

**Forest Service Manual
National Headquarters - Washington Office
Washington, DC**

**Forest Service Manual 1400 – Controls
Chapter 1430 - Office of Inspector General Audits**

Amendment: 1400-2017-1

Effective date: December 20, 2017

Duration: This amendment is effective until superseded or removed.

Superseded Directive: 1430, Amendment 1400-2012-2, October 10, 2012

Approved by: Antoine L. Dixon, Chief Financial Officer (CFO)

Date approved: December 15, 2017

Responsible Staff:

Explanation of changes: Following is an explanation of the changes throughout the directive by section.

1430: Revises, updates, and sets forth new direction throughout the entire chapter.

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This directive applies to audits conducted by, for, or under the direction of the U.S. Department of Agriculture's Office of Inspector General (OIG) (FSM 1430.1). The OIG conducts audits within and at all levels of the Department to promote economy, efficiency, and effectiveness, and to prevent and detect fraud, waste, and abuse.

1430.1 - Authority

The following authorities define the responsibilities of agencies regarding audits:

1. [The Inspector General Act Amendments of 1988 \(Act\)](#), Public Law No. 100-504, [As Amended](#). This law requires agencies to conduct and supervise audits and investigations relating to the programs and operations of the establishments and to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action.
2. [Office of Management & Budget \(OMB\) Circular No. A-123, Management's Responsibility for Internal Control and Enterprise Risk Management](#). This circular requires agencies to establish appropriate risk management processes and systems to identify challenges early, and to bring them to the attention of agency leadership for resolution. The circular also requires agencies to implement an Enterprise Risk Management (ERM) capability, coordinated with the strategic planning and strategic review process; established by Government Performance and Results Act Modernization Act (GPRAMA), as well as internal control processes required by Federal Managers' Financial Integrity Act (FMFIA) and Government Accountability Office (GAO)'s Green Book. The integrated governance structure must be designed to improve mission delivery, reduce costs, and focus corrective actions towards key risks. Implementation of the guidance in the Circular must engage all agency management and staffs. The circular also emphasizes on the review of both financial and non-financial programs.
3. [Office of Management and Budget Circular A-50, Audit Follow-up](#). This circular provides the policies and procedures for use by executive agencies when considering reports issued by the Inspectors General (IGs), other executive branch audit organizations, the Government Accountability Office (GAO), and non-Federal auditors where follow-up is necessary.
4. [GAO Green Book - Standards for Internal Control in the Federal Government \(September, 2014\)](#): The Green Book provides managers criteria for designing, implementing, and operating an effective internal control system. It defines standards through components and principles and explains why they are integral to agencies internal control systems. The Green Book clarifies what processes management considers part of internal control. In a mature and highly effective internal control system, internal control may be indistinguishable from day-to-day activities personnel

perform. Agencies use the Green Book to help them achieve their objectives related to operations, reporting, and compliance.

5. [GAO Yellow Book - Government Auditing Standards \(December, 2011\)](#): The Generally Accepted Government Auditing Standards, also known as the Yellow Book, provide a framework for conducting high quality audits with competence, integrity, objectivity, and independence. The Yellow Book is for use by auditors of government agencies, agencies or entities that receive government awards, and other audit organizations performing Yellow Book audits. As reflected in applicable laws, regulations, agreements, and standards, management and officials of government programs are responsible for providing reliable, useful, and timely information for transparency and accountability of all government programs and their operations.

6. [Departmental Regulation 1720-001, Revised November 2, 2011](#). This regulation sets forth the policy, definitions, responsibilities, and procedures for audit follow-up in the U.S. Department of Agriculture (USDA). The regulation mainly concerns actions required once an Office of Inspector General (OIG) audit report is issued and management decision has been reached between OIG and USDA management on the corrective action(s) taken or to be taken to fulfill the intent of the audit recommendation(s).

7. [Debt Collection Improvement Act of 1996](#). This act requires agencies to take prompt action to recover debts, aggressively monitor all accounts, properly screen potential borrowers in the case of credit programs, resolve the outstanding debt through a variety of options, including referring the debt to the Department of Justice for litigation and, unless exempt by law, transfer all non-tax debts delinquent more than 180 days to the Department of the Treasury for administrative offset and cross-servicing.

