

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

DEPARTMENTAL REGULATION	NUMBER: DR 1720-001
SUBJECT: Office of Inspector General Engagement Follow-up	DATE: June 29, 2023
OPI: Office of the Chief Financial Officer, Internal Control Division	EXPIRATION DATE: June 29, 2028

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1. PURPOSE

- a. This Departmental Regulation (DR) establishes the policy for United States Department of Agriculture’s (USDA) management to follow-up and report on final actions taken to resolve Office of Inspector General (OIG) engagements with recommendations. The report includes the disposition of disallowed costs and future monetary savings resulting from more efficient use of resources.
- b. This DR also establishes definitions, roles, and responsibilities, for follow-up on OIG engagements that include recommendations for USDA.

2. SPECIAL INSTRUCTIONS/CANCELLATIONS

- a. Mission Area, agency, business unit, and staff office heads are responsible for informing their employees of the provisions of this regulation.

- b. This regulation supersedes DR 1720-001, *Audit Follow-up and Management Decision*, dated November 2, 2011.
- c. All Mission Areas, agencies, business units, and staff offices will align their policies and procedures within this DR upon the publication date.

3. SCOPE

This DR applies to all Mission Areas, agencies, business units, and staff offices.

4. BACKGROUND

- a. This DR applies to engagements conducted by, for, or under the direction of OIG per the *Inspector General Act of 1978*, as amended, [5 United States Code \(U.S.C.\) App. 3](#) (IG Act); and Office of Management and Budget (OMB) Circular [A-50](#), *Audit Follow-up* (revised September 29, 1982).
- b. USDA's management, OIG, and the Office of the Chief Financial Officer (OCFO) will collaborate to carry out the requirements of this DR.

5. POLICY

Per IG Act requirements, Mission Areas, agencies, business units, and staff offices must:

- a. Propose a management decision to OIG within 60 calendar days of the report issuance date, if no management decision was reached at the time of report issuance;
- b. USDA management must agree to action(s) taken or planned to fulfill the intent of the recommendation(s) within an established timeframe of 1 year past management decision;
- c. Timely implement agreed-upon corrective actions associated with recommendations in accordance with the management decision; and
- d. Provide a follow-up process that encourages the timely completion and reporting on the status of corrective actions for all OIG engagements with recommendations.

6. ROLES AND RESPONSIBILITIES

a. The Inspector General or Designee will:

- (1) Conduct and supervise engagements of programs and operations and recommend corrective actions to USDA management;
- (2) Determine when management decision has been reached. When management decision is reached, provide information to the Mission Area, agency, or staff office involved, with a copy to OCFO, confirming recommendations and its position about what documentation is needed by the Mission Area, agency, or staff office to meet the intent of the management decision for future final action. Discussions and meetings between OIG and Mission Area, agency, or staff office officials to resolve differences will begin at the lowest appropriate level and escalate to the highest levels until agreement is reached; and
- (3) Review and decide upon requests for changes in the original agreed management decision.

b. Under and Assistant Secretaries will:

- (1) Designate an Agency Audit Liaison Official (AALO) to serve as a point of contact for the unit with OIG and the OCFO. Otherwise, delegate this responsibility to the agency or staff office head, as appropriate;
- (2) Monitor responsible units' completion of agreed upon corrective actions for longstanding unresolved recommendations, specifically engagements without final action 1 year after the management decision date; and
- (3) Periodically report to the Chief Financial Officer (CFO) on the status of all open recommendations, and annually provide a report with time-phased action plans for recommendations that remain open 1 year or more past the management decision date.

c. Agency and Staff Office Heads will:

- (1) Designate an AALO for their agency or staff office;
- (2) Hold appropriate Mission Area, agency, business unit, and staff office management officials accountable for follow-up responsibilities on OIG engagements;
- (3) Ensure that agency or staff office strategic or annual performance plans address appropriate major management challenges identified by OIG;
- (4) Consider internal control deficiencies cited in OIG reports when evaluating the effectiveness of internal control systems; and

