

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**THE ADMINISTRATION FOR CHILDREN
AND FAMILIES DID NOT ALWAYS
RESOLVE AUDIT RECOMMENDATIONS
IN ACCORDANCE WITH
FEDERAL REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Gloria L. Jarmon
Deputy Inspector General
for Audit Services**

**July 2018
A-07-17-03225**

Office of Inspector General

<https://oig.hhs.gov/>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <https://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG website.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief

Date: July 2018

Report No. A-07-17-03225

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

HHS, Administration for Children and Families (ACF), is subject to Federal and non-Federal audits of its internal activities as well as activities performed by its grantees and contractors. As a followup to these audits, ACF is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. HHS, OIG, prepares and forwards to ACF monthly stewardship reports that show the status of these reported audit recommendations.

Our objectives were to determine whether ACF resolved audit recommendations in a timely manner during Federal fiscal years (FYs) 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

How OIG Did This Review

We reviewed the "Outstanding Audits and Actions Taken by Cognizance" stewardship reports to identify all outstanding audit recommendations that ACF resolved during FYs 2015 and 2016 as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 742 audit reports and 2,248 corresponding recommendations.

The Administration for Children and Families Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements

What OIG Found

ACF did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, ACF resolved 1,570 of the 2,248 audit recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 1,392 of the 1,570 recommendations (88.7 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, ACF had not resolved 678 audit recommendations that were past due for resolution. The dollar amounts associated with these past due recommendations totaled \$36.5 million.

ACF had policies and procedures in place that specifically stated that audit recommendations are considered unresolved if they are not resolved within 6 months of the audit report's issue date. However, ACF did not always issue management decisions and submit the related OIG clearance documents (OCDs) to OIG within the required 6-month resolution period. According to ACF officials, ACF did not always issue OCDs within 6 months because it lacked sufficient staff to perform this work.

What OIG Recommends

We recommend that ACF (1) follow its policies and procedures to ensure that management decisions are issued within the required 6-month resolution period, (2) resolve the 678 outstanding audit recommendations that were past due as of September 30, 2016, (3) follow its recently implemented procedures by reconciling each month the OIG stewardship reports with ACF's internal audit tracking and monitoring system and following up on any differences noted, and (4) give higher priority to audit resolution so that the audit resolution process is conducted in accordance with Federal requirements.

ACF concurred with all of our recommendations and described actions that it had taken or planned to take. ACF said that it would continue to work toward complying with the required 6-month resolution period and resolving the backlog of outstanding audit recommendations and added that it would continue to work with OIG to reconcile the OIG stewardship reports to its internal audit tracking and monitoring system. In addition, ACF stated that it is working to realign workflow and responsibilities to prioritize and place greater emphasis on audit resolution.

TABLE OF CONTENTS

INTRODUCTION	1
Why We Did This Review	1
Objectives.....	1
Background	1
Federal Audits	2
Non-Federal Single Audits.....	2
Federal Requirements Regarding Timeliness of Audit Resolution	3
ACF’s Audit Resolution Process	3
Stewardship Reports.....	4
How We Conducted This Review	4
FINDINGS.....	5
Federal Requirements	5
ACF Did Not Always Resolve Audit Recommendations in Accordance With Federal Requirements	6
ACF Did Not Always Resolve Audit Recommendations in a Timely Manner	6
ACF Had Some Recommendations That Were Unresolved and Due for Resolution	7
ACF Did Not Always Follow Its Policies and Procedures When Resolving Audit Recommendations	9
ACF Did Not Always Ensure That Federal Funds Were Effectively and Efficiently Used	10
RECOMMENDATIONS	10
ACF COMMENTS	10
APPENDICES	
A: Audit Scope and Methodology	11
B: Previously Issued Office of Inspector General Reports	13
C: ACF Comments.....	14

INTRODUCTION

WHY WE DID THIS REVIEW

The U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), is subject to Federal and non-Federal audits of its internal activities as well as activities performed by its grantees and contractors. These audits ensure that recipients of Federal awards have complied with applicable Federal requirements related to management and use of funds. As a followup to these audits, ACF is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the audit reports. The HHS Office of Inspector General (OIG) prepares and forwards to ACF monthly stewardship reports that show the status of these reported audit recommendations. In keeping with our mission of helping to safeguard HHS funds, we focused in this review on the timeliness of ACF's audit resolution process. This process includes, in response to each Federal and non-Federal audit report on ACF's internal activities or on activities performed by ACF's grantees and contractors, the issuance of a management decision and the submission of an OIG clearance document (OCD) to OIG within the required 6-month period.¹ We are not reviewing the actual corrective actions taken by ACF.

