



USAID
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ADS Chapter 590

USAID as the Audited Entity

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 ADS 590 – USAID as the Audited Entity
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ADS 590 – USAID as the Audited Entity

590.1 OVERVIEW

Effective Date: 11/17/2022

This chapter provides the policy directives and required procedures for Agency staff engaging with independent audit organizations when the Agency is the audited entity undergoing a performance or financial audit, evaluation, inspection, and other engagements performed by USAID oversight bodies. The Government Accountability Office (GAO), the USAID Office of the Inspector General (USAID/OIG), and any office of the Special Inspector General (SIG) are independent audit organizations that audit the Agency. This chapter applies to Agency staff that manages auditors' requests and/or provides subject matter expertise. This chapter provides direction on the sequential components of an audit and when Agency staff should engage with auditors (including accountants and other specialists) conducting audits on the Agency's programs and operations.

This chapter applies when USAID is engaged with independent audit organizations that conduct financial and performance audits on USAID funds and operations. This chapter does not apply to an entity receiving USAID funds that is required to have an independent audit firm perform a financial audit on the entity. For those audits, see [ADS 591, Financial Audits of USAID Contractors, Recipients, and Host Government Entities](#) and [ADS 591maa, USAID Financial Audit Guide for Foreign Organizations](#).

590.2 PRIMARY RESPONSIBILITIES

Effective Date: 11/17/2022

a. The **Administrator**:

1. Serves as the principal executive officer of the Agency exercising all of the executive and administrative functions, including functions with respect to the Agency's Reports and Key Documents including the [Agency Financial Report \(AFR\)](#) and the [Annual Performance Report \(APR\)](#);
2. Submits the Agency's audited consolidated financial statements to Congress;
3. Signs the Agency's Management Assurance Statement required by [OMB Circular No. A-123](#) on internal control over operations, reporting, and compliance that is presented in the [AFR](#);
4. Assures that management officials understand the value of the audit process when the Agency is audited by independent auditors; and
5. Designates a top management official as the Agency's Audit Follow-up Official to oversee audit follow-up, including resolution and corrective action as required by [OMB Circular No. A-50 7.a\(1\)](#).

b. The **Office of the General Counsel (GC)** provides legal advice and counsel on audit management and follow-up activities including:

1. Collaborating with Agency staff to assign new audit engagements and provide legal guidance, as appropriate;
2. Reviewing Agency responses to audit draft and final reports; and
3. Providing guidance on the release of non-public information including foreign policy sensitivities, when auditor document requests may exceed statutory jurisdiction, and other relevant concerns.

c. The **Assistant Administrator (AA)** for the **Bureau for Legislative and Public Affairs (LPA)** manages all aspects of legislative and public affairs matters for the Agency. LPA serves as the central point of contact (POC) for audit related correspondence with Congress.

d. The **Assistant Administrator, Bureau for Management (AA/M)** serves as the Agency's Audit Follow-up Official ([OMB Circular No. A-50 section 7.c.](#)). The AA/M:

1. Coordinates with the Chief Financial Officer (CFO) to ensure that:
 - Systems of audit follow up, resolution, and corrective action are documented and in place;
 - Timely responses are submitted for all audit reports;
 - Disagreements are resolved between the Agency and an audit organization;
 - Corrective actions are taken on audit recommendations; and
 - OIG Semi-Annual Reports to Congress (SARC), required by [OMB Circular A-50](#) (section 7.c. and 8.a (8)), are sent to the Administrator and prepares any comments the Administrator determines appropriate to add to the SARC.
2. Determines actions to take to resolve audit recommendations when the audit organization and Agency management disagree on such actions ([OMB Circular A-50 6b.](#)).

e. The **Agency's Chief Financial Officer (CFO)** and the **Bureau for Management, Office of the Chief Financial Officer (M/CFO)**:

1. Reports to the Administrator and oversees financial management activities relating to the programs and operations of the Agency;

2. Supports the Agency's Audit Follow-up Official and oversees activity stated in letter d. above;
3. Develops and maintains an integrated accounting and financial management system, including financial reporting and internal controls which complies with applicable accounting principles, standards, and internal control standards;
4. Directs, manages, and provides policy guidance and oversight of financial management personnel, activities, and operations, including complying with the requirements for financial statements and audits established under 31 U.S.C. [3515](#), [3521\(e\)](#), and [3521\(f\)](#); and
5. Prepares and transmits an annual report to the Administrator and the Director of OMB, consistent with the requirements of [OMB Circular No. A-136](#).

