

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

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1. **PURPOSE.** To establish the responsibilities and requirements for Department of Energy (DOE) elements to make management decisions on Office of Inspector General (OIG) audit and public inspection reports.
2. **CANCELLATION.** DOE O 221.3, *Establishment of Management Decisions on Office of Inspector General Reports*, dated 12-17-01.
3. **APPLICABILITY.**

- a. **DOE Elements.** Except for the exclusions in paragraph 3c, this Order applies to all Departmental elements involved in responding to OIG audit and public inspection reports, including those created after the Order is issued. (Go to <http://www.directives.doe.gov/pdfs/reftools/org-list.pdf> for the current listing of Departmental elements.)

For purposes of this Order, the National Nuclear Security Administration (NNSA), a separately organized Agency within the Department answering to the Secretary, is included as a DOE element.

The Administrator of the NNSA will assure that NNSA employees comply with their respective responsibilities under this Order.

- b. **DOE Contractors.** This Order does not apply to contractors.
- c. **Exclusions.** This Order does not apply to reports of:
  - (1) audits of contracts or grants requested by contracting officers;
  - (2) particularly “severe or flagrant” problems which are required to be reported immediately and are addressed under the Inspector General Act of 1978, as amended, 5 United States Code (U.S.C.), Appendix 3, section 5(d);
  - (3) OIG investigations; or
  - (4) OIG inspections or other reviews that result in nonpublic reports.
4. **REQUIREMENTS.** OIG audits and inspections are management tools used to prevent and detect fraud, waste, abuse, and mismanagement in DOE and to promote economies, efficiencies and effectiveness in the administration of DOE programs and operations. (Hereafter, except in paragraphs 6a and i, “audit” includes performance inspections and “audit report” includes public inspection reports.)

- a. The OIG will provide draft audit reports (including monetary impact statements, where applicable) to the responsible managers of audited organizations and DOE elements affected by the audit findings for review and comment or in the case of NNSA, to the Director, Policy and Internal Controls Management. Information copies will also be provided to the Office of Internal Review and the program audit liaison staff.
- b. 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 contents of reports to anyone outside DOE without the express consent of the OIG. In this context, major facilities management contractors are considered to be part of the Department. Federal employees making the decision to share the draft report with such contractor personnel are responsible for ensuring the contractor personnel have a need-to-know and control the report consistent with the requirements in this directive. Draft audit reports remain the property of the OIG and are to be returned on demand. Draft documents subject to a valid Freedom of Information Act request will be referred back to the OIG for releasability determination.
- c. After issuance of a draft, the OIG will contact the responding management official to set up a meeting, if appropriate, that will take place within approximately 10 working days of draft issuance to discuss the response and resolve any misunderstandings.
  - (1) If responsible management officials disagree with the facts or conclusions in a draft, they should be prepared to fully explain their reasons for disagreement and present additional facts at the scheduled meeting.
  - (2) Any new information should be supported by analysis and documentation at the time of the meeting.
  - (3) Disagreements that are resolved to the satisfaction of both parties do not need to be included in the management response (see paragraph 4d).
- d. Within 15 working days of issuance of a draft audit report, management will provide written comments to the OIG, with a copy to the Chief Financial Officer.
  - (1) Management is encouraged to limit comments to no more than two pages.
  - (2) Comments should clearly indicate whether responsible management officials agree that the findings are factual and accurately reported and whether they concur with each of the recommendations. A sample management response is contained in Attachment 1.

- (3) Concurrence will include a statement of actual corrective actions with completion dates and/or planned corrective actions to be taken and estimated completion dates (corrective action plan).
  - (4) Nonconcurrence will be explained and accompanied by submission of additional facts and proposed alternative corrective actions, if necessary.
- e. Extensions to the established due date for management comments will be granted by the Deputy Inspector General for Audit Services or the Deputy Inspector General for Investigations and Inspections for their respective reports.
  - (1) Extensions will be granted only in extenuating circumstances and must be requested in writing by management.
  - (2) Requests for extensions should include a proposed due date and an explanation of the reason the extension is needed.
  - (3) Absent an approved extension, the OIG may proceed with its process to issue the final report after the established due date for management comments has passed.
- 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 comments in their entirety in the final report if those comments are deemed appropriate. To facilitate including management comments in their entirety, comments should be limited to two pages with technical comments attached. The OIG is responsible for the content of final audit reports.
- g. As a general practice, the OIG will offer responsible management officials the opportunity for a formal exit conference before the final report is issued.
- h. The OIG will request a management decision on any recommendation with which management nonconcurred or did not include actual corrective action(s) with completion date(s) and/or a corrective action plan. The purpose of the management decision is to: 1) obtain management's official position and/or 2) obtain actual or planned corrective actions and actual or estimated completion dates.
- i. No management decision will be required when management clearly concurs with all the recommendations and provides actual or planned corrective actions with actual or estimated completion dates.
- j. 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).