- (5) Identify material deficiencies as required by the *Federal Managers' Financial Integrity Act of 1982* (FMFIA), [Public Law \(P.L.\) 97-255](#), as well as any system noncompliance as required by the *Federal Financial Management Improvement Act of 1996*, [P.L. 104-208](#).

d. AALOs will:

- (1) Promptly evaluate and report engagement findings and recommendations;
- (2) Use the Department's automated tracking system to monitor and track the status of corrective actions for recommendations pending final action;
- (3) Submit periodic status updates on corrective actions pending completion in the system by the established deadlines;
- (4) Reach management decisions with OIG within the statutorily mandated 6-month period from the date of the engagement report issuance, include corrective actions with estimated completion dates, and information on monetary amounts, as applicable;
- (5) Ensure any agreed-upon management decision satisfies the intent of the engagement recommendation, addresses the engagement finding, is cost-effective, and is consistent with results-oriented management;
- (6) Ensure for any confirmed disallowed costs that are owed to the Government that:
 - (a) A bill for collection is established at the time of management decision for all confirmed disallowed costs and is promptly recorded, unless otherwise negotiated between management and OIG; and
 - (b) The proper management of claims and accounts receivable is established and managed in accordance with Departmental accounting standards and the *Debt Collection Improvement Act of 1996*, [P.L. 104-134](#);
- (7) Ensure:
 - (a) The corrective action associated with each management decision is completed within 1 year of the management decision date or by the estimated date of completion as agreed to by agency or staff office management and OIG;
 - (b) Final action is achieved as agreed upon in the management decision unless a request for a change in management decision has been forwarded to the CFO and approved by OIG;

- (c) Appropriate documentation to fully support a request for final action is provided to the CFO in a timely manner and is free of all personally identifiable information;
 - (d) Actions being taken by the agency or staff office to implement and complete corrective actions on engagements without final action are on schedule;
 - (e) Retain engagement follow-up files and supporting documentation for 5 years from the date of acceptance of final action on the engagement, after which time, they may be destroyed; accurate information regarding the collection of disallowed costs, as well as any associated interest or penalty collected, is maintained and reported to the CFO;
 - (f) Monetary savings associated with recommendations referencing funds to be put to better use are reported as implemented or not implemented to the CFO as part of the final action process; and
 - (g) A prompt response is provided to data and reporting calls issued in writing by the CFO.
- e. The USDA CFO will:
- (1) Oversee Mission Areas, agencies, business units, and staff offices to ensure that engagement follow-up processes are established and maintained;
 - (2) Maintain the Department's automated tracking system for monitoring follow-up activities on engagements that include recommendations, including Mission Area, agency, business unit, and staff office status reports on pending corrective actions;
 - (3) Retain engagement follow-up files for 5 years from the date of acceptance of final action on the engagement;
 - (4) Issue policy guidance and provide technical support to Mission Areas, agencies, business units and staff offices;
 - (5) When a change in management decision is deemed appropriate by a CFO's designee, forward a request to OIG for approval, and notify the Mission Area, agency, business unit or staff office of OIG's response;
 - (6) Evaluate documentation of corrective actions implemented to determine if the intent of the recommendation has been met, in accordance with the management decision, and final action achieved;
 - (7) Annually prepare and distribute the statutorily mandated reports to the President and Congress;