f. The Bureau for Management, Office of the Chief Financial Officer, Audit Performance and Compliance Division (M/CFO/APC):

1. Manages the Agency's Audit Management and Follow-up Program for financial and program performance audits conducted by USAID/OIG or SIG, and supports GAO engagements;
2. Manages the Agency's comments on the OIG Top Management Challenges Statement to reflect the Agency's actions to address challenges; and
3. Leads all aspects of the day-to-day activities of the Agency's Audit Management and Follow-up Program for assigned audits.

g. The GAO Audit Liaison in the Bureau for Management, Office of the Chief Financial Officer, Immediate Office of the Chief Financial Officer (M/CFO/ICFO) leads all aspects of the daily activities of the Agency's Audit Management and Follow-up Program for GAO audits. The GAO Audit Liaison:

1. Provides guidance and advises Audit Management Officers on GAO audits, and
2. Manages GAO's requests and assigns and coordinates with Audit Analysts to ensure appropriate responsiveness.

h. Audit Analysts in M/CFO/APC facilitate and support audits throughout the engagement. Audit Analysts are assigned by an independent audit organization.

1. Audit Analysts for GAO engagements:

- Provide support to the GAO Audit Liaison by scheduling, coordinating, attending, and facilitating meetings;

- Track and document GAO information requests and responses; and
- Coordinate required clearances to ensure proper distribution of USAID materials to GAO.

2. Audit Analysts for OIG engagements:

- Coordinate OIG meeting requests including entrance and exit conferences,
- Provide guidance and routing of Agency responses to OIG draft reports,
- Assist in resolving disagreements with OIG recommendations, and
- Monitor timely completion of corrective action with the action office.

i. The **Agency Financial Report Coordinator/Program Manager** in **M/CFO/APC** coordinates the activities that support the planning, development, production, and publishing of the AFR. The AFR Coordinator/Program Manager:

1. Coordinates and leads a core team of subject matter experts (SMEs) across the Agency to develop the annual AFR;
2. Serves as a liaison with the OIG in support of the Government Management Reform Act (GMRA) audit; and
3. Reviews and manages the Agency's participation in the Certificate of Excellence in Accountability Reporting (CEAR) program.

j. **Audit Management Officers (AMOs)** in each Operating Unit (OU) serve as the OU primary point of contact on managing audits and coordinating support with the respective Audit Analyst as needed.

1. For USAID/Missions, the Controller serves as the Mission's AMO.
2. For USAID/Washington (USAID/W), the head of each OU must designate one AMO. When an OU is assigned a Controller, the Controller serves as the AMO.
3. For USAID Task Forces, the Executive Director in coordination with the Bureau for Management, Task Force Readiness Unit (TFRU) must designate one AMO in conformance with [ADS 112, Standard Operating Procedures for Task Forces](#).

k. **Audit Action Officers (AAOs)** in each OU serve as the primary SME on the audit topic during the audit engagement. OU's management designates the AAOs within five business day after the date of the audit engagement assignment. For financial audits, the Controller serves as the AAO.

I. Agency officials (i.e., from financial, program, or technical offices) responsible for information retrieved and conveyed to an audit organization for purposes of an audit engagement must provide both assurance and a statement that, to the best of their knowledge, information retrieved is current, correct, and complete.

590.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

590.3.1 Generally Accepted Government Auditing Standards (GAGAS)

Effective Date: 11/17/2022

Independent auditors from the GAO, USAID/OIG, and any SIG (audit organizations), who are established to audit USAID programs and operations, conduct performance and financial audits. Auditors from these audit organizations conduct these audits in accordance with the GAO's GAGAS, otherwise known as the Yellow Book, issued by the Comptroller General of the United States. These audit standards (GAGAS) apply to all engagements conducted by the above-mentioned audit organizations. An independent auditor is an audit organization or individual auditor who meets the independence requirements under GAGAS. Audit organizations state compliance with GAGAS in their final audit report to the Agency.

590.3.2 Audits: Performance and Financial

Effective Date: 11/17/2022

All new GAGAS engagements begin with GAGAS objectives, and those objectives determine whether the engagement is a performance or financial audit.

