Audit Resolution and Follow-up

BRIEF

Policy Summary

This policy defines the requirements and responsibilities for reporting, tracking, resolution, and closure of all financial audit findings, observations, and recommendations (internal and external), as appropriate, at Berkeley Lab. Berkeley Lab management must ensure appropriate corrective actions are implemented to resolve and complete audit findings and recommendations in accordance with established target due dates.

Who Should Read This Policy

All employees responsible for Berkeley Lab financial audit-related activities, including corrective actions (internal and/or external)

To Read the Full Policy, Go To:

The POLICY tab on this wiki page

Contact Information

Operations Manager, OCFO
Financial Policy and Assurance Manager, OCFO

POLICY

A. Purpose

This policy defines the requirements and responsibilities for reporting, tracking, resolution and closure of all financial audit findings and recommendations (internal and external) at Lawrence Berkeley National Laboratory (Berkeley Lab).

B. Persons Affected

Any employee responsible for Berkeley Lab financial audit-related activities, including corrective actions (internal and/or external)

C. Exceptions

None

D. Policy Statement

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

Typically, drafts of internal and external audit reports are initially issued for management review and comment. If appropriate, management submits its formal responses on findings and recommendations to the originating audit agency or department in accordance with an established due date.

Internal Audit Services maintains documentation on all internal audits, advisory reports, inspections, and reviews conducted at Berkeley Lab.

Responses may be requested of Berkeley Lab on short notice for audits conducted by the U.S. Government Accountability Office (GAO) or the DOE Office of Inspector General (OIG). If Berkeley Lab cannot meet the requested response deadline, an extension may be requested.

2. Summary Reports

By January 31, Internal Audit Services submits to DOE an annual audit report that provides a summary and results of Berkeley Lab audit activities for the previous fiscal year, per DOE Contract 31, Clause I.103(i)(2).

Each quarter, Internal Audit Services submits to the UC Auditor the status of all internal financial audit findings and recommendations and targeted completion dates for corrective actions. At the end of each fiscal year, a report on audit and advisory services is also submitted to the UC Auditor.

Items either past the targeted completion date or considered a high risk may periodically be reported to the UC Regents and to the LBNL Audit Committee.

3. Tracking Corrective Actions

- Berkeley Lab Corrective Action Tracking System (CATS): CATS enables Berkeley Lab employees to identify, record, and manage audit recommendations and associated corrective actions from inception through resolution. The Office of the Chief Financial Officer (OCFO) uses CATS to track and manage financial audit findings and corrective actions through completion.
  - Observations and Recommendations: The entry of observations or recommendations into CATS is left to the discretion of the division.
- DOE Department Audit Report Tracking System (DARTS): DOE tracks all GAO and OIG corrective actions using DARTS. Internal Audit Services provides DOE with quarterly progress reports on Berkeley Lab corrective actions entered in DARTS.
- Internal Audit Services Tracking Activities: Internal Audit Services tracks all internal audit findings and recommendations and coordinates follow-up on external audit findings and recommendations.

4. Corrective Action Resolution and Closure:

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

- Closure: Closure occurs when the proposed corrective actions are completed and concurrence is obtained from the originating audit agency or department. Closure of external audits should generally take no longer than one year after issuance of the final report. Closures scheduled to take longer than one year require a written justification submitted to DOE and entered into DARTS.
- Resolution
  - Office of Inspector General (OIG) Audits: For audits and inspections conducted by the DOE OIG, resolution occurs when DOE management and the OIG agree on corrective actions to be taken on reported findings and recommendations. Resolution must occur no more than six months after issuance of the final report. Corrective actions should be taken as soon as possible; see Office of Management and Budget (OMB) Circular A-50, Paragraph 8.a. (2).
  - Government Accountability Office (GAO): For external audit findings and recommendations submitted by GAO, resolution should be completed within 60 days after formal issuance of the report. In this case, resolution is defined as the point at which DOE responds to Congress; see Office of Management and Budget (OMB) Circular A-50, Paragraphs 6.b(3) and 8.b(4).

5. External Audit Reports

Reports on audits, inspections, and reviews conducted by the OIG and GAO are publicly available on their respective Web sites (see Authority).