- k. Within 70 days of issuance of final reports, management officials will submit proposed management decisions to the Director, Office of Internal Review, or in the case of NNSA, the NNSA Director, Policy and Internal Controls Management will prepare the management decisions.
- l. The Director, Office of Internal Review or the NNSA Director, Policy and Internal Controls Management (as applicable) will provide proposed management decisions to the OIG for review and comment. The OIG will provide to the Director, Office of Internal Review or the NNSA Director, Policy and Internal Controls Management responses to proposed management decisions within 5 working days of their receipt.
- m. The Director, Office of Internal Review or the NNSA Director, Policy and Internal Controls Management (as applicable) will submit the final management decision to the Secretary or a designee or in the case of NNSA to the Administrator, for approval and finalization.
- n. The Director, Office of Internal Review or the NNSA Director, Policy and Internal Controls Management will forward final management decisions to the OIG within 90 days of issuance of final reports, as appropriate.

5. RESPONSIBILITIES.

- a. Secretary of Energy or Designee. Reviews the final management decision and approves it or remands it to the heads of the appropriate DOE elements for revision.
- b. NNSA Administrator. For NNSA, reviews the final management decision and approves it.
- c. Inspector General.
  - (1) Provides copies of draft reports, including monetary impact statements where applicable, to the responsible management officials of audited organizations; DOE elements affected by audit findings; and the Office of Internal Review. For NNSA, all draft reports are issued to the Director, Policy and Internal Controls Management.
  - (2) Provides information copies of draft reports to the program and local audit liaison staff.
  - (3) Reviews and evaluates management comments on draft reports and, if appropriate, addresses relevant comments by rebutting the comments in the final report or revising the report.
  - (4) As a general practice, provides responsible management officials the opportunity for formal exit conferences.

- (5) After issuance of a draft, contacts the responding management official to set up a meeting, if appropriate, that will take place within approximately 10 working days of draft issuance to discuss the response and resolve any misunderstandings.
  - (6) Grants extensions to the established due date for management comments.
  - (7) Determines whether any unresolved issues exist and, if so, requests a management decision in the transmittal memorandum that accompanies final audit reports.
  - (8) Distributes final audit reports to the appropriate DOE elements; the Director, Office of Internal Review; and NNSA, if appropriate, and makes further distribution to authorized committees and subcommittees of Congress as necessary.
  - (9) Reviews proposed management decisions and provides preliminary comments to the Director, Office of Internal Review or the NNSA Director, Policy and Internal Controls Management (whichever is applicable) and the responsible management officials. Indicates whether management's proposed actions are acceptable and, where agreement is reached, which audit recommendations require tracking in DARTS.
  - (10) Informs the Director, Office of Internal Review and/or the NNSA Director, Policy and Internal Controls Management, as appropriate, when significant disagreements exist between responsible management officials and the OIG, including unresolved issues on reports issued by regional offices.
  - (11) Requests that major audit issues still unresolved after the proposed management decision process go to the Departmental Internal Control and Audit Review Council (DICARC) for final resolution.
- d. Responsible Management Officials. To maximize the value of OIG reports, management officials or their designees will —
- (1) Attend exit conferences, unless they are waived.
  - (2) Designate responsible officials for coordinating management comments for each report, including reports that have findings or recommendations that cross boundaries of more than one departmental element.
  - (3) Meet the requirements specified in 4c(1).
  - (4) Provide comments on draft reports within 15 working days of issuance.

- (5) Prepare proposed management decisions on final OIG reports. The OIG will request a management decision whenever management does not concur with any recommendation in a final report or management comments do not include actual or planned corrective actions with actual or target dates for completion.
  - (6) State in the proposed management decision whether they concur with the facts, findings, recommendations, and potential monetary benefits presented in the corresponding audit report. For nonconcurrences, explain why management does not concur and present additional facts and/or alternative corrective actions, if necessary.
  - (7) Except for NNSA, submit proposed management decisions to the Director, Office of Internal Review within 70 days of issuance of final reports.
  - (8) Take prompt and effective action to implement agreed-upon corrective actions.
- e. Director, Office of Internal Review or NNSA Director of Policy and Internal Controls Management.
- (1) Responsible for audit resolution and tracking functions (exclusive of those responsibilities specifically assigned to the OIG).
  - (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.
  - (3) Reviews proposed management decisions prepared by responsible management officials to assess responsiveness to audit findings and recommendations.
    - (a) Returns proposed management decisions to responsible management officials for revision if the management decisions are not responsive.
    - (b) Sends proposed management decisions to the OIG for preliminary review if the proposed management decisions appear to be responsive.
  - (4) Forwards OIG comments on proposed management decisions to responsible management officials for review and revision, if appropriate.
  - (5) Requests major audit issues still unresolved after the proposed management decision process go to DICARC for final resolution.