Performance audit objectives include assessments of program effectiveness and efficiency, internal control, compliance, and prospective analyses. Audit objectives for a performance audit may also pertain to the current status or condition of programs and operations.

Financial audit objectives include financial statement audits and other related financial audits. Financial statement audits provide an opinion by an independent auditor on whether the Agency's consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles accepted in the United States. Other types of financial audits include an opinion on specified elements of a financial statement; compliance and internal control requirements relating to programs; and internal control over financial reporting that is integrated with an audit of financial statements.

In addition, the Agency's CFO prepares and transmits an annual report to the Administrator and the Director of OMB, consistent with the requirements of OMB Circular No. A-136 which include:

- a.** A description and analysis of the status of financial management of the Agency;

- b. The annual financial statements prepared under [31 U.S.C. 3515](#);
- c. The audit report transmitted to the Administrator under [31 U.S.C. 3521\(f\)](#); and
- d. A summary of the reports on internal accounting and administrative control systems under the [Federal Managers' Financial Integrity Act of 1982](#) (FMFIA).

590.3.3 Performance Audits: Program and Mandated

Effective Date: 11/17/2022

Performance audits provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by appropriate parties, and contribute to public accountability.

GAGAS performance audits are separated into two categories: program and mandated. The purpose of these Agency-termed performance audit categories is to ensure effective and timely implementation of program performance audit recommendations.

- Program performance audits primarily include performance audit objectives that address the Agency's operations, goals, and management of foreign assistance programs.
- Mandated performance audits primarily include performance audit objectives that address the Agency's compliance with criteria established by Federal resource and facilities management laws and regulations. Such laws and regulations include the Digital Accountability and Transparency Act ([DATA Act](#)), Federal Information Security Modernization Act ([FISMA](#)), Payment Integrity and Information Act ([PIIA](#)), Federal Information Technology Acquisition Reform Act ([FITARA](#)), Government Charge Card Abuse Prevention Act of 2012 ([Government Charge Card](#)), and other frameworks governing operational performance including but not limited to internal controls for information technology and financial management, accounting standards and systems, funds management, and auditing.

590.3.4 Sequence of Audit Engagement

Effective Date: 11/17/2022

When the Agency is the audited entity, independent audit organizations conduct their engagement in compliance with GAGAS which requires high-quality audit work with competence, integrity, objectivity, and independence.

In accordance with GAGAS, audit engagement activities are generally completed in the following sequence:

- a. Planning:** Auditors must adequately plan the work necessary to address the audit objectives and document the audit plan. The Agency may be given an opportunity to provide input to the audit plan.
- b. Audit Notification:** The audit organization develops and issues formal notice of the new engagement (notification letter) to the Agency Administrator, CFO, Mission Director, or other senior Agency officials. The notification letter provides engagement objectives that generally define either a performance or financial audit. The responsible OU, as determined following receipt of the notification letter, along with the AMO and AAO(s) assigned to the audit must begin collaboration on managing and providing subject expertise for the area under audit as soon as possible.
- c. Entrance Conference:** The audit organization may request an entrance conference to discuss its roles and responsibilities, objective, scope, timeline, and contact information as stated in the notification letter. Agency officials assigned to the audit should receive read-ahead materials from the auditor (e.g., agenda, questions) before the entrance conference to prepare and understand the audit's objectives and scope. The Audit Analyst, AMO, and AAO(s) should coordinate an internal pre-meeting at least two business days before the entrance conference to ensure key personnel are prepared for the entrance conference.
- d. Fieldwork:** The audit organization carries out an audit methodology to obtain sufficient, appropriate evidence (e.g., sample documents, interviews) that provides a reasonable basis for findings and conclusions based on the audit objectives. AAO(s) coordinate documents, site visit(s), and/or interview requests by the auditor to ensure responses are provided to the auditor in a timely manner. Staff handling documents that are classified, Sensitive But Unclassified (SBU), potentially SBU, or that contain personally identifiable information (PII) must comply with statutory requirements.
- e. Exit Conference:** The audit organization may request an exit conference to ensure it has an accurate understanding of the information gathered from the Agency to meet its audit objectives. Similar to the entrance conference, Agency officials should receive read-ahead materials from the auditor before the exit conference to prepare for the exit conference. Internal pre-meetings should be held at least two business days before the exit conference.
- f. Reporting:** When the audit organization issues the draft audit report, the Agency is provided a specified timeframe to comment. The audit organization incorporates the Agency's comments to the draft report into the final audit report, and the Agency is provided a specified timeframe to respond to the final audit report recommendations.