In a previous OIG audit report (A-07-09-03118, Oct. 28, 2009; Appendix B), we found that ACF did not always resolve audit recommendations in accordance with Federal requirements during Federal fiscal years (FYs) 2006 through 2008. We included the results of our previous review in this audit report to compare them with the current-period results.

OBJECTIVES

Our objectives were to determine whether ACF resolved audit recommendations in a timely manner during FYs 2015 and 2016 and to identify all unresolved audit recommendations that were due for resolution as of September 30, 2016.

BACKGROUND

ACF is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through internal activities and through grants and contracts to State, county, city, and tribal governments, as well as public and private local agencies.

¹ In this context, the term "management decision" refers to the evaluation by the cognizant HHS operating division's (OPDIV) management of the audit findings and corrective action plan and the issuance of a written decision as to what corrective action is necessary. The OPDIV's management uses an OCD to report to OIG the management decision and actions taken on recommendations; OIG then uses the OCD as the source document to clear recommendations from the stewardship report.

Federal Audits

Section 4(a) of the Inspector General Act of 1978, as amended (5 U.S.C. App.), directs OIG to conduct audits of agency programs and activities. Under this authority, OIG conducts audits of internal ACF activities, as well as activities performed by ACF grantees and contractors. These audits are intended to provide independent assessments of ACF programs and operations and to help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards (GAGAS) and oversees audit work conducted by independent auditors.

Non-Federal Single Audits

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*,² requires that non-Federal entities (such as ACF Head Start grantees) that expend \$500,000³ or more in Federal awards in a year⁴ have a Single Audit or program-specific audit (also referred to as an “A-133 audit”), pursuant to the provisions of OMB Circular A-133, Subpart B, __.200.⁵ These A-133 audits, conducted by independent auditors, are conducted in accordance with GAGAS and OMB Circular A-133. These audits include an examination of the entity’s financial records and financial statements, testing of the entity’s internal controls, and a review of the entity’s compliance with requirements related to expenditures of selected Federal awards. The final audit report contains comments from the entity, including corrective actions planned or taken to address the findings.

Audited entities transmit their final A-133 audit reports to the Federal Audit Clearinghouse (FAC).⁶ In turn, OIG, National External Audit Review Center (NEAR), receives A-133 audit reports from the FAC. NEAR performs a desk review of each A-133 audit report that contains findings related to direct HHS funding to determine whether there are any issues with the report and whether the report meets GAGAS and OMB Circular A-133 requirements. NEAR prepares a transmittal letter and attachment that summarize the audit findings and

² This circular was made applicable by HHS regulations at 45 CFR § 74.26(a). The circular was relocated to 2 CFR part 230. (HHS has promulgated new grant regulations and cost principles at 45 CFR part 75 that apply to awards made on or after December 26, 2014.) None of the audits in our review were subject to the new rule, as they were of awards made prior to that date.

³ The expenditure level for Federal awards was raised to \$750,000 for FYs beginning on or after December 26, 2014 (45 CFR § 75.501(a)).

⁴ Some State and local governments that are required by constitution or statute that was in effect January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations are also allowed to have biennial audits under certain conditions (OMB Circular A-133, § _____.220).

⁵ Commercial entities that met the \$500,000 threshold during the audit period could elect to conduct either an A-133 audit or a financial-related audit (45 CFR § 74.26(d)(i)).

⁶ The FAC operates on behalf of OMB to disseminate A-133 audit reports to Federal agencies.

recommendations and that identify the Federal agency responsible for resolution (cognizant Federal agency). NEAR then distributes the transmittal letter and attachment to the grantee and the cognizant Federal agency.