1430.2 - Objective

The objectives of this chapter are to:

1. Strengthen the Forest Service processes for cooperating with the Office of the Inspector General (OIG) in the conduct of OIG audits, reviews, surveys, and related activities.
2. Specify the role of the designated audit liaisons, audit leads, and other key participants.
3. Provide an audit follow-up process that encourages timely completion and reporting on the status of corrective actions.
4. Emphasize the importance of monitoring the implementation of resolved audit recommendations to assure that corrective actions are actually taken and the results documented and reported through agency leadership.

1430.3 - Policy

The Office of Inspector General (OIG) conducts audits, reviews, surveys, and related activities to help improve the performance and accountability of the Forest Service. Forest Service fully cooperates with the OIG to facilitate audits and takes the following prompt action to correct management control weaknesses identified in audits of Forest Service activities.

1. Render all possible assistance during audits by providing records and explaining agency organizations and their roles and responsibilities, controls, systems, and processes relating to matters under review.
2. Implement agreed-upon corrective actions that are associated with audit recommendations within one year of reaching management decision on all audit recommendations.
3. Propose management decision to the OIG within 60 days of the audit release date for each recommendation in the audit report for which there was no management decision made at the time of report issuance, as indicated in the audit report transmittal memorandum.
4. Protect official draft audit reports from being released, shared, or discussed with any individual outside the Forest Service and Department, except with specific authorization of OIG. Limit circulation within the Forest Service and Department to only those officials having a need to know. Prepare responses to official draft audit reports that exclude identifiers to individual persons, pursuant to the Privacy Act (5 USC 552a). Attach a copy of such responses to the final audit reports and, include as part of the official record.
5. Maintain accurate records of the status of audit reports or recommendations through the entire process of resolution to corrective action. Ensure that such records include appropriate evidence of satisfactory corrective actions, including accounting and collection controls over the amounts determined to be due to the Government.
6. Retain audit follow-up files and supporting documentation for five years from the date of acceptance of final action on the audit. After which time, the files and supporting documentation may be disposed (DR 1720-001 and FSH 6209.11).

1430.4 - Responsibility

The Agency is required to fully cooperate with the OIG to facilitate the conduct of audits. Forest Service managers, as applicable, shall concentrate on and take prompt action on audit requests, problems identified, and recommendations made, by the OIG, by established due dates. Specific responsibilities are set forth in 1430.41 of this chapter.

1430.41 - Washington Office

1430.41a - Chief

It is the responsibility of the Chief to:

1. Ensure the appropriate agency staff is held accountable for audit follow-up responsibilities.
2. Ensure Agency strategic or annual performance plans address the appropriate major management problems identified by OIG.
3. Ensure internal control deficiencies cited in OIG audit reports are considered when evaluating the effectiveness of internal controls and identifying material deficiencies, as required by the Federal Managers' Financial Integrity Act (FMFIA).
4. Approve and sign all agency letters in response to OIG official draft or discussion draft audit reports.

1430.41b - Chief Financial Officer (CFO)

It is the responsibility of the Chief Financial Officer (CFO) to:

1. Provide oversight for the general audit liaison function between the OIG and the Office of the Chief Financial Officer (OCFO) regarding OIG audit activities and agency audit resolution and closure.
2. Oversee units to ensure that audit follow-up processes are established and maintained.
3. Ensure that audit findings and recommendations are promptly evaluated.
4. Ensure that the agreed-upon management decision satisfies the intent of the audit recommendation, addresses the audit finding, and is cost-effective and commensurate with results-oriented management.
5. Ensure that management decisions with the OIG are reached within the legislatively mandated six-month period from the date of audit issuance and include agreement on all monetary amounts and estimated completion dates.
6. Ensure all requests for changes in management decisions are signed and forwarded to the OCFO for review. A request for change in management decision is required only if there is a need to change the agreed upon action between OIG and Forest Service. The OCFO reviews the request for these changes and forwards to OIG for a decision/determination. The OCFO will notify the Agency of OIG's response.