6. Management Responses and Corrective Actions

Each internal audit finding and recommendation requires a formal management response. The response must include a targeted completion date for any findings or recommendations that warrant corrective actions. The targeted completion dates should be realistic and achievable.
E. Roles and Responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
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</table>
| Financial Policy and Assurance Office     | • Acts as the central point of contact for communications on all OCFO audit findings, observations, and recommendations  
• Ensures management responses are submitted by the required due dates  
• Updates the CATS database to include all OCFO audit findings and/or observations and recommendations as appropriate  
• Reconciles the CATS database with the Internal Audit Services database  
• If an audit finding due-date extension is necessary:  
  • Reviews with Internal Audit Services at least 10 business days prior to the due date  
  • Obtains Internal Audit Services concurrence at least five business days prior to the due date  
  • Notifies the DOE Berkeley Site Office (BSO) and Berkeley Lab Office of Contract Assurance (OCA) at least five business days prior to the due date  
  • Updates the CATS database at least five business days prior to the due date |
| Internal Audit Services                   | • Assists Berkeley Lab management at all levels in assessing financial and administrative risks and controls  
  • Berkeley Lab's internal audit function is conducted in accordance with DOE Contract 31; International Standards for the Professional Practice of Internal Auditing, which is promulgated by the Institute of Internal Auditors; and under the general guidance of UC's University Auditor.  
  • Provides external audit coordination with various agencies in their review of Berkeley Lab's financial data and administrative controls |
| LBNL Audit Committee                      | • Serves in an advisory capacity to Berkeley Lab and provides oversight responsibilities for internal and external audits  
  • Is chaired by the Laboratory Director and includes additional members from the executive and managerial ranks at the Laboratory plus two University of California Office of the President (UCOP) representatives: UC's University Auditor and the Executive Director of Business and Finance of the Laboratory Management Office  
  • Meets at least three times per year to review and approve the annual internal audit plan, and to review Berkeley Lab audit results and the status of recommended corrective actions |
| Office of Contract Assurance (OCA)       | Manages and maintains CATS to track corrective actions and analyze trends resulting from assessments and/or inspections |

F. Definitions/Acronyms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Audit Closure</td>
<td>The proposed corrective actions of the audit are completed and the auditor agrees that it satisfactorily addresses the deficiency identified. Closure of external audits should generally take no longer than one year after issuance of the final report. Exceptions require a written justification be submitted to DOE, entered in DARTS, and be subject to audit.</td>
</tr>
<tr>
<td>Audit Finding</td>
<td>A program or performance deficiency where there is a noncompliance with an established external or internal requirement. It is a generic term used to refer to programmatic or performance deficiencies, nonconformances, regulatory or procedural noncompliances, procedure inadequacies, assessment findings, external oversight findings, and associated actions that require formal corrective action. This includes but is not limited to a failure, defect, deviation, malfunction, deficiency, or nonconformance of plant equipment, materials, or procedures; or personnel safety concerns or events that have or could have an effect on the safe, reliable, or efficient operation of the Laboratory, or which involve a failure to be in compliance with requirements.</td>
</tr>
<tr>
<td>Audit Observation</td>
<td>A practice or condition that is not technically noncompliant with an external or internal regulation or requirement, but could lead to noncompliance if left unaddressed</td>
</tr>
<tr>
<td>Audit Recommendation</td>
<td>A practice or condition that is not a noncompliance, but is a suggested way of improving a practice or condition</td>
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Audit Resolution
An agreement between the primary organization and the auditor on corrective actions to be taken for audit findings and recommendations (i.e., management concurs with the findings and recommendations, or a management decision is issued indicating concurrence and expected completion dates)

Audit Response
A written comment by management indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on draft reports must include planned corrective actions and dates for achieving such actions. Comments indicating disagreement should fully explain the reason(s) for disagreement. Disagreements on internal audit findings and recommendations should be resolved before issuance of the final report.

Corrective Action
An action that eliminates a deficiency and/or the cause of an issue or audit finding, and prevents or significantly reduces the likelihood of the same problem occurring again

G. Recordkeeping Requirements
None

H. Implementing Documents

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<thead>
<tr>
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<th>Title</th>
<th>Type</th>
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<tr>
<td>11.07.003.001</td>
<td>OCFO Guidelines for Audit Corrective Actions</td>
<td>Process</td>
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I. Contact Information

Operations Manager, OCFO
Financial Policy and Assurance Manager, OCFO

J. Revision History

<table>
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<tr>
<th>Date</th>
<th>Revision</th>
<th>By whom</th>
<th>Revision Description</th>
<th>Section(s) affected</th>
<th>Change Type</th>
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<td>5/22/2012</td>
<td>2</td>
<td>M. Mock</td>
<td>Updates to policy</td>
<td>A, D, E, F, H, I</td>
<td>Minor</td>
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<tr>
<td>1/2/2012</td>
<td>1</td>
<td>M. Mock</td>
<td>Re-format for wiki</td>
<td>All</td>
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Document Information

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<td>Effective date</td>
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<td>Next review date</td>
<td>6/1/2014</td>
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<td>Policy Area</td>
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<td>Financial Management</td>
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<td>RPM Section (cross-reference)</td>
<td>Section 11.18</td>
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<td>OCFO</td>
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<td>RPM Section 11.18</td>
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Source Requirements Documents

DOE Contract 31, Clause I.103(i)(2)
Office of Management and Budget (OMB) Circular A-50
Paragraph 8.a (2)
Paragraphs 6.b(3) and 8.b(4)
International Standards for the Professional Practice of Internal Auditing
Issues Management Policy

Implementing Documents

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