U.S. Department of Transportation
Office of the Secretary of Transportation

ORDER

DOT 8000.6A

12-3-90

Subject: OFFICE OF INSPECTOR GENERAL AUDIT PROCEDURES

1. PURPOSE. This Order provides a summary of the Office of Inspector General (OIG) audit procedures under the Inspector General Act of 1978, as amended (Act).

2. CANCELLATION. DOT 8000.6, Office of Inspector General Audit Procedures, dated May 9, 1984.

3. REFERENCES.

   a. DOT 8000.1C, Office of Inspector General Audit and Investigation Report Findings, Recommendations, and Followup Action, dated July 20, 1989, outlines the responsibilities of the OIG and Department of Transportation (DOT) in establishing procedures for followup actions on audit and investigation report findings and recommendations.

   b. DOT 8000.7A, Audit Services for DOT Contracting Offices, dated February 12, 1990, outlines the procedures for contracting offices to receive audit services on contracts and proposals.

   c. DOT 4600.15, Audits of State and Local Governments, dated May 16, 1985, provides guidance for the implementation of the Office of Management and Budget (OMB) Circular A-128, Uniform Audit Requirements for State and Local Governments, dated April 12, 1985.

4. DEFINITIONS.

   a. Audit Liaison Officials. Those persons designated by Secretarial Offices and Operating Administrations to serve as the primary contact point for communications between the OIG and DOT elements.

   b. Entrance Conference. A meeting held at the outset of each site review to explain the purpose of the audit, define the audit objectives, establish the necessary working arrangements, and obtain preliminary information on the organization to be audited.

   c. Exit Conference. A meeting held at the completion of each site review to discuss the results of the audit, and assure that the auditor has all available pertinent and factual information having a bearing on an item.

DISTRIBUTION: All Secretarial Offices
All Operating Administrations

OPI: Office of Inspector General

5. AUDIT STANDARDS.

a. Audits are to be made in accordance with Government Auditing Standards. This requires that the auditors assigned to perform the audit must collectively possess adequate professional proficiency for the tasks required. Where specific technical knowledge is required to evaluate a program or function, the OIG will ensure that independent technical advice and assistance are secured on issues that are beyond the technical capability of the OIG staff.

b. Government Auditing Standards require that sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the auditors' judgments and conclusions regarding the organization, program, activity, or function under audit. A written record of the auditors' work shall be retained in the form of working papers. Where an audit report results in litigation for the recovery of funds, the auditors' working papers along with the expert testimony of the responsible auditors should be sufficient to support the auditors' findings and recommendations.

6. OPERATING PROCEDURES. The OIG audit function includes audits of program/functional areas within DOT and audits of grants and contracts. Operating procedures for contract audits are the subject of a separate DOT Order, DOT 8000.7A, Audit Services for DOT Contracting Offices dated February 12, 1990. Operating procedures for program/functional audits and audits of grants are provided below.

a. Audits of Program/Functional Areas.

(1) Headquarters audit liaison officials are designated by headquarters organizations. Regional audit liaison officials are designated by regional organizations. However, the Maritime Administration has designated the Associate Administrator for Administration as both the headquarters and regional audit liaison official.

(2) Before an audit is started, the OIG will notify the applicable audit liaison official in writing, as soon as possible, preferably 30 days but at least 10 days in advance of the audit. For each audit the OIG will request assistance from the applicable audit liaison official relative to initial contacts including an "Entrance Conference" with Operating Administration officials. When it is not feasible to provide a written notice, the information will be verbally furnished to the Operating Administration's audit liaison official as soon as practicable.

(3) Upon completion of the review, the OIG shall notify the applicable audit liaison official to arrange an "Exit Conference."

(4) The applicable audit liaison official will be the primary contact for comments on draft and final reports.

b. Audits of Grantees.

(1) Audits Arranged by the Grantee/Sponsor.

(a) The grantor agency shall require the recipient to arrange for an independent organizationwide audit, as required by OMB Circulars A-128 and A-133. Since the responsibility for obtaining audits, including reviews of grantees' financial management systems, is that of grantees, the OIG will not routinely perform financial audits of grantees. Every effort should be made by grantor agencies and the OIG to encourage grantees to fulfill this responsibility.

(b) Before starting the organizationwide audit, the independent auditor is encouraged to contact the cognizant Federal auditor and appropriate program officials to coordinate the audit effort and to obtain any special instructions.

(c) The independent auditor conducting the organizationwide audit shall furnish the cognizant Federal audit agency copies of all audit reports at the time they are issued to the recipient as provided in DOT 4600.15, Audits of State and Local Governments, dated May 16, 1985. Operating Administrations may supplement these instructions to allow for concurrent submission of an additional copy of the audit report to the responsible program official.

(d) Where the OIG is the cognizant Federal auditor, the following procedures will be used:

1 The OIG will make a desk review of the report and, as necessary, a quality control review of the audit work. If the report is accepted as being in compliance with OMB Circulars, it will be transmitted to interested agencies. The OIG audit report transmittal will list or refer to all the audit findings being placed in the OIG database for followup action by management of the grantor agency.

2 If the audit contains significant inadequacies or substandard performance, the OIG will notify the recipient and the auditor who conducted the organizationwide audit of the deficiencies and attempt to obtain necessary corrections.

3 If the OIG is unable to obtain the necessary corrections, the OIG will notify all Federal awarding agencies of the facts and recommend, as appropriate, that recipients impose sanctions and penalties provided in the OMB Circulars and agency regulations.

