



Audit Resolution and Follow-Up

Lawrence Berkeley
National Laboratory

Financial Policies and Procedures

Part I

Title:	Audit Resolution and Follow-Up
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Primary contact:	Manager, Operations

Summary

The purpose of this policy is to define the requirements and responsibilities for reporting, tracking, resolution and closure of all audit findings and recommendations (internal and external) at Lawrence Berkeley National Laboratory (LBNL).

Policy

Audits and inspections are considered management tools used to detect fraud, waste and abuse, validate internal controls and financial position, and promote effective risk management. Audit resolution, closure and follow-up are critical to ensuring LBNL continuously employs best practices and complies with DOE Contract 31 and University of California (UC) directives.

It is the responsibility of LBNL management to ensure appropriate corrective actions are implemented to resolve and complete audit findings and recommendations in accordance with established target due dates.

Audit Reports

Typically, internal and external audit reports are initially issued as a draft to allow for management review and comment. If appropriate, formal management responses on findings and recommendations are submitted to the originating audit agency or department in accordance with an established due date.

[Internal Audit Services](#) maintains documentation on all internal audits, inspections and reviews conducted at LBNL.

For audits conducted by the U.S. [Government Accountability Office \(GAO\)](#) or the [DOE Office of Inspector General \(OIG\)](#), responses may be requested from LBNL on short notice. If LBNL cannot meet the requested response deadline, an extension may be requested.

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Summary Reports

By January 31 of each year, Internal Audit Services submits to DOE an annual audit report providing a summary of the LBNL audit activities performed during the previous fiscal year and their results, per [DOE Contract 31, Clause I.103, \(i\) \(2\)](#),

Internal Audit Services also submits information each quarter on the status of all internal audit findings and recommendations and targeted completion dates for corrective actions to the UC Auditor. An annual report is also submitted to the UC Auditor on audit and advisory services at the end of each fiscal year.

Items that are either past the targeted completion date or considered to be a high risk may periodically be reported to the UC Regents. This information is also provided to the LBNL Audit Committee

Tracking Corrective Actions

- **LBNL Corrective Action Tracking System (CATS)**

The LBNL Corrective Action Tracking System (CATS) is used to track and monitor all internal and external corrective actions at LBNL. CATS is managed and maintained by the Office of Contract Assurance and is accessible to all Laboratory employees on the LBNL website.

The audit data for CATS is entered and maintained by the responsible LBNL department representatives. Some of the key elements of the system are the finding statement, risk level, responsible department and contact, approver, management response or corrective action and corrective action due date.

- **DOE Department Audit Report Tracking System (DARTS)**

DOE tracks all GAO and IG corrective actions using DARTS. Quarterly progress reports on LBNL corrective actions entered in DARTS are provided to DOE through Internal Audit.

- **Internal Audit Tracking Activities**

Internal Audit tracks all internal audit findings and recommendations and coordinates follow-up on external audit findings and recommendations.

Corrective Action Resolution and Closure

A distinction is made between the ***closure*** and ***resolution*** of corrective actions (see Glossary).

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Closure

Closure occurs when the proposed corrective actions are completed and concurrence is obtained from the originating audit agency or department. Closure of external audits should generally take no longer than **one year** after issuance of the final report to be completed and closed. Closures scheduled to take **longer than one year** require a written justification submitted to DOE and entered into DARTS.

Resolution

- **Office of Inspector General (OIG) Audits**

For audits and inspections conducted by the DOE Office of Inspector General (OIG), **resolution** occurs when DOE management and the OIG agree on *corrective actions to be taken* on reported findings and recommendations. Resolution must occur within a maximum of six months after issuance of the final report. Corrective actions should be taken as soon as possible; see [Office of Management and Budget \(OMB\) Circular A-50](#), Paragraph 8.a.(2).

- **Government Accountability Office (GAO)**

For external audit findings and recommendations submitted by the Government Accountability Office, **resolution** should be completed within **60 days** after formal issuance of the report. In this case, resolution is defined as the point at which DOE responds to Congress, see [Office of Management and Budget \(OMB\) Circular A-50](#), Paragraphs 6.b.(3) and 8.b.(4).

External Audit Reports

Reports on audits, inspections and reviews conducted by the OIG and GAO are available to the public on their respective websites (see Authority).