7. Evaluate the documentation of corrective actions implemented to determine if the intent of the recommendations has been met and intended corrective action has occurred. Approve and sign the letter to the OCFO requesting official closure.
8. Ensure that the corrective action associated with each management decision is completed within one year of the management decision date, or by the estimated completion date as agreed to by agency management and OIG.
9. Monitor and report to leadership on responsible units' completion of agreed upon corrective actions in longstanding unresolved audits. In particular, those audits without final action one year or more after management decision date.
10. Ensure the prompt recording and proper management of claims/accounts receivables for all disallowed costs (Debt Collection Improvement Act of 1996). Ensure that accurate information regarding the collection of disallowed costs, as well as any associated interest or penalty collected, is maintained and reported to the OCFO.
11. Retain audit follow-up files for five years from the date of acceptance of final action on the audit.
12. Issue policy guidance and provide technical support to units.
13. Prepare and distribute the statutory management reports to the President and Congress.
14. Keep the Secretary and Under/Assistant Secretaries informed of the status of corrective actions for resolved audits without final action at least one-year after the management decision date.
15. Issue reporting guidelines and data calls, as deemed necessary.

1430.41c - Agency Audit Liaison

The Agency Audit Liaison function is within the Audit & Assurance staff (A&A) area within the CFO. The responsibilities of the Agency Audit Liaison include:

1. Serve as the initial and primary contact between OIG and Forest Service staffs to coordinate audit activities within the Agency and to handle audit reports and related correspondence.
2. Work with the appropriate program staff to identify the Audit Lead for each audit.
3. Keep Forest Service staff, Region, Station, Area, and International Institute of Tropical Forestry Audit Liaisons, and Audit Leads at all levels of the Agency informed of OIG audits and related activities.

4. Maintain updated lists of appropriate Audit Designees, Audit Leads, and Regional/Station/Area Audit Liaisons for the Forest Service.
5. Schedule entrance conferences to discuss the purpose and objectives of the audit, its scope, and the general methodology and procedures to be followed. Schedule exit conferences to discuss details of the discussion draft and recommendations, as applicable.
6. Coordinate and/or provide oral or written comments to OIG official draft audit reports, as applicable.
7. Provide guidelines and templates to audit leads for preparation of management decisions. Review management decisions for correctness and completion before forwarding for concurrence and signature. If management decision is not reached by issuance of the final audit report, propose management decision to OIG within 60 days of the audit release date, for each recommendation.
8. Ensure management decision includes a copy of the bill for collection of amounts owed to the Government, as well as documentation that the corresponding receivable is recorded in the Agency's accounting records.
9. Ensure management decision includes an explanation and justification regarding any recommendation and/or monetary amount not considered valid by the Management Official. (A Contracting Officer is also a designated Management Official).
10. Ensure the appropriate tracking system is used to monitor and track the status of corrective actions for all audit recommendations. At a minimum, monthly status reports on corrective actions pending will be provided to the Department's OCFO, via the Audit Tracking System or related reporting tool.
11. Ensure the appropriate staff implements audit recommendations as planned and Washington Office and field unit staffs monitor and report to leadership on follow-up action to ensure timely resolution and closure.
12. Ensure final action is achieved as agreed upon in the management decision, unless a request for a change in management decision has been forwarded through the OCFO and OIG has approved.
13. Ensure appropriate documentation to fully support a request for final action is provided to OCFO in a timely manner.
14. Ensure corrective actions on late audits are elevated and reported accordingly.
15. Distribute all reports, correspondence, and other information concerning OIG audits to appropriate Washington Office and field unit staffs.

16. Retain audit files and supporting documentation of all Forest Service and related OIG audits for five years from the date of acceptance of final action on the audit, after which time they may be destroyed.
17. Ensure accurate information regarding the collection of disallowed costs, as well as any associated interest or penalty collected, is maintained and reported to the OCFO.
18. Ensure that monetary savings associated with audit recommendations referencing funds to be put to better use are reported, implemented or not implemented, to the OCFO, as part of the final audit action process.
19. Ensure a prompt response to data and reporting calls, and that the OCFO issues that response in writing.