- g. Corrective Actions and Closure:** For each recommendation, the Agency communicates its management decision, corrective actions, and timeline to complete. M/CFO and the audit organization monitor the Agency's progress in resolving and implementing recommendations. Agency officials must meet deadlines for the implementation of corrective action(s) to close audit recommendations provided in the audit organization's final audit report. Exceptions are acceptable when the Agency's senior officials agree to revise a target implementation date based on facts and circumstances or to no longer implement a recommendation due to changed circumstances.

590.3.5 Audit Notification
Effective Date: 11/17/2022

Under GAGAS, the audit organizations notify the Agency in writing prior to initiating any new engagement. An audit begins for the Agency when an official notification of a new engagement (notification letter) is received by the Administrator, CFO, Mission Director, or other senior Agency officials. The notification letter or notification of preliminary research should occur before the auditor makes any requests for meetings, documents, or interviews with Agency officials at any location. The notification letter provides information on the engagement such as the subject, objectives, scope, methodology, timeline, originator of the request, and contact information. The notification also requests the Agency to provide a principal POC to work with the audit organization to schedule an entrance conference, collect documents, and coordinate communication throughout the engagement.

590.3.5.1 Engagement Assignments within the Agency
Effective Date: 11/17/2022

The Audit Analyst or GAO Audit Liaison reviews the notification letter to determine and assign the lead Mission, Bureau/Independent Office (B/IO), or OU, and notifies the respective AMO(s). The Audit Analyst creates an audit engagement folder in the Agency's Consolidated Audit and Compliance System (CACCS) database to document the letter.

The AMO from the lead OU confirms receipt and responsibility for the engagement. M/CFO should assign the new engagement to the OU within one business day after receipt of the notification letter. The Audit Analyst notifies OU management, and may notify POCs from the Office of the Executive Secretariat (ES), and the Office of the Administrator (A/AID) on the new audit engagement.

No later than five business day after the audit engagement assignment, the lead OU management designates an AAO(s). The AAO(s) and/or SMEs of each OU being audited prepare technical responses and assist the AMO in coordinating retrievals of relevant documents requested by audit organizations. The Audit Analyst and the AMO from the lead OU serve as the POC to work with the audit organization to schedule any meetings (including entrance and exit conferences), collect documents, and coordinate communication throughout the engagement. The AMO coordinates with an Audit

Analyst or GAO Audit Liaison, or any additional OU being audited, as needed for the management of an audit engagement.

The AMO and AAO(s) work together and co-lead the day-to-day Agency actions for their assigned audit(s). The AMO coordinates audit management actions and the AAO(s) performs SME actions. The AMO and AAO(s) must begin their work three business days after the audit engagement assignment.

Semiannual Report to Congress

LPA transmits the [SARC](#) that the Agency receives from the USAID/OIG, within 30 days after receipt of the report with any comments on the report the Administrator deems appropriate (see [section 5\(b\) of the Inspector General Act, as amended](#)). LPA transmits any report to Congress received from the USAID/OIG on serious or flagrant problems, abuses, or deficiencies relating to Agency programs and operations within seven calendar days of receiving the report with any comments on the report the Administrator deems appropriate (see [section 5\(d\) of the Inspector General Act, as amended](#)).

590.3.6 Entrance Conference

Effective Date: 11/17/2022

The entrance conference is generally scheduled within 14 days after the Agency receives a notification letter. The entrance conference is the beginning of an interactive process between the audit organization and the Agency that will continue throughout the engagement. The AMO and AAO(s) coordinate the Agency's representation for the entrance conference. The AMO should request, from the auditors, information and/or questions the auditors plan to discuss during the entrance conference. This information should be received at least three business days before the scheduled entrance conference to prepare and ensure appropriate Agency representation at the internal pre-meeting and entrance conference.

All engagements generally have an internal pre-meeting for all Agency stakeholders prior to the entrance and exit conferences to discuss the audit objectives, ensure understanding of roles and responsibilities, and reach consensus on specific issues, as needed. The AMO and AAO(s) must ensure attendance of the appropriate management levels at any internal pre-meetings before the scheduled entrance or exit conferences.

