

U.S. Department of Energy
Washington, D.C.

ORDER

DOE O 221.3

Approved: 12-17-01
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Expires: 12-17-05

**SUBJECT: ESTABLISHMENT OF MANAGEMENT DECISIONS ON OFFICE OF
INSPECTOR GENERAL REPORTS**

1. **OBJECTIVE.** To establish the responsibilities and requirements for Department of Energy (DOE) action required to make management decisions on Office of Inspector General (OIG) audit and public inspection reports.
2. **CANCELLATION.** DOE 2320.2B, *Establishment of Departmental Position on Inspector General Reports*, dated 5-18-92.
3. **APPLICABILITY.**
 - a. **DOE Elements.** This Order applies to DOE Headquarters and field elements, including the National Nuclear Security Administration, involved in preparing or reviewing OIG audit and public inspection reports.
 - b. **Exclusions.** The requirements listed in this Order do not apply to the following reports:
 - (1) those resulting from audits of contracts or grants requested by contracting officers;
 - (2) those of particularly severe or flagrant problems addressed under the Inspector General Act of 1978, as amended, 5 United States Code (U.S.C.), Appendix 3, section 5(d);
 - (3) those of OIG investigations; or
 - (4) those of OIG inspections that result in nonpublic reports.
4. **REQUIREMENTS.**
 - a. OIG audit and public inspection reports (for purposes of this Order, “inspection” is synonymous with “audit”) are management tools used to prevent and detect fraud, waste, and abuse in DOE and to promote economy and efficiency in the administration of DOE’s programs and operations.
 - b. The OIG will schedule entrance conferences with the responsible management officials at the beginning of each audit to provide information on the audit purpose, scope, and approach.
 - c. The OIG will provide draft audit reports (including a monetary impact statement, where applicable) to the responsible management officials of the audited organization and

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DOE elements affected by the audit finding for review and comment. Information copies will also be provided to the Audit Liaison Team and the local audit liaison staff.

- d. Recipients of draft audit reports will not release the contents of the reports for any purpose other than official review and comment and will not disclose the report contents to anyone outside DOE without the express consent of the OIG. In this context, management and operating contractors shall be considered to be part of the Department. Draft audit reports remain the property of the OIG and are to be returned on demand.
- e. Within 15 working days of issuance of the draft OIG reports, management will provide written comments to the OIG. Management is encouraged to limit those comments to no more than two pages. Comments should indicate whether management agrees that the findings are factual and accurately reported, and whether management concurs or non-concurs with the findings and recommendations. Concurrences will include a statement of actual or planned corrective actions to be taken and estimated completion dates. If management does not concur with the findings and recommendations in the audit report, it will explain why, present additional facts if necessary, and propose alternative corrective action. In addition, management will provide a verbatim copy of its comments to the Audit Liaison Team, Office of Executive Operations and Planning, Office of Chief Financial Officer.
- f. The OIG will review comments submitted by management and address relevant comments in the final audit report or revise the report, if appropriate. The OIG will make every effort to include management's comments in their entirety in the final report if those comments are limited to two pages, and if the comments are deemed appropriate. The OIG is responsible for the content of final audit reports.
- g. The OIG will provide responsible management officials with a working copy of the final report and offer management the opportunity for a formal exit conference. A formal exit conference, if held, normally should occur within 5 working days after management receives the working copy of the final report.
- h. The OIG will request a management decision on issues and recommendations that are not resolved (non-concurrences) at the time of the final report. No management decision will be required when management clearly concurs with all the findings and recommendations and provides actual or planned corrective actions with estimated target dates. The transmittal memorandum for the final OIG report should address the status of audit recommendations and indicate whether recommendations are considered closed and which recommendations need to be tracked in the Departmental Audit Report Tracking System (DARTS).
- i. Management officials will submit the proposed management decision to the Chief Financial Officer within 70 days of issuance of the final report.
- j. The Chief Financial Officer will submit the proposed management decision to the Secretary or a designee for approval and finalization.
- k. The Chief Financial Officer will forward the final management decision to the OIG for review and comment within 90 days of issuance of the final report.

5. RESPONSIBILITIES.

- a. Secretary of Energy or Designee. Reviews the proposed management decision and approves it or remands it to the heads of the appropriate DOE elements for revision.
- b. Inspector General. In conducting independent audits of DOE functions, programs, and operations—
 - (1) Schedules entrance conferences with the responsible management officials at the beginning of each audit to provide information on the audit purpose, scope, and approach.
 - (2) Addresses OIG audit report recommendations to the lowest level of management that can effectively implement corrective action.
 - (3) Provides copies of draft reports, including a monetary impact statement, where applicable, to the responsible management officials of the audited organization, DOE elements affected by the audit finding, and the Audit Liaison Team. Also provides an information copy to the local audit liaison staff.
 - (4) Reviews and evaluates the comments provided by management on the draft reports and addresses relevant comments by rebutting the comments in the final report or revising the report, if appropriate.
 - (5) Provides responsible management officials with a working copy of the final report, discusses any unresolved matters, and offers management the opportunity for a formal exit conference.
 - (6) Determines if any unresolved issues (nonconcurrences) exist and, if so, requests a management decision in the transmittal memorandum that accompanies each final audit report.
 - (7) Distributes final audit reports to the appropriate DOE elements, the Chief Financial Officer, and makes further distribution to authorized committees and subcommittees of Congress.
 - (8) Reviews proposed management decisions and provides preliminary comments to the Chief Financial Officer and the responsible management officials.
 - (9) Reviews final management decisions and provides formal comments within 10 working days of receipt of the final management decision. Indicates whether management's proposed actions are acceptable and, where agreement is reached, which audit recommendations require tracking in DARTS.
 - (10) Informs the Chief Financial Officer and the Audit Liaison Team when significant disagreements exist between the responsible management officials and the OIG, including unresolved issues on reports issued by regional offices.
 - (11) Requests that audit issues still unresolved after the management decision process go to the Departmental Internal Control and Audit Review Council for final resolution.