1430.41d - Audit Designee

The Deputy Chiefs, Washington Office Staff Directors, Directors for Law Enforcement and Investigations (LEI), and International Programs, Regions, Stations, and the Area (R/S/As) may designate an Audit Designee for their respective areas to facilitate the processing of audit responses and closures of recommendations for the program areas within their respective area. Responsibilities of the Audit Designee include:

1. Coordinating with the Audit Lead and Forest Service subject matter expert for the OIG audit to facilitate on-going audits.
2. Rendering all possible assistance during audits by providing records and explaining controls, systems, and practices on matters under review.
3. Facilitating prompt action on OIG recommendations as applicable.
4. Reviewing and concurring on all letters in response to the OIG official draft or final audit reports on subject matters of the staff's area of responsibility.
5. Reviewing and concurring on, or ensuring the proper concurrences on corrective actions prepared by the staff to obtain management decisions, before forwarding the management decision letter to the CFO for signature.
6. Ensuring that agreed upon management decisions satisfy the intent of the audit recommendation; and that the findings identified, are cost-effective, and are commensurate with results-oriented management.
7. Ensuring that recommendations for the corrective action(s) are resolved within one year of obtaining management decision with OIG.

8. Monitoring completion of agreed upon corrective actions and initiating resolution to outstanding audits (those audits without final action one year or more after the management decision date).

9. Keep leadership involved in the status of the related audits.

1430.41e - Auditee

It is the responsibility of the Washington Office Staff Directors, Directors for Law Enforcement and Investigations (LEI), International Programs, and Regions, Stations, and the Area (R/S/As) to:

1. Render all assistance during audits by providing records and explaining controls, systems, and practices related to matters under review.
2. Assign technical advisors to assist the OIG staff, if requested, or deemed necessary by the Forest Service.
3. Provide written or oral comments regarding audit activities pertaining to the Washington Office, R/S/A's and International Institute of Tropical Forestry (IITF), or other agency unit or function under audit, as applicable.
4. Evaluate and take action on the OIG recommendations to the Washington Office, R/S/As and IITF. Ensure completion of all agreed upon actions between management and the OIG, with respect to the findings and recommendations included in the audit report. This includes providing evidence of corrective actions implemented, and results, to show corrections have satisfied the intent of the audit recommendation.

1430.41f - Audit Lead

It is the responsibility of the Audit Lead as coordinated by the Agency Audit Liaison to:

1. Serve as the technical expert and primary point-of-contact for assigned OIG audits within their program area.
2. Participate in entrance conferences to discuss the purpose and objectives of the audit, its scope, and the general methodology and procedures to be followed. Participate in exit conferences to discuss details of the discussion draft and the audit recommendations, if applicable.
3. Coordinate, consolidate, and prepare written responses to the OIG official draft audit reports submitted by various Washington Office and field unit staffs to ensure response by the established due date.

4. Develop a corrective action plan and prepare the management decision letter that details when and how recommendations will be implemented by working closely with the Agency Audit Liaison.
5. Provide documentation that fully supports closure of the audit or audit recommendations by the established due date.
6. Obtain appropriate concurrences on all correspondence.
7. Maintain file(s) for audits under the Audit Lead purview (FSM 1430.3, para. 6).

1430.41g - Regional/Staff Audit Liaison

It is the responsibility of the Washington Office, Regions, Stations, and Area (R/S/As) and the International Institute of Tropical Forestry (IITF) Audit Liaisons to:

1. Serve as the primary point of contact for audit activities regarding the R/S/As and IITF.
2. Coordinate the scheduling of meetings to be held at the R/S/As and IITF, when requested.
3. Distribute reports, correspondence, and other information concerning OIG audits to the appropriate R/S/As and IITF staffs.
4. Retain audit files and all related documentation for five years from the date of acceptance of final action for R/S/As and IITF specific audits.
5. Inform the Washington Office Agency Audit Liaison Official directly of OIG audits or requests for information where the Washington Office Audit Liaison Official has not previously notified the R/S/As and IITF.

