

##### i. When Auditee's Liability is \$100,000 or More

Indicate that repayment should be made by electronic transfer through the FEDWIRE Deposit System. Enclose the FEDWIRE EFT Message Format and Instructions with the PDL (see Section VI, Chapter 2).

#### **Illustration VIII: Repayment - Liability of \$100,000 or More**

##### Method of Repayment

Repayment should be made by electronic transfer through the FEDWIRE Deposit System. You should request your bank to transmit payment through FEDWIRE via the Federal Reserve Bank in New York. If your bank does not maintain an account at a Federal bank, it may use the services of a corresponding bank. Instructions for completing the electronic fund transfer message format are enclosed. Items 1-4 must be completed for proper credit to your account.

ii. When Auditee's Liability is Under \$100,000

Indicate that repayment should be made by check and provide the auditee's Data Universal Numbering System (DUNS) Number, Taxpayer Identification Number (TIN), and ACN as referenced below:

**Illustration IX: Repayment – Liability Under \$100,000**

Method of Repayment

Payment should be by check, made out to the "US Department of Education" and mailed to the following address:

US Department of Education  
P.O. Box 979026  
St. Louis, MO 63197-9000

The following identification data is applicable to this payment and must be placed on your check and any accompanying documents:

DUNS Number: [AO provide]  
TIN (Taxpayer Identification Number): [AO provide]  
Document Number (Audit Control Number): [AO provide]

c. Timing of Payments and Interest

Include the following language concerning payments and the assessment of interest.

**Illustration X: Timing of Payments and Interest**

Timing of Payments and Interest

Payment must be made within 60 calendar days from the date you receive this letter, unless you file a timely appeal of the PDL. If payment is not received nor an acceptable appeal filed within this period, interest will accrue from the date of this letter on the unpaid portion of the refund demand. Interest will be charged at the rate established under 31 U.S.C. § 3717 and published by the Secretary of the Treasury in the Federal Register and the Treasury Financial Manual as in effect on the date the PDL is issued.

d. Statute of Limitations

If any part of a monetary determination is barred by application of the Statute of Limitations, the amount barred should be subtracted from the amount directed to be returned.

In general, the following Statute of Limitations language should be used:

**Illustration XI: Statute of Limitations**

Statute of Limitations

Your attention is directed to the Statute of Limitations provision of Section 452(k) of the General Education Provisions Act, 20 U.S.C. § 1234a(k). If you believe that portions of the program determination(s) are affected by this provision, you may submit documentation to this office to indicate the effect of this provision and/or you may raise the effect of the provision as part of an appeal before the Office of Administrative Law Judges.

5. *Appeal Rights*

The PDL must contain notice of the recipient's right to obtain OALJ review of GEPA monetary determinations. The notice must describe the time available to apply for a review of a PDL and the procedure for filing an application for review. In addition, the PDL must inform the recipient of its right to request mediation of the dispute if an acceptable application for review is filed with the OALJ. By statute, the mediator must be agreed to by the recipient as well as by the applicable AOs and must be independent of both parties. To provide the necessary notice, a PDL requiring the repayment of funds should include the following language.

**Illustration XII: Appeal Rights**

Appeal Rights

If your institution chooses to appeal the monetary determination in this letter, you must file an application for review with the Office of Administrative Law Judges in accordance with the specific requirements regarding such filings that are published at 34 C.F.R. §§ 81.12 and 81.37. The application must be filed within 60 calendar days from the date you receive this written notice and may be mailed via the U.S. Postal Service to the following address:

Office of Administrative Law Judges  
c/o Docket Clerk  
Office of Hearings and Appeals

U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, DC 20202-4615

If your institution wishes to file the application by hand, private messenger, or other private carrier, the appropriate address is as follows:

Office of Administrative Law Judges  
c/o Docket Clerk  
Office of Hearings and Appeals  
U.S. Department of Education  
490 L'Enfant Plaza, SW  
Suite 2100A, 2nd Floor  
Washington, DC 20024

If your agency wishes to file the application by facsimile transmission, please consult with the requirements contained in 34 C.F.R. §81.12, and contact the Office of Administrative Law Judges for the fax number. You may contact the Docket Clerk, Office of Administrative Law Judges, at (202) 619-9700, concerning this or any other questions that you have on the procedures for filing an application for review.

Any Department official whose PDL contains monetary determinations that are appealed to the Office of Administrative Law Judges becomes a "party" under the regulations in 34 C.F.R. Part 81. Therefore, a copy of the application must also be sent to each ED official who issued a determination that is being appealed. The addresses of the respective ED officials issuing determinations are included in an appendix to this letter.