During the entrance conference, the auditors elaborate on the information found in the notification letter to provide the objectives, scope, and methodology of the audit. When auditors significantly change the audit objectives before it is complete, the audit organization must inform the Administrator, CFO, Mission Director, or other senior Agency officials in writing.

590.3.7 Fieldwork

590.3.7.1 Agency Response to Auditor's Requests for Information

Effective Date: 11/17/2022

Following the entrance conference, auditors may conduct a survey phase where they collect data and perform preliminary tests before doing in-depth field work. The survey phase and field work include auditors requesting official government records and documents associated with the audit objectives and may include discussions with SMEs.

An audit organization's request for interviews and site visits should be provided to the Agency with as much advance notice as possible so that the AMO has reasonable time to coordinate with partners and address security concerns. The Audit Analyst or GAO Audit Liaison should make management aware of unreasonable schedules and/or data requests made by an audit organization. Missions may provide audit organizations with information about translation services, as needed.

AAOs serve as the lead SMEs on coordinating document requests by auditors. AAOs must coordinate, as needed, with financial, program, and technical offices to retrieve documents. AAOs must seek assurance from financial, program, and technical responsible officials that, to the best of their knowledge, information retrieved and conveyed to an audit organization for purposes of the audit engagement is current, correct, and complete (see [ADS 590saa, Funding Template](#) for a suggested format for funding document requests).

Before the AMO (or AAO(s) in coordination with the AMO) releases documents to an auditor, the AAO(s) must determine whether the documents are classified or SBU, and ensure that documents are handled in accordance with [ADS 568, National Security Information Program](#) and [ADS 508, Privacy Program](#) requirements.

590.3.7.2 Agency Handling of Sensitive or Classified Information

Effective Date: 11/17/2022

Congress gives audit organizations broad statutory rights of access to Federal agency documents. GAGAS requires auditors to obtain sufficient, competent, and relevant evidence to afford a reasonable basis for any findings and conclusions. In exercising its authority, auditors may request and, as a general rule, have access to relevant unclassified and classified information following the entrance conference and in association with an ongoing, authorized engagement.

Agency employees must provide full cooperation and support to facilitate timely auditor access to Agency documents. If the AMO or AAO(s) suspect that an audit organization is operating outside its statutory jurisdiction in requesting information, the AMO or AAO(s) must seek guidance from GC to decide to what extent non-public information can be shared prior to disclosing any documents or information to auditors. Audit organizations are encouraged to make requests specific and relevant to the objective(s)

posed in its notification letter. Auditors are not authorized to independently search for relevant documents and information located in Agency files and databases. The OU's AMO must keep a record of the documents provided to auditors during the engagement.

Auditors rely on the Agency's determination of United States classified information. Auditors must obtain from their organization the necessary security clearances for access to Agency classified information. The AMO, AAO(s), or Agency officials assigned to the audit must ensure that auditors provide a written representation that the auditors assigned to the audit hold such security clearances. Agency officials may provide auditors with Agency documents which, while unclassified, may include sensitive or proprietary information. For these documents, the Agency officials must provide appropriate marks for "SBU" as required by [ADS 568, National Security Information Program](#), and request auditor access on a "need-to-know" basis. The Agency officials should provide redacted copies to the auditors, if necessary, in the event the auditors need to provide the documents outside of the audit organization. The AMO or AAO(s) assigned to the audit must request from the auditors a reasonable time to provide redacted copies, when necessary.

Classified information is material officially classified as Confidential, Secret, or Top Secret per the criteria established by [Executive Order 13526, Classified National Security Information](#) and [ADS 568, National Security Information Program](#). OUs must coordinate classified documents that are approved for review by the auditors through the Audit Analyst or GAO Audit Liaison before information is made available to the audit organization. Such information cannot be removed from the USAID secure workspace facility or photocopied. The AAO(s), in coordination with the Office of Security (SEC), must provide the auditors team with a secure workspace, or other mutually agreeable location, to view the material. A cover memo is included with the documents to alert the audit organization that the documents include classified information. The lead OU, through SEC, must ensure appropriate security clearances of the auditors prior to providing access to classified information. It is the responsibility of USAID personnel to ensure that all email and sensitive communication are appropriately classified and marked.

When audit organizations provide the Agency with classified audit reports, these reports are distributed only to those with the appropriate security clearance and a need to know. Reports that contain sensitive information are distributed only to those who are authorized to receive the reports and a need to know.