- (6) Submits final management decisions to the Secretary or a designee, or in the case of NNSA to the Administrator, for approval.
  - (7) Forwards final management decisions to the OIG for review and comment within 90 days of issuance of final reports.
- f. Departmental Internal Control and Audit Review Council. Reviews issues the OIG and management cannot resolve. (The composition and operations of DICARC are described in DOE O 224.3, *Audit Resolution and Follow-Up Program*, dated 1-24-05.)
- g. Director, Office of Classification. Provides classification and declassification services regarding OIG reports and related management comments.

6. DEFINITIONS.

- a. Audit. Work by auditors following the Government Accountability Office's Government Auditing Standards to examine financial statements and review compliance with laws and regulations, economy and efficiency of operations, and effectiveness in achieving program results.
- b. Audit Report Recommendations. Actions the Office of Inspector General deems appropriate to correct conditions described in an audit finding.
- c. Corrective Action Plan. A formal written document that describes the specific steps and milestones necessary for completion of corrective actions and dates for completion. The plan is submitted with management comments on the audit report or with the management decision, whichever is applicable.
- d. Responsible Management Officials. Heads of DOE elements that have the authority and responsibility to manage a particular departmental entity or function.
- e. 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.
- f. Exit Conference. Formal conference between OIG staff and responsible management officials at the conclusion of a review to discuss audit results.
- g. Final Audit Report. Report ultimately released by the OIG after consideration of program/operation comments received on the draft report, if any were received, and discussed at the exit conference, if one was held.
- h. Follow-Up Review. Review done by the 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 by inspectors and program analysts, following the President's Council on Integrity and Efficiency's Quality Standards for Inspections, to evaluate DOE programs/operations for economy, efficiency, and effectiveness and for compliance with laws, regulations, directives, etc. Some inspection reports are non-public, typically due to privacy concerns.
  - j. Management Decision. The official position taken by responsible management officials on the unresolved findings and recommendations contained in a final OIG report. Will also be requested if no corrective action plan is submitted with the management comments to the draft report. Replaces the term "departmental position."
  - k. Departmental Audit Report Tracking System (DARTS). Overall audit resolution and tracking system for all departmental elements and NNSA that tracks open recommendations on all Government Accountability Office and Office of Inspector General audit reports and public inspection reports and all post award contract reports containing questioned costs or other findings.
  - l. Investigation. Work done by investigators, following the President's Council on Integrity and Efficiency's Quality Standards for Investigations, in connection with alleged violations of criminal and civil laws and serious administrative misconduct.
7. REFERENCES.
- a. Title XXXII of P.L. 106-65, National Nuclear Security Administration Act, as amended, which established a separately organized agency within the DOE.
  - b. The Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, which sets forth authority and functions of the Inspector General.
  - c. Office of Management and Budget Circular A-50, "Audit Followup," which contains the policies and procedures for use in considering audit reports where follow-up is necessary.
  - d. DOE O 224.3, *Audit Resolution and Follow-Up Program*, dated 1-24-05, which provides policy on audit resolution and establishes the follow-up system to be applied.
  - e. DOE O 224.2A, *Auditing of Programs and Operations*, dated 11-09-07, which 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.
8. NECESSITY FINDING STATEMENT. In compliance with Sec. 3174 of P.L. 104-201 (50 USC 2584 note), DOE hereby finds that this Order is necessary for the protection of human health and the environment or safety, fulfillment of current legal requirements, or conduct of critical administrative functions.



9. CONTACT. Questions concerning this Order should be addressed to the Office of Inspector General, 202-586-4128.

BY ORDER OF THE SECRETARY OF ENERGY:



JEFFREY F. KUPFER  
Acting Deputy Secretary

ILLUSTRATION OF MANAGEMENT COMMENTS TO A DRAFT REPORT

United States Government

Department of Energy

# memorandum

DATE: Month XX, 20XX  
REPLY TO: Routing Symbol  
SUBJECT: Management Comments on Draft Report "Draft Report Title"  
TO: Office of Inspector General Official who issued the draft report

Include any overall comments or observations here.

Management Reaction:

**Recommendation 1:** We concur (do not concur) with the recommendation.

Include comments and/or alternative recommendations.

Include taken and planned correction actions with actual or target dates.

**Recommendation X:** (Repeat format for each recommendation in the draft report)

Comments:

Explain any remaining disagreements with the findings and/or monetary impacts, and present additional facts if necessary. Attach supporting documentation. Because this memorandum will most likely be included verbatim in the final report, it is best to handle minor editorial comments in an attachment or to handle issues that can be resolved prior to final report issuance through discussions before the official comments are finalized.

If you have any questions, please contact [Name] at [phone number].

Signature  
Title

cc: Chief Financial Officer