An application for review must contain:

- A copy of this notice;
- A statement certifying the date you received this notice;
- A short and plain statement of the disputed issues of law and fact, your position with respect to these issues, and the identity of the disallowed funds that you contend need not be returned;
- A statement of the facts and reasons that support your position; and
- A statement certifying the date the application was served on the ED official(s) who issued the determinations that are being appealed.

If the OALJ accepts your appeal, you may request mediation by an independent mediator agreed to by your [agency/institution/organization] and the [applicable program office(s)].

## 6. *Signatures*

If there is only one AO issuing determinations, he/she should sign at the end of the PDL. If there is more than one AO issuing determinations, e.g., joint, cross-cutting findings, all AOs need to sign at the end of the PDL.



## **B. Instructions for PDLs Issued by More Than One AO**

If a PDL contains the determinations of only one AO, the AO has discretion to present the determinations either in the body of the PDL or in an enclosure to the PDL.

If the PDL contains the determinations of more than one AO, the determinations must be presented in enclosures to the PDL. In such instances, the AOs should adhere to the special instructions below.

### *1. Instructions for PDL Cover Letter*

The lead AO is responsible for preparing a PDL cover letter that contains the following information:

- a. A heading;
- b. An opening statement that describes the source and general scope of the audit, identifies the AOs, and references the respective enclosures of those AOs;
- c. A reference to the fact that "a detailed discussion of the program determinations is included in the enclosures to the PDL";
- d. The total refund demanded, a breakdown of those monetary determinations by enclosure number, and the repayment instructions for those determinations;
- e. A discussion of the appeal rights for monetary determinations; and
- f. The lead AO's signature.

### *2. Instructions for PDL Enclosure*

An AO providing an enclosure to the lead AO is responsible for ensuring that the enclosure contains the following information:

- a. Identification of the AO, auditee, and ACN;
- b. A discussion of the audit findings, audit recommendations, auditee's responses, and respective determinations;
- c. A discussion of any applicable corrective actions;
- d. If monies are to be returned, a reference to the fact that the appropriate repayment procedures are set forth in the cover letter to the PDL. If any part of these monetary determinations is clearly barred by application of the Statute of Limitations, that fact

should be stated in the applicable enclosure and the barred amount should be subtracted from the amount directed to be returned;

- e. A reference to the fact that the appropriate appeal procedures are set forth in the cover letter to the PDL, if the enclosure contains monetary determinations; and
- f. The AO's signature.

**Illustration XIII: Enclosure Format**

Enclosure No. XX [To be completed by lead AO]  
 Determination(s) of [Insert Title & Office of the AO]  
 The [AO's] determination on each finding is presented below. In any future correspondence with the Department concerning these determinations, please refer to Audit Control No. [insert ACN] and the finding number(s).

Auditee:

Audit Control #:

[Follow the format below for each finding]

Finding #: [Insert number and short title of finding]

Audit Finding

XX

XX

Audit Recommendation

XX

XX

Auditee's Response

XX

XX

[AO's] Determination

XX

XX

Corrective Action (if applicable)

XX

XX

[Note: If monies are to be repaid to the government, add the following.]

The repayment procedures for the monetary determinations in this enclosure are set forth in the cover letter to this PDL. If you wish to appeal the monetary determinations, you must follow the appeal procedures specified in the PDL cover letter.

## Section VI: Post Audit Documents, Forms and Other Resolution Matters

### *Chapter 2: FEDWIRE EFT Message Format and Instructions*

**A. FEDWIRE EFT Message Format**

ABA Number 02103004	Type/Sub-Type	
Sender No.:	Sender Ref. No.:	Amount ①

Sender Name (Automatically inserted by the Federal Reserve Bank):

---

Treasury Department Name/CTR: TREAS NYC / CTR/

BNF=ED / AC - 91020001 OBI=

Name / City /State: ② \_\_\_\_\_

DUNS/TIN: ③ \_\_\_\_\_

FOR: ④ \_\_\_\_\_

**B. FEDWIRE EFT Message Instructions**

Complete circled items 1-4 above as follows:

- ① Indicate amount including cents digits.
- ② Indicate Name, City and State.
- ③ Indicate DUNS Number and Taxpayer Identification Number (TIN).
- ④ Enter the reason for the remittance: Bill Number / Document Number / Other.

Provide the sending bank with a copy of the completed form.

This form contains other information the bank will need to transmit the FEDWIRE message.

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## Section VI: Post Audit Documents, Forms and Other Resolution Matters

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### *Chapter 3: Sample Standard Abbreviated Program Determination Letter (PDL)*

*Privileged Information for Internal Use Only*

[Date]

[Address]

Re: Audit Control Number:

Auditee:

Audit Period:

Dear \_\_\_\_\_:

The US Department of Education (ED) has received the audit report cited above, as well as your responses to the auditor's findings. This single audit was conducted by [insert name of audit firm] for the audit period of ###/###/##### through ###/###/#####.

