

Functional Series 500 – Management Services
ADS 592 – Performance Audits

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*An asterisk indicates that the adjacent material is new or substantively revised.

ADS 592 – Performance Audits

592.1 OVERVIEW

Effective Date: 03/29/1996

The purpose of this chapter is to provide the policy directives and required procedures regarding the performance audit process of USAID's Office of Inspector General (OIG).

592.2 PRIMARY RESPONSIBILITIES

Effective Date: 01/01/2004

- a. The Administrator is responsible for ensuring that management officials throughout USAID understand the value of the audit process and are responsive to audit recommendations.
- *b. The Bureau for Management, Office of Management Planning and Innovation (M/MPI) is responsible for participating in the development and maintenance of USAID's audit management policies and procedures and following up on audit recommendations to ensure they are acted on swiftly and aggressively. **See [MPI Audit Recommendation Final Action \(Closure\) Procedures](#).**
- c. The Office of Inspector General (OIG) is responsible for
- Developing and distributing five-year and annual plans;
 - Conducting performance audits of USAID programs, activities, systems, and functions in accordance with Generally Accepted Government Auditing Standards;
 - Providing clarification to USAID staff to facilitate corrective action for vulnerabilities identified in performance audits;
 - Conducting follow-up reviews of the implementation of recommendations from prior audit reports; and
 - Performing unplanned, quick response audits and other tasks in response to requests from Congress, the Office of Management and Budget, the President's Council on Integrity and Efficiency, USAID officials, and others.

592.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

592.3.1 Performance Audit Program

Effective Date: 01/01/2004

*Performance audits provide an independent assessment of the performance and management of USAID programs, activities, systems, and functions against objective criteria or an assessment of best practices and other information. The OIG

performance audit program provides information to improve program operations, facilitate decision-making, and contribute to public accountability. Performance audits encompass a wide variety of objectives, including objectives related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.

OIG staff carry out these performance audits in accordance with Government Auditing Standards (GAS), often referred to as Generally Accepted Government Auditing Standards (GAGAS). (See mandatory reference, [Government Auditing Standards](#))

592.3.2 Audit Planning and Implementation Effective Date: 03/29/1996

592.3.2.1 Audit Planning Effective Date: 11/07/2001

The OIG develops a five-year plan, which articulates the goals and objectives that serve as a framework for audit work over a five-year period. The five-year plan serves as a general long-range strategy, and is supplemented by an annual plan, which identifies audits for each fiscal year. USAID management input and suggestions are solicited as part of the annual planning process. The OIG provides copies of the five-year and annual plans to USAID offices.

592.3.2.2 Audit Notification Effective Date: 11/07/2001

Each audit office must formally notify a prospective auditee regarding the date an audit is planned to commence. Notification for planned audits is normally provided at least 30 days in advance of the auditors' arrival. The OIG provides notification for unplanned, quick response audits and other requirements as soon as practicable in advance of the auditors' arrival. Notification is provided to Deputy Assistant Administrators, Audit Management Officers, Independent Office Directors or Mission Directors, and M/MPI. In rare instances, it may be necessary for the OIG to conduct an unannounced audit (e.g., cash in imprest funds).

592.3.2.3 Entrance Conference Effective Date: 03/29/1996

The audit office conducts a formal entrance conference to explain the purpose and scope of the audit to the cognizant management officials and to receive suggestions regarding the audit subject.

592.3.2.4 Field Work Effective Date: 03/29/1996

The OIG conducts audits in accordance with GAGAS. The standards require that

auditors obtain sufficient, competent, and relevant evidence to afford a reasonable basis for their conclusions and that their work be documented in the form of work papers. When deemed necessary or useful to answer the audit objectives, the auditors may request a Management Representation Letter (see additional help, [Sample Management Representation Letter for Performance Audits](#)) from USAID. USAID officials, in supporting the audit effort, must note that the auditors often will need to go beyond USAID's books and records for evidence.