590.3.8 Exit Conference

Effective Date: 11/17/2022

The auditors may request an exit conference after completing their data collection and analysis. The purpose of the exit conference is to confirm that critical information and key facts used for the auditor's analysis are current, correct, and complete. The critical information and key facts are presented to the Agency in a document titled, the *Statement of Facts* (GAO Audits) or *Discussion Summary* (OIG, exit conference document).

The AMO should receive the exit conference document at least three business days before the scheduled exit conference. AMOs and AAO(s) should hold an internal pre-meeting for all Agency stakeholders prior to the exit conference, to review the exit conference document to ensure it is current, correct, and complete; discuss potential clarifications and questions; and reach consensus on specific issues, as needed. The AMO and AAO(s) must ensure attendance of the appropriate management levels at any internal pre-meetings before the scheduled exit conference to minimize non-prepared engagement at the exit conference. Agency staff assigned to the audit must review the exit conference document to ensure that critical information and key facts presented in the document are current, correct, and complete.

Preliminary conclusions and potential recommendations may be discussed at the exit conference. The AMO and AAO(s) in consultation with the Audit Analyst or GAO Audit Liaison should agree on a timeline with the audit organizations for submitting any Agency written comments on the exit conference document to ensure critical information and key facts are current, correct, and complete. The AAO(s) is responsible for drafting Agency written comments on the audit organization's exit conference document. The AAO(s), with support from the AMO, coordinates with lead B/IO management, ES, and A/AID, as needed.

590.3.9 Reporting

590.3.9.1 Agency Response to the Draft Audit Report

Effective Date: 11/17/2022

As required by GAGAS, an audit organization provides the Agency an opportunity to review and provide a response to the auditor's draft report. A draft report is not final and is subject to change by the audit organization. Generally, the audit organization provides the Agency a 30-day timeframe to respond to the draft report. The Agency's written response includes its position on the extent of agreement or disagreement with key findings, conclusions, and recommendations; and the rationale for any disagreement. The Agency's written response is published in the final audit report.

The Agency's staff assigned to the OIG audit must send management decisions (i.e., intended course of action on audit recommendations) for each recommendation listed per the draft audit report to the OIG. Reports containing classified or sensitive information are transmitted through other means. Upon receipt of a draft report from GAO, the Agency GAO Audit Analyst will send notification to the appropriate AMO and AAO(s), copying OU management. The AAO(s) must coordinate all input and obtain the clearances necessary to get the Agency comments to the GAO Audit Liaison for review by the due date established by the Agency GAO Audit Analyst, including clearances from OU management and GC. The GAO Audit Liaison takes the lead in obtaining the necessary clearances from M/CFO, USAID's Audit Follow-up Official (AA/M), and LPA.

When the Agency receives a draft report from an audit organization, the Audit Analyst for the assigned audit documents receipt of the draft report in CACS, including any

Agency response due dates. The AAO(s) is responsible for drafting the Agency's response on the auditor organization's draft report. The lead OU's AAO(s), with support from the AMO, coordinates the Agency's response with each applicable B/IO's management.

590.3.9.2 Agency Response to the Final Audit Report

Effective Date: 11/17/2022

After consideration of the Agency's response to the draft report, the audit organization issues a final audit report to the Administrator, Mission Director, and/or other senior Agency officials. The Audit Analyst for the assigned audit documents receipt of the final audit report in CACS, including any Agency response due dates. The AMO notifies the Audit Liaison, AAO(s), and B/IO management.

The final audit report can contain findings and recommendations for the Agency to take corrective action. Audit recommendation resolution is made once the audit organization acknowledges/agrees with the Agency's management decision for each recommendation. The Final Audit Report will note the auditor's agreement (acknowledgement/audit resolution) or disagreement with each recommendation's management decision.

The Agency places a high priority on resolution of audit recommendations and implementing timely corrective action to close the audit recommendation. An audit recommendation is considered resolved when Agency management and the audit organization agree on actions to take or, in the event of disagreement, when the Agency's Audit Follow-up Official determines the matter is resolved (see [OMB Cir A-50 section 6b.](#)).