4 The independent organizationwide audit reports are generally reviewed and action initiated by the OIG within 30 days after receipt of the audit report. Where the audit organization's working papers are reviewed or field verification of audit work is performed, the review should generally be completed within 60 days of the OIG's receipt of the audit report.

(e) Where another Federal agency is the cognizant Federal auditor, the OIG will review reports received from the cognizant Federal auditor for applicability to DOT.

1 Acceptable reports will be transmitted to the applicable DOT Operating Administration. The OIG audit report transmittal will list or refer to all the audit findings being placed in the OIG database for followup action by management of the grantor agency.

2 Should an unacceptable audit report be received, it will be returned to the cognizant Federal auditor for correction.

(2) Audits Arranged by the OIG.

(a) If an Operating Administration identifies audit needs beyond those covered by OMB Circulars A-128 and A-133, the Operating Administration should contact the OIG to determine appropriate action.

(b) The OIG may perform the necessary audits of grantees or arrange for the audit.

(c) When audits are arranged for by the OIG, the following procedures will be employed.

1 Preferably 30 days but at least 10 days in advance, the OIG will, in writing, notify the grantee of the planned audit, identify the auditors or audit firm, and describe the scope of the audit. The OIG will provide a copy of the notification to the appropriate Federal program official.

2 An "Entrance Conference" will be conducted with grantee officials, auditors, and OIG attending before the start of the audit. Federal program officials shall be invited to attend.

3 The OIG will keep the audited party and Federal program officials informed of audit results.

4 Upon completion of the site work, an "Exit Conference" will be held with grantee officials, auditors and OIG attending. Federal program officials shall be invited to attend.

(3) Resolution of Audit Findings. Audit findings contained in the audit report should be resolved by the appropriate DOT Operating Administration in accordance with DOT 8000.1C.

7. RESOLVING PROBLEM SITUATIONS.

a. Access to Records/Personnel.

(1) Section 6(a)(1) of the Act authorizes the OIG access to all records and information which relate to programs and operations of the Department. The Secretary of Transportation has, by memorandum dated April 27, 1979, specifically emphasized that DOT employees are expected to comply with this provision. If the OIG auditor or investigator is denied access to records, or is unreasonably refused assistance or information, attempts will be made to obtain the information at the appropriate higher level of authority. If the matter cannot be resolved at these levels, assistance will be requested from the applicable Head of the Operating Administration, Assistant Secretary, or Government agency involved. If the data or assistance is still not provided, the Inspector General will inform the Secretary.

(2) The OIG shall report to Congress all denials of access of records or refusals of information reported to the Secretary in the Semiannual Report as required by Section 5(a)(5) of the Act.

b. Obstruction of a Federal Audit. On November 18, 1988, the President signed Public Law 100-690, the Anti-Drug Abuse Act of 1988, which, among other things, created a new Federal offense: obstruction of a Federal audit. This law is codified at Title 18, United States Code, Section 1516. The new section provides that:

(1) Whoever, with intent to deceive or defraud the United States, endeavors to influence, obstruct, or impede a Federal auditor in the performance of official duties relating to a person receiving in excess of $100,000, directly or indirectly, from the United States in any 1-year period under a contract or subcontract, shall be fined under this title, or imprisoned not more than 5 years, or both.

(2) For purposes of this section the term "Federal auditor" means any person employed on a full or part-time or contractual basis to perform an audit or a quality assurance inspection for or on behalf of the United States.

c. Review of Audit Findings.

(1) The audit objective is to obtain management concurrence on needed changes as a basis for bringing about operational improvements. To help assure this result, when there are significant findings, a draft audit report including an overall audit opinion or assessment, as applicable, shall be prepared for each audit and transmitted to the office designated by the DOT organizational element reviewed. The memorandum transmitting the draft audit report shall request that a written response on the findings and recommendations be furnished to the OIG within 60 days. DOT Operating Administrations' management officials will be requested to respond to findings and recommendations contained in draft management advisory memoranda within 30 days. A draft management advisory memorandum will be issued only when a very serious deficiency is disclosed by the audit that requires management's immediate attention. Draft audit reports will not be prepared for reports with insignificant findings, audits of contracts, contract proposals, audits made by outside entities, and audits made in accordance with OMB Circulars A-128 and A-133.

(2) Final audit reports are distributed in accordance with an authorized distribution schedule. This includes the Head of the responsible Operating Administration and where desired, a copy to the applicable audit liaison official. Reports that identify internal control weaknesses will also be distributed to the appropriate OMB Circular A-123 internal control coordinators.

(3) Known disagreements in opinion on audit findings, recommendations, and overall conclusions will be documented in all final audit reports to give the report objectivity and to demonstrate that all considerations and positions have been evaluated and presented. However, if responses to draft audit reports are not received within 60 days, the final report may be issued without inclusion of the auditee's comments.

d. Deficient Grantee Audits.

(1) In accordance with OMB Circular A-128, and DOT 4600.15, the OIG is responsible for determining the adequacy of grantee audit reports.

(2) The OIG Regional Manager will attempt to get the auditors performing OMB Circular A-128 and A-133 audits to correct deficient audit work. If correction cannot be obtained, the Regional Manager will refer the auditor for disciplinary action. The referral will be submitted for approval to the Assistant Inspector General for Auditing.

FOR THE SECRETARY OF TRANSPORTATION:

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For the Assistant Secretary
for Administration