- (8) Keep the agency or staff office's CFO, Heads of Staff Office, the Secretary of Agriculture, and Under and Assistant Secretaries informed of the status of corrective actions for all outstanding engagements;
 - (9) Issue reporting guidelines and data calls, as deemed necessary;
 - (10) Reserve the right to perform follow-up reviews of actions taken to implement engagements with recommendations and reopen closed recommendations, as deemed necessary; and
 - (11) Report on outstanding engagements to the Office of Budget and Program Analysis (OBPA) for budget purposes. The report must include a status for each open recommendation.
- f. The General Counsel will:
- (1) Promptly provide legal advice and assistance to Mission Areas, agencies, business units, and staff offices relating to requests for legislative or regulatory interpretations;
 - (2) Issue formal legal opinions to Mission Areas, agencies, business units, and staff offices pertaining to issues concerning management decisions or claims collections, when necessary; and
 - (3) Advise and concur on all Mission Area, agency, business unit and staff office claim referrals or requests for assistance from the Comptroller General or the U.S. Department of Justice (DOJ). This does not preclude OIG from submitting matters pertaining to its engagements or investigations to the Comptroller General or the DOJ.
- g. The Director, OBPA, will:
- (1) Collaborate with the CFO to report OIG engagements as part of the annual Congressional budget justification; and
 - (2) Issue a report that identifies and list the status of recommendations which remain unimplemented for 1 year or more from the annual budget justification submission date as required by the *Good Accounting Obligation in Government Act* (GAO-IG), [P.L. 115-414](#).

7. REPORTING

- a. The IG Act and OMB Circular [A-136](#), *Financial Reporting Requirements* require USDA to prepare a report to identify engagements for which corrective actions have not been completed and the associated disallowed costs and funds to be put to better use.
- b. Per P.L. 115-414, USDA must include, as part of the annual Congressional budget justification, OIG recommendations that remain unimplemented 1 year or more from the annual budget justification submission date.

8. INQUIRIES

Direct all inquiries regarding this DR to OCFO at (202) 720-5539 or the OCFO, Internal Control Division at OCFO-Internal-Control-Staff@usda.gov.

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APPENDIX A

ACRONYMS AND ABBREVIATIONS

AALO	Agency Audit Liaison Official
CFO	Chief Financial Officer
DOJ	Department of Justice
DR	Departmental Regulation
FMFIA	Federal Managers' Financial Integrity Act
GAO-IG	Good Accounting Obligation in Government Act
IG Act	Inspector General Act
MCAT	Management Control and Audit Team (OCFO component)
OBPA	Office of Budget and Program Analysis
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
U.S.C.	United States Code
USDA	United States Department of Agriculture

APPENDIX B

DEFINITIONS

Business Unit. A section, division staff office, or other organizational component within U.S. Department of Agriculture, e.g., the Farm Production and Conservation Business Center, Rural Development Business Center.

Change in Management Decision. An approved change in the originally agreed-upon corrective action(s) to be taken to implement an engagement recommendation.

Corrective Action. Measures taken to implement resolved audit (engagement) findings and recommendations. (Source: OMB, Circular A-50)

Disallowed Cost. A questioned cost that management, in the management decision has sustained or agreed should not be charged to the Government. (Source: *Inspector General Act of 1978*, [5 U.S.C. App. 5, § 5\(f\)\(3\)](#))

Engagement. A work project conducted by OIG that generally results in a written product. These engagements are typically classified as an audit, review, attestation, inspection, or non-audit service.

Engagement Finding. Statement of problem identified by OIG in an engagement report that has the elements of criteria, condition, cause, and effect, and meets the objective(s) of the OIG engagement. Inspection reports typically include these elements in their findings, however, the specific elements needed for an inspection finding depend entirely on the objectives of the inspection.

Engagement Follow-up. The process to ensure prompt and responsive corrective action is taken once management decision has been reached on recommendations contained in final OIG engagement reports.

Engagement Recommendation. A statement of action recommended by OIG to correct an engagement finding or a set of findings.

Final Action.

- a. The completion of all actions that the management of an establishment has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; and
- b. In the event that the management of an establishment concludes no action is necessary, final action occurs when a management decision has been made.

(Source: *Inspector General Act of 1978*, [5 U.S.C. App. 5, § 5\(f\)\(6\)](#))

Funds Be Put to Better Use. A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the engagement recommendation, including:

- a. Reductions in outlays;
- b. Deobligation of funds from programs or operations;
- c. Withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- d. Costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee;
- e. Avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or
- f. Any other savings which are specifically identified.