1430.5 - Definitions

Audit Closure. When the appropriate corrective actions based on individual audit recommendations, or the entire audit is completed.

Audit Finding. Statement of problem(s) identified by the OIG during an audit and having a condition, effect, and cause that meet the objectives of the audit.

Audit Follow-up. The process to ensure prompt and responsive action is taken once management decision has been reached on recommendations contained in the final audit reports.

Audit Recommendation. A course of action recommended by the Office of Inspector General to correct an audit finding or set of findings.

Audit Resolution. The point at which the Forest Service and the Office of Inspector General agree on the action to be taken on reported findings and recommendations; or in the event of disagreement, the point at which the audit follow-up official determines the matter to be resolved.

Change in Management Decision. An approved change in the originally agreed-upon corrective action(s) to be taken to implement an audit recommendation.

Control Deficiency. A deficiency when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Deficiencies. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct errors or misstatements within the established time period.

Disallowed Cost. A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government. A cost that OIG questions because of alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document including loans governing the expenditure of funds.

Entrance Conference. A conference held with agency key officials and the Office of Inspector General representative at the initiation of an audit, to discuss the purpose and scope of the audit.

Exit Conference. A conference held with key officials and the Office of Inspector General representative upon completion of an audit, to discuss the findings and recommendations.

Final Action. The completion of all actions that management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that management concludes no additional action is necessary, final action occurs when management decision is reached.

Management Decision. An agreement between agency management and the Office of Inspector General on actions taken or to be taken to address a finding and recommendation cited in an audit report.

Material Weakness. A deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Resolved Audit. An audit report where management decision has been reached for all audit recommendations contained in the report, but final action has not been completed.

1431 - Annual Audit Schedule

The Office of Inspector General's (OIG's) Annual Audit Schedule, issued at the beginning of each fiscal year, describes anticipated audit work. The OIG collaborates with departmental and agency officials in determining the audits and evaluations to be included in the plan. The OIG also gives advance notice of specific audits or investigations to appropriate agency officials, except in unusual circumstances where time or other considerations make notification impracticable. Staffs should notify the Agency Audit Liaison directly of audit-related requests from the auditors for information when the staff has not been previously notified of the request by the Agency Audit Liaison.

1431.1 - Notification Process

See exhibit 01 for the notification process for entrance and exit conferences and other audit related meetings.

1431.1 - Exhibit 01

Notification Process for Entrance and Exit Conferences and Other Audit Related Meetings

Responsible Official	Steps in Notification Process
Agency Audit Liaison Officials	1. Receive the notification of assignment from the Office of Inspector General (OIG).
	2. Determine key participants.
	3. Schedule the date, time, location, and dial-in number for the meeting.
	4. Determine the appropriate audit lead.
	5. Announce via email to the key participants, Regions, Stations, Area, and International Institute of Tropical Forestry Audit Liaisons, and other Washington Office staffs at the start of a new assignment, entrance conference, exit conference, or other audit related meeting.
WO, Regions, Stations, Area, and the International Institute of Tropical Forestry Audit Liaisons	Provide the start of a new assignment, entrance and exit conferences, or other audit related meeting to interested employees within the units.

1432 - Audit Reports

The Office of Inspector General (OIG) issues the following types of reports to the Chief of the Forest Service, after an audit is completed.

1. Discussion Draft Report. The OIG issues a discussion draft report prior to the exit conference. The discussion draft is used by the OIG and Forest Service officials at the exit conference to reach agreement on the factualness and significance of the audit's findings and recommendations.
2. Official Draft Audit Report. The OIG issues an official draft audit report after the exit conference. The official draft audit report incorporates changes agreed to at the exit conference and provides the Agency an opportunity for a formal written response. The formal response includes any agency corrective actions for implementing the audit recommendations.
3. Final Audit Report. The final audit report makes further changes to the official draft and includes the Agency's written comments as an attachment to the report. If the OIG agrees to the corrective actions included in the Agency's written comments, management decision is reached between the OIG and the Forest Service in the final report.