This letter presents determinations for the findings in the above referenced audit report, for which the Office of \_\_\_\_\_ is responsible for resolving. Your responses and the auditor's evaluation indicate that corrective action for the findings number #, page # [continue to list findings...] have been made or are in process. We appreciate your prompt attention to these findings. Due to the nature of these findings and the progress you appear to have made in instituting corrective actions, we require no further submission to ED on these findings at this time. Please be aware, however, that in subsequent audits or program reviews, a review will be made of the corrective actions to ensure that they have been completed in an appropriate manner and have been implemented in a manner consistent with applicable requirements. If necessary, depending on the outcome of future audits and on the manner in which corrective actions have been implemented, ED may need to take further administrative action, including the recovery of funds.

Thank you for your cooperation in the resolution of this audit. If you have any questions regarding this letter, please contact \_\_\_\_\_ at \_\_\_\_\_.

Sincerely,

[Assistant Secretary]

## Section VI: Post Audit Documents, Forms, and Other Resolution Matters

### *Chapter 4: Audit Clearance Document (ACD)*

*Privileged Information for Internal Use Only*

#### A. Audit Clearance Document

<input type="checkbox"/> <b>Original Settlement</b> <input type="checkbox"/> <b>Amended</b> <input type="checkbox"/> <b>Revised ACD</b> <input type="checkbox"/> <b>Revised PDL</b> <input type="checkbox"/> <b>Compromise</b>				
Audit Control #:	Mgmt. Inf. Rpt./ Other ED-OIG Rpt#:	DUN:	PDL Date:	ACD Date:
Auditee Name:	State:	OPE ID:	EIN/TIN:	
<b>Section 1 Summary of Resolution Actions</b>				
Finding Numbers	Amount Recommended by Audit	Management Decision		
		Original ACD	Amended ACD	
<i>Questioned Costs:</i>	\$	\$	\$	
<i>Unsupported Costs:</i>				
<i>Other Recoveries:</i>				
<i>Non-Monetary:</i>				
<i>Deduct: Amount Not Recoverable Due to Statute of Limitations</i>		(\$            )	(\$            )	
<i>Deduct: Other Amount Not Recoverable</i>		(\$            )	(\$            )	
<i>Add: Addt'l Amount Recommended by the Action Official</i>		\$	\$	

<b>Total Amount Recoverable</b>		\$	\$			
<i>Total # of Findings:</i>	<i>List Open Finding #s:</i>	Deduct				
<i>Amounts Already Recovered :</i>		(\$ )	(\$ )			
<i>Adjustments at Auditee Site:</i>		(\$ )	(\$ )			
<i>Other: [Explain Below]</i>		(\$ )	(\$ )			
<b>Total Deductions</b>		(\$ )	(\$ )			
<b>Net Amount to be Collected</b> (Must equal amount shown in Section 3)		\$	\$			
<b>Section 2 Better Use of Funds</b>						
<b>Finding Numbers</b>	<b>Amount Recommended by Audit</b>	<b>Management Decision</b>				
	\$	\$				
	\$	\$				
<b>Section 3 Accounting Information</b>						
<b>Program</b>	<b>Contract/Grant #</b>	<b>Project Code</b>	<b>Fund Code</b>	<b>Object Class</b>	<b>Org. Code</b>	<b>Amount to be Collected</b>
						\$
						\$
						\$
Prepared By:			Approving Official:		OGC and/or ED-OIG Review (if needed):	
Comments:					Subject to Grantback? Yes <input type="checkbox"/> No <input type="checkbox"/>	

## B. Preparation of the ACD

Both the paper and AARTS versions of the ACD consist of the following sections.

- Section 1: Summary of Resolution Actions
- Section 2: Better Use of Funds
- Section 3: Accounting Information

### 1. *Section 1: Summary of Resolution Actions*

#### a. Finding Numbers

Information is automatically transferred to the ACD.

#### b. Amount Recommended by Audit

Information is automatically transferred to the ACD.

#### c. Management Decision/Original ACD

Enter, by type of finding (Questioned Costs, Unsupported Costs, Other Recoveries, Non-Monetary) and page number and/or finding number, the amount of funds sustained by the AO. These amounts should be the same as those identified to be returned in the PDL.

Section 1 also requests the AO to provide the following, when appropriate:

#### d. Deduct Amounts not Recoverable

Deduct, for example, amounts not recoverable due to the Statute of Limitations, and add other amounts to be returned as recommended by the AO to arrive at a total amount recoverable.

*Add Amounts Recommended by Action Official*

*Include Additional Amounts Recommended by Action Official*

#### e. Include Other Adjustments

Other adjustments include, for example, amounts already recovered and adjustments made at auditee site.