592.3.2.5 Exit Conference

Effective Date: 11/07/2001

The OIG holds an exit conference with the appropriate USAID officials to discuss the auditors' preliminary findings and to ensure that the auditors obtained all relevant information during fieldwork. Generally, preliminary findings are communicated to management in advance orally and/or through a written record of audit findings. Auditors should discuss preliminary findings with the officials having direct responsibility for the activity as soon as the evidence becomes available. USAID officials should use this conference to discuss corrective actions to audit findings and, where practicable, to reach agreement on planned corrective actions.

592.3.2.6 Draft Report

Effective Date: 03/29/1996

The OIG provides a draft audit report to USAID within a reasonable time following the exit conference. USAID must provide written comments to the OIG within 30 days of receipt of the draft, or within the timeframe identified by OIG. Comments must include planned corrective actions and estimated dates for achieving actions. USAID's comments to the draft audit report provide the first opportunity for USAID and OIG agreement on appropriate corrective actions to address the audit recommendations. This is the management decision stage in the audit follow-up process. (See mandatory reference, [ADS 595](#), Audit Management Program) Comments indicating disagreement with the text of the draft report or proposed recommendations must explain fully the reasons for disagreement.

592.3.2.7 Final Report

Effective Date: 03/29/1996

The OIG issues a final report following USAID's opportunity to comment on the draft report. Final audit reports must detail all audit recommendations and their status at report issuance, including the identification of questioned costs or the amount of funds to be put to better use in monetary recommendations. Management comments on the draft report are summarized in the text of the final report as appropriate, and must be included in their entirety as an appendix to the final report. (See mandatory reference, [ADS 595](#), Audit Management Program)

***592.3.2.8 Audit Access and Cooperation**

Effective Date: 01/01/2004

*In accordance with paragraph six of the Inspector General Act, USAID must provide OIG staff with access to all records, reports, audits, reviews, documents, papers, recommendations, or other material—whether in written, electronic, or other format—related to all programs and operations of USAID. USAID must provide such records irrespective of classification. USAID staff and management must ensure that OIG staff have access to information, cooperation, support, or assistance to facilitate the timely accomplishment of the OIG’s audit mission. (See mandatory reference, [Inspector General Act of 1978, as amended](#))

592.4 MANDATORY REFERENCES**592.4.1 External Mandatory References**

*a. [Generally Accepted Government Auditing Standards \(GAGAS\) issued by the Comptroller General of the United States, June 2003 Revision](#) (To access the GAGAS, scroll down to “Other Publications,” then click on “The Yellow Book”)

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

592.4.2 Internal Mandatory References

*a. [ADS 590, Audit](#)

*b. [ADS 595, Audit Management Program](#)

592.5 ADDITIONAL HELP

*a. [MPI Audit Recommendation Final Action \(Closure\) Procedures](#)

*b. [Sample Management Representation Letter for Performance Audits](#)

592.6 DEFINITIONS

Effective Date: 01/01/2004

The terms and definitions listed below have been included into the ADS Glossary. See the ADS Glossary for all ADS terms and definitions. (See [ADS Glossary](#))

annual plan

A plan developed by the OIG that describes audits planned for the upcoming fiscal year. (Chapters 590, 592)

audit notification

A formal notification from OIG to the prospective auditee regarding the date an audit will commence. (Chapter 592)

entrance conference

A meeting to discuss the planned review, including time constraints, preliminary scope and contacts, issues, sensitivities, points of contact, referrals for information, and preliminary requests for information/documents. (Chapters 590, 592)

exit conference

A meeting upon completion of an audit to discuss findings. (Chapters 590, 592, 593)

field work

The detailed examination phase employing an audit program developed specifically to find answers to the audit objectives. (Chapters 590, 592)

Generally Accepted Government Auditing Standards (GAGAS)

The standards, issued by the Comptroller General of the United States, for audit of Government organizations, programs, activities, systems, and functions, and of Government assistance received by contractors, nonprofit organizations, and other non-governmental organizations (also called Government Auditing Standards (GAS) or U.S. General Accounting Office "Yellow Book" standards). (Chapters 590, 591, 592)

Management Representation Letter

A letter prepared by the auditee's management to the auditor confirming in writing essential oral statements made by the auditee to the auditor. (Chapter 592)

***performance audit**

Performance audits entail an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues. (Chapters 590, 592)

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