Management Responses and Corrective Actions

A formal management response is required for each internal audit finding and recommendation. The response must include a targeted completion date for any findings or recommendations that warrant corrective actions. The targeted completion dates should be realistic and achievable.

In some exceptional cases, the targeted corrective action date (for both internal and external audits) may need to be extended. In this event, the Financial Policy and Training Office (FPTO) communicates with Internal Audit at least **10 business days** prior to the due date. Concurrence with the extension should be obtained within **5 business days** of the original due date.

The FPTO also notifies the DOE Berkeley Site Office (BSO) and the LBNL Office of Contract Assurance of the change at least **5 business days** prior to the original due date. The CATS database is also updated at least **5 business days** prior to the due date.

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Procedures

Roles and Responsibilities

Financial Policy and Training Office

The FPTO is the central point of contact for communications on all OCFO audit findings and is responsible for the following:

- Ensuring management responses are submitted by the required due date
- Updating the CATS database to include all OCFO audit findings
- Reconciling the CATS database with the Internal Audit database
- If in the exceptional occasion an audit finding due date extension is necessary, the FPTO
 - Reviews with Internal Audit at least 10 business days prior to the due date
 - Obtains Internal Audit concurrence at least 5 business days prior to the due date
 - Notifies the DOE Berkeley Site Office (BSO) and the LBNL Office of Contract Assurance (OCA) at least 5 business days prior to the due date
 - Updates the CATS database at least 5 business days prior to the due date

Internal Audit Services

Internal Audit Services assists Laboratory management at all levels in assessing financial and administrative risks and controls. The Laboratory's internal audit function is conducted in accordance with DOE Contract 31, [International Standards for the Professional Practice of Internal Auditing](#), which is promulgated by the Institute of Internal Auditors, and under the general guidance of UC's University Auditor. Internal Audit Services also provides external audit coordination with various agencies in their review of the Laboratory's financial data and administrative controls.

LBNL Audit Committee

The LBNL Audit Committee serves in an advisory capacity to the Laboratory and provides oversight responsibilities for internal and external audits. The Laboratory's Audit Committee is chaired by the Laboratory Director and includes 10 additional members from the executive and managerial ranks at the Laboratory plus two UCOP representatives: UC's University Auditor and the Executive Director of Business & Finance of the Laboratory Management Office.

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The LBNL Audit Committee meets at least three times per year to review and approve the annual internal audit plan, review LBNL audit results and the status of recommended corrective actions.

Office of Contract Assurance

The Office of Contract Assurance manages and maintains the LBNL Corrective Action Tracking System (CATS) to track corrective actions and analyze trends resulting from Laboratory assessments and/or inspections.

Authority

- [DOE Contract 31](#)
- DOE Directives, Regulations and Standards, [Order 224.2 and 224.3 Audit Resolution and Follow-Up Program](#)
- [DOE Office of Inspector General \(OIG\)](#)
- [Government Accountability Office \(GAO\)](#)
- [International Standards for the Professional Practice of Internal Auditing](#)
- [Office of Management and Budget \(OMB\) Circular A-50](#)

Contacts

- Manager, Operations
- Manager, Financial Policy and Training
- Controller
- Manager, Office of Contract Assurance
- Manager, Internal Audit Services

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Glossary

- **Audit Closure:** The proposed corrective action(s) of the audit are completed and the auditor agrees that it satisfactorily addresses the deficiency identified. Closure of external audits should generally take no longer than one year after issuance of the final report. Exceptions require a written justification be submitted to DOE, entered in DARTS, and is subject to audit.
- **Audit Recommendation:** A proposed course of action, as a result of an audit, intended to correct a deficiency or enhance operations.
- **Audit Resolution:** The primary organization and the auditor agree on corrective actions to be taken for audit findings and recommendations (i.e., management concurs with the findings and recommendations, or a management decision is issued indicating concurrence and expected completion dates).
- **Audit Responses:** Written comments by management indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on draft reports are to include planned corrective actions and dates for achieving such actions. Comments indicating disagreement should fully explain the reason(s) for disagreement. Disagreements on internal audit findings and recommendations should be resolved before issuance of the final report.
- **Corrective Actions:** Measures taken to resolve and close audit findings and recommendations.