When the auditors disagree with original management decisions, the Agency's staff assigned to the audit must immediately work with the auditors to revise management decisions and coordinate with leadership officials, as needed. All recommendations must have an auditor's agreement with the management decision (acknowledgement/audit resolution) within six months of the Final Audit Report Date. When the GAO issues a final audit report containing recommendations to the Administrator, LPA is required to submit to Congress a written statement on action taken or planned on the recommendations before the 181st day after the date of the report (see [31 U.S.C. 720](#)).

590.3.10 Corrective Actions and Closure

590.3.10.1 Agency's Implementation of Corrective Actions

Effective Date: 11/17/2022

For audit recommendations that have been resolved (i.e., agreement on action to be taken) by the Agency and an audit organization, it is the Agency's policy to complete corrective action in an expeditious manner that ensures compliance with identified dates for both performance and financial audits. OUs must begin corrective action to

implement audit recommendations as early as possible, when possible, beginning prior to the issuance of a final or even draft report.

590.3.10.2 Timely Implementation of Corrective Actions

Effective Date: 11/17/2022

It is Agency policy to implement audit recommendations by the initial Agency Final Action Target Date (FATD). An audit recommendation should be closed/implemented within one year of the Final Audit Report Date, to the extent possible. An exception is when senior officials in the Agency agree to revise a target implementation date based on facts and circumstances, or to no longer implement a recommendation due to changed circumstances. A request to revise an initial Agency FATD based on the exceptions provided above, is sent by the AAO(s) with support from the AMO, and the lead B/IO management to M/CFO.

590.3.10.3 Agency's Request for Audit Recommendation Closure

Effective Date: 11/17/2022

When the OU demonstrates that it completed the required corrective action to implement the recommendation, the AAO(s) with support from the AMO, and/or the lead B/IO management submits a closure request in CACS directed to the M/CFO Audit Analyst. M/CFO reviews the closure request and supporting documents for completeness, including all applicable clearances, prior to submission to the audit organization. When the audit organization does not accept the Agency's corrective action, M/CFO works with the lead B/IO or Mission and the audit organization to develop a new plan of action to ensure closure. The audit organization provides recommendation closure confirmation to the Agency upon their review of the closure request.

590.4 MANDATORY REFERENCES

590.4.1 External Mandatory References

Effective Date: 11/17/2022

- a. [Chief Financial Officers Act of 1990, as amended \(Pub. L. 101-576\)](#)
- b. [Digital Accountability and Transparency Act of 2014 \(Pub. L. 113-101\)](#)
- c. [Federal Information Technology Acquisition Reform Act \(FITARA\)](#)
- d. [Federal Managers' Financial Integrity Act of 1982 \(Pub. L. 97-255\)](#)
- e. [GAO Standards for Internal Control in the Federal Government \(Green Book\)](#)
- f. [GAO's Agency Protocols](#)

- g. [Good Accounting Obligation in Government Act of 2019 \(Pub. L. 115-414\)](#)
- h. [Government Auditing Standards 2018 Revision \(Yellow Book\)](#)
- i. [Government Charge Card Abuse Prevention Act of 2012 \(Government Charge Card\)](#)
- j. [Government Management Reform Act of 1994 \(Pub. L. 103-356\)](#)
- k. [Government Performance and Results Act of 1993 \(Pub. L. 103-62\)](#)
- l. [Inspector General Act of 1978, as amended \(Pub. L. 95-452\)](#)
- m. [Office of Management and Budget \(OMB\) Circular No. A-11, Preparation, Submission and Execution of the Budget](#)
- n. [OMB Bulletin 19-01, Audit Requirements for Federal Financial Statements](#)
- o. [OMB Circular No. A-50, Audit Follow up](#)
- p. [OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control \(July 15, 2016\)](#)
- q. [OMB Circular No. A-134, Financial Accounting Principles and Standards \(May 20, 1993\)](#)
- r. [OMB Circular No. A-136, Financial Reporting Requirements](#)
- s. [Payment Integrity Information Act of 2019 \(Pub. L. 116-117\)](#)
- t. [Program Management Improvement Accountability Act 2015 \(Pub. L. 114-264\)](#)
- u. [Quality Standards for Federal Offices of Inspector General \(Silver Book\)](#)

590.4.2 Internal Mandatory References

Effective Date: 11/17/2022

- a. [ADS 112, Standard Operating Procedures for Task Forces](#)
- b. [ADS 508, Privacy Program](#)
- c. [ADS 568, National Security Information Program](#)
- d. [ADS 591, Financial Audits of USAID Contractors, Recipients, and Host Government Entities](#)