2. *Section 2: Better Use of Funds (BUF)*

In the appropriate columns, enter the **finding number(s)**, amount of **BUF recommended** in the audit and amount of **BUF sustained** under "management decision/original ACD."

3. *Section 3: Accounting Information*

In the appropriate columns, enter the **Program or CFDA Number, Contract/Grant Number, Project Code, Fund Code, Object Class, Organization Code, and Amount to be Collected.**

a. *Subject to Grantback*

Check the box as to whether any returned funds would be subject to grantback under Part E of GEPA. ED may not award a grantback for recovered funds that were awarded under a program that is not an "applicable program" for purposes of Part E of GEPA, which are programs under the HEA and Impact Aid.

- Check "No" if the amount to be returned is zero, the funds were awarded under the HEA, or the funds constitute Impact Aid.
- Check "Yes" if the amount to be returned is not zero, the funds were not awarded under the HEA, or the funds do not constitute Impact Aid.
- Check "Yes" if the PDL seeks recovery of funds for programs subject to Part E of GEPA, as well as programs not subject to Part E of GEPA. Then include in the "Comments" section, the finding number, CFDA number, and amount of the requested recovery that is not subject to grantback.

Identifying the funds as subject to grantback on the ACD alerts GPARRG/OCFO to establish a receivable for the funds in a separate account and establishes a limitation on the availability of the funds for disbursement for three years following the fiscal year in which the PDL is issued. (The availability period may be extended by a settlement agreement or an appeal to the OALJ.) Failure to identify the funds to be recovered as subject to grantback results in the funds being returned to the Treasury upon repayment.

b. *Amendments to ACDs*

Amended ACDs are those which are submitted after the original issuance of the PDL and ACD. Usually, actions reported as taken or in process on ACDs are final. However, when an administrative appeal decision changes what the AO reported in the original ACD, the AO must adjust the ACD to reflect the appeal decision. AARTS provides for an amended ACD. Instructions for the preparation of the original ACD generally apply to any amendments.



## Section VI: Post Audit Documents, Forms and Other Resolution Matters

### *Chapter 5: Time Frame Chart for Elevating Audit Resolution Disputes to Audit Follow-up Official (ED's CFO)*

<b>Time Frame</b>	<b>Event</b>
	ED-OIG provides AO, in writing, significant disagreement(s) with draft PDL and/or ACD, or proposed corrective action.
Within 5 Work Days	PO contacts ED-OIG to clarify disputed issues.
Within 5 Work Days	PO sends written notice to ED-OIG regarding impasse or planned actions.
Within 10 Work Days	If impasse exists, PO holds teleconference or meeting with ED-OIG.
Within 10 Work Days	If impasse persists, PO schedules meeting with Assistant IG for Audit, Deputy CFO and PO official.
Within 5 Work Days	If impasse persists, the Assistant IG for Audit will send written notice to AFUO/CFO that disputed issues are being submitted for resolution. Note: If PO is OCFO, dispute is referred to Under Secretary.
Total Time to Elevate Dispute = 35 Work Days	AFUO/CFO resolves disputed issues.

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## SECTION VII: GLOSSARY OF ACRONYMS

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AARTS	Audit Accountability and Resolution Tracking System
ACD	Audit Clearance Document
ACN	Audit Control Number
AFR	Application for Review
AFUO	Audit Follow-up Official
ALO	Audit Liaison Officer
AO	Action Official
BUF	Better Use of Funds
CAO	Collateral Action Official
CAP	Corrective Action Plan
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CMIA	Cash Management Improvement Act
DOJ	U. S. Department of Justice
DUNS	Data Universal Numbering System
ED	U. S. Department of Education
ED-OIG	Office of Inspector General
EDGAR	Education Department General Administrative Regulations
ESEA	Elementary and Secondary Education Act of 1965
FAC	Federal Audit Clearinghouse
FIDMG	Financial Improvement and Debt Management Group
FOIA	Freedom of Information Act
FSA	Federal Student Aid
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GAPS	Grants Administration Payment System
GEPA	General Education Provisions Act
GPARRG	Grant Programs and Administrative Reporting and Reconciliations Group
HEA	Higher Education Act of 1965
HHS	Department of Health and Human Services
IG	Inspector General
LEA	Local Educational Agency

OALJ	Office of Administrative Law Judges
OCFO	Office of the Chief Financial Officer
OGC	Office of the General Counsel
OMB	Office of Management and Budget
PAG	Post Audit Group
PAO	Primary Action Official
PDL	Program Determination Letter
PO	Principal Office
RSA	Rehabilitation Services Administration
SEA	State Educational Agency
TIN	Taxpayer Identification Number