(Source: *Inspector General Act of 1978*, [5 U.S.C. App. 5, § 5\(f\)\(4\)](#))

Inspectors General. OMB Circular A-50 indicates Inspectors General or other audit officials are responsible for:

- a. Making independent audits and investigations of their agencies' programs, operations, activities, and functions;
- b. Overseeing the work of non-Federal auditors performed in connection with Federal programs; and
- c. Reviewing responses to audit reports and reporting significant disagreements to the audit follow-up official.

Management Decision. The evaluation by management of the findings and recommendations included in an engagement report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary. (Source: *Inspector General Act of 1978*, [5 U.S.C. App. 5, § 5\(f\)\(5\)](#))

Material Deficiency. Refers collectively to material weaknesses discussed in Section 2 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA), P.L. No. 97-255, and financial management system nonconformances discussed in Section 4 of the FMFIA. For further explanation on FMFIA Section 2 material weaknesses and Section 4 system nonconformances, refer to [DR 1110-002](#), *Management's Responsibility for Internal and Control*.

Questioned Cost. A cost that is questioned by OIG because of:

- a. An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document including loans governing the expenditure of funds;
- b. A finding that, at the time of the engagement, such cost was not supported by adequate documentation; or
- c. A finding that the expenditure of funds for the intended purposes is unnecessary or unreasonable.

(Source: *Inspector General Act of 1978*, [5 U.S.C. App. 5, § 5\(f\)\(1\)](#))

Resolved Engagement. An engagement report where management decision has been reached for all recommendations contained in the OIG engagement report, but final action has not been completed.

Timely. The *Inspector General Act* states that the head of a Federal Agency shall complete final action on each management decision required with regard to a recommendation in an inspector general's report under Subsection (a)(1) within 12 months after the date of the inspector general's report.

APPENDIX C

AUTHORITIES AND REFERENCES

Chief Financial Officers Act of 1990, [P.L. No. 101-576](#), November 15, 1990, as amended

Debt Collection Improvement Act of 1996, [P.L. No. 104-134](#), April 26, 1996

Federal Acquisition Streamlining Act of 1994, [P.L. No. 103-355](#), October 13, 1994

Federal Financial Management Improvement Act of 1996, [P.L. No. 104-208](#), September 30, 1996

Federal Managers' Financial Integrity Act of 1982 (FMFIA), [P.L. No. 97-255](#), September 8, 1982

Good Accounting Obligation in Government Act (GAO-IG), [P.L. No. 115-414](#), January 3, 2019

Government Performance and Results Act of 1993, [P.L. No. 103-62](#), August 3, 1993

Inspector General Act of 1978, [P.L. 95-452](#), as amended, codified at [5 U.S.C. App. 3](#), October 12, 1978

OMB, Circular [A-50](#) (revised), *Audit Follow up*, September 29, 1982

OMB, Circular [A-136](#) (revised), *Financial Reporting Requirements*, August 27, 2020

USDA, [DR 1110-002](#), *Management's Responsibility for Internal Control*, March 5, 2021

APPENDIX D

PROCESS TO REACH MANAGEMENT DECISION

Management Decision is reached on a given recommendation when both OIG and Mission Area, agency, or staff office management agrees that the proposed corrective action will resolve the issue(s) identified in the finding and that the corrective action should be completed within 1 year or by the stated estimated completion date. After the management decision has been reached for each recommendation in a given audit, the audit is resolved and the "1-year clock" begins for reporting purposes on corrective actions.

Mission Areas, agencies, and staff offices do not wait until all audit recommendations have reached management decision to start the closure process. As corrective action is completed on individual recommendations with management decision, Mission Areas, agencies, and staff offices submit closure requests to OCFO. An audit is closed in its entirety when all corrective actions for all recommendations in the audit are completed and supporting documentation is submitted and approved by the OCFO Management Control and Audit Team (MCAT).