- e. [ADS 591maa, USAID Financial Audit Guide for Foreign Organizations](#)
- f. [ADS 596, Management’s Responsibility for Enterprise Risk Management and Internal Control](#)

590.5 ADDITIONAL HELP
Effective Date: 11/17/2022

- a. [ADS 590saa, Funding Template](#)
- b. [ADS 590sab, Standard Operating Procedures for USAID Engagement in OIG Audits](#)
- c. [ADS 590sac, Standard Operating Procedures for USAID Engagement in SIG Audits](#)

590.6 DEFINITIONS
Effective Date: 11/17/2022

See the [ADS Glossary](#) for all ADS terms and definitions.

Agency Audit Follow-up Official

The senior management official designated by the Administrator in accordance with OMB Circular A-50 to oversee audit follow-up. The AA/M is USAID’s Audit Follow-up Official. (**Chapter 590**)

Agency Financial Report (AFR)

Provides an overview of the Agency’s performance and financial information. The AFR, along with the Annual Performance Report, and the Summary of Performance and Financial Information provide performance and financial information that enables Congress, the President, and the public to assess the performance of a Federal agency relative to its mission and the stewardship of the resources entrusted to it. (**Chapter 590**)

Audit Action Officer (AAO)

The USAID employee that serves as SME on the audit topic and assigned specific responsibility for responding to recommendations from audits and ensuring that corrective action is completed. (**Chapter 590**)

Audit Methodology

The steps necessary to answer the audit objectives. Examples include using data as evidence, testing to determine compliance with specific criteria, and performing management control assessments. (**Chapter 590**)

Audit Objective

The purpose of the audit. The audit objective determines the type of work to be performed and the auditing procedures to be followed to achieve the audit's goals. **(Chapter 590)**

Audit Scope

The extent of an audit as defined by factors such as who the auditee is, what is being audited (program, project, grant, etc.), general criteria (grant agreement, policy, law, assistance objective, planned result, etc.), the time period under audit, and the location to be audited. **(Chapter 590)**

Entrance Conference

A meeting between an auditor and the auditee to discuss an impending audit, including time constraints, preliminary scope, issues, sensitivities, points of contact, referrals for information, and preliminary requests for information and documents. **(Chapter 590)**

Exit Conference

A meeting between an auditor and the auditee held upon completion of an audit to discuss the findings. **(Chapter 590)**

Field Work

The detailed examination phase of an audit developed specifically to find answers to the audit objectives. **(Chapter 590)**

Financial Statements

Financial documents, including the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Changes in Net Position, Combined Statement of Budgetary Resources, and Notes to the Financial Statements. **(Chapter 590)**

Generally Accepted Government Auditing Standards (GAGAS)

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

Internal Controls

The organization, policies, procedures, and tools used to reasonably ensure that (a) programs achieve their intended results; (b) resources are used in accordance with the Agency's mission; (c) programs and resources are protected from waste, fraud, and mismanagement; (d) laws and regulations are followed; and (e) reliable and timely information is obtained, maintained, reported, and used for decision making. **(Chapter 590 and [596](#))**

Management Decision

Management's intended course of action on audit recommendations. **(Chapter 590)**

Mandated Performance Audits

Audit objectives that address the Agency's compliance with criteria established by Federal resource and facilities management laws and regulations. Such laws and regulations include the Digital Accountability and Transparency Act ([DATA Act](#)) and the Federal Information Security Modernization Act ([FISMA](#)), Payment Integrity Information Act ([PIIA](#)), Federal Information Technology Acquisition Reform Act ([FITARA](#)), Government Charge Card Abuse Prevention Act of 2012 ([Government Charge Card](#)), and other frameworks governing operational performance including but not limited to internal controls for information technology and financial management, accounting standards and systems, funds management, and auditing. (**Chapter 590**)

Performance Audit

A performance audit is an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria. This includes assessments that provide a prospective focus or that synthesize information on best practices or cross-cutting issues. (**Chapter 590**)

Program Performance Audit

Audit objectives that address the Agency's management of foreign assistance programs. (**Chapter 590**)

Recommendation

An auditor's suggested action for management for addressing a deficiency arising from an audit. (**Chapter 590**)

Resolution

The point at which the audit organization and Agency management agree on 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. (**Chapter 590**)

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