- (12) Conducts follow-up reviews of selected audit reports to verify that corrective actions have been completed and are effective.
- c. Responsible Management Officials (management). To maximize the value of OIG reports, management officials will—
- (1) Attend the audit entrance conference.
 - (2) Attend the exit conference, unless the exit conference is waived.
 - (3) Provide comments on the draft report within 15 working days of issuance. In this context, management and operating contractors shall be considered to be part of the Department.
 - (4) Prepare a proposed management decision on the final OIG report after the OIG transmits the final report and requests a management decision when management non-concurs with any finding or recommendation in the final report.
 - (5) State in the proposed management decision if management non-concurs with the facts, findings, recommendations, and potential monetary benefits presented in the audit report. Explain why management does not concur, present additional facts if necessary, and propose alternative corrective action.
 - (6) Submit the proposed management decision to the Chief Financial Officer within 70 days of issuance of the final report.
 - (7) Take prompt and effective action to implement the agreed-upon corrective actions.
- d. Chief Financial Officer.
- (1) Responsible for audit resolution and tracking functions (exclusive of those responsibilities specifically assigned to the Inspector General).
 - (2) Ensures proposed management comments are coordinated with pertinent, crosscutting, and affected organizations, as appropriate, and that they are approved by the head of the audited organization. If comments change substantively at a later stage of the process, recoordination should be considered.
 - (3) Reviews the proposed management decisions prepared by responsible management officials to assess the objectivity and responsiveness to audit findings and recommendations, and the sufficiency of the proposed corrective actions.
 - (4) Returns the proposed management decision to responsible management officials for revision if the management decision is not objective and responsive.
 - (5) Sends the proposed management decision to the OIG for a preliminary review if the proposed management decision appears to be objective and responsive.

- (6) Forwards OIG comments to the responsible management officials for review and revision, if appropriate, of the proposed management decision.
 - (7) Submits the proposed management decision to the Secretary or a designee for approval and finalization.
 - (8) Forwards the final management decision to the OIG for review and comment within 90 days of issuance of the final report.
 - (9) Requests audit issues still unresolved after the management decision process go to the Departmental Internal Control and Audit Review Council for final resolution.
- e. Departmental Internal Control and Audit Review Council (DICARC). Reviews issues that the OIG and management cannot resolve. The composition and operations of DICARC are described in DOE 2300.1B, *Audit Resolution and Followup*.
 - f. Director of Security Affairs. Provides security classification and information control service regarding OIG reports and related management comments to the OIG and other DOE elements upon request.

6. REFERENCES.

- a. The Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, sets forth authority and functions of the Inspector General.
- b. Office of Management and Budget Circular A-50, "Audit Followup," dated 9-29-82, contains the policies and procedures for use in considering audit reports where followup is necessary.
- c. DOE 2300.1B, *Audit Resolution and Followup*, dated 6-8-92, provides policy on audit resolution and establishes the followup system to be applied.
- d. DOE O 224.2, *Auditing of Programs and Operations*, dated 3-22-01, sets forth audit responsibilities for the promotion of economy and efficiency in the administration of, or the prevention or detection of fraud and abuse in, DOE programs and operations.

7. DEFINITIONS.

- a. Audit. Used to describe work done by auditors following the General Accounting Office's Government Auditing Standards in examining financial statements and in reviewing compliance with laws and regulations; economy and efficiency of operations; and effectiveness in achieving program results.
- b. Audit Report Recommendation(s). The action the auditor deems most likely to correct conditions described in a finding.
- c. Responsible Management Officials (management). Heads of DOE elements that have the authority and responsibility to manage a particular Department entity or function.
- d. Draft Audit Report. Preliminary report issued by the OIG to the management officials of an audited program/operation and affected elements for review and comment before it is issued as a final report.

- e. Entrance Conference. A formal introductory conference between OIG staff and management officials of the program/operation being reviewed during which OIG staff establishes a line of communication with the management officials and informs management about the planned audit's purpose, scope, and approach.
 - f. Exit Conference. A formal conference held at the conclusion of a review between OIG staff and responsible management officials to discuss audit results.
 - g. Final Audit Report. The report ultimately released by the OIG after consideration of the program/operation comments received on the draft report and discussed at the exit conference, if one is held.
 - h. Follow-up Review. Review done by OIG to verify that corrective actions previously recommended and agreed to have been completed and are effective in correcting the reported conditions.
 - i. Inspection. Work done by inspectors, following the President's Council on Integrity and Efficiency's Quality Standards for Inspections, evaluating and reviewing DOE programs and operations for economy, efficiency, and effectiveness in achieving program results.
 - j. Management Decision. The official position taken by responsible management officials on the findings and recommendations contained in final OIG reports. Replaces the term "Departmental Position."
 - k. Working Copy. Draft report with management comments incorporated.
8. CONTACT. Questions concerning this Order should be addressed to the Office of Inspector General, 202-586-3202.

BY ORDER OF THE SECRETARY OF ENERGY:



FRANCIS S. BLAKE
Deputy Secretary