Federal Requirements Regarding Timeliness of Audit Resolution

In resolving Federal audit recommendations, ACF must comply with OMB Circular A-50, *Audit Followup*, which requires resolution of audit recommendations within a maximum of 6 months after issuance of a final audit report. In resolving non-Federal audit recommendations, ACF must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date.⁷ OMB Circular A-133 requires resolution within 6 months after receipt of the final report by the Federal Government, and 45 CFR § 75.521(d) requires resolution within 6 months of acceptance of the audit report by the FAC.

ACF's Audit Resolution Process

ACF's *External Audit Resolution Manual* (July 2015)⁸ (the Manual) provides policies and procedures for ACF to follow in resolving audit findings. The Manual states that ACF, Office of Financial Services (OFS), is responsible for overall management and coordination of ACF external audit resolution. Within OFS, the Division of Financial Integrity (DFI) has audit liaisons that are assigned to the audit recommendations to ensure that the related audit clearance documentation meets HHS and OIG requirements. As part of this process, the audit liaisons determine the appropriate grant program related to the audit recommendation codes and formally assign the audit recommendation codes to the appropriate ACF Action Official or Grants Officer.

The Action Official or Grants Officer is then responsible for following up with the auditee to resolve audit recommendations; that official must also maintain the related supporting documentation. After resolving the audit recommendations, the Action Official or Grants Officer prepares an OCD for submission to DFI. After review and approval of the OCD, DFI forwards it to OIG for removal from the stewardship report (the Manual §§ 1.03.405, 1.03.406, and 1.03.409). To assist ACF staff in this audit resolution process, ACF uses an internal audit tracking and monitoring system to ensure that audit findings are resolved in a complete and timely manner.

⁷ See footnote 2. Although none of the audits in this review were subject to 45 CFR part 75, we included the relevant provision from the current regulation in this report to support the validity of our recommendations.

⁸ Audit recommendations covered by our review were subject to three different versions of the Manual (issued in 2006, 2015, and 2016); however, the relevant language that we cite in this report did not change from one version to the next. We cite to the July 2015 version of the Manual because it was in effect for the majority of our audit period.

Additionally, the Manual states that an audit is considered unresolved when it has recommendations, including both questioned costs or management deficiencies, that have not been resolved within 6 months (180 days) of audit issuance (the Manual § 1.03.404).

Stewardship Reports

The OIG Audit Planning and Implementation group prepares, and forwards to ACF (and other HHS OPDIVs as appropriate), monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the action taken (management decision) and the date of that action, or indicate that no action has as yet been taken.

HOW WE CONDUCTED THIS REVIEW

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that ACF resolved during FYs 2015 and 2016 as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 742 audit reports and 2,248 corresponding recommendations.⁹ The issuance dates for these audit reports ranged from December 16, 2005, through May 27, 2016.

We did not review ACF’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

Other OIG audit reports included reviews of the audit resolution process for some ACF, Office of Head Start, grantees’ A-133 audit recommendations.¹⁰ These audit reports found that some of the Head Start grantees reviewed did not always resolve audit recommendations in accordance with Federal requirements. Those reviews also looked at the corrective actions taken by ACF, an audit step that is not within the scope of this review.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

⁹ Of the 742 audit reports and 2,248 corresponding recommendations identified in these stewardship reports, 83 were Federal audit reports that had a total of 258 corresponding recommendations, while 659 were non-Federal audit reports that had a total of 1,990 corresponding recommendations.

¹⁰ We excluded all audit recommendations that were covered by five previous audit reports (A-02-16-02009, A-06-16-00019, A-06-17-07003, A-09-16-01003, and A-09-16-01004) for this review.

FINDINGS

ACF did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Specifically, ACF resolved 1,570 of the 2,248 audit recommendations that were outstanding during FYs 2015 and 2016. However, it did not resolve 1,392 of the 1,570 recommendations (88.7 percent) within the required 6-month resolution period. In addition, as of September 30, 2016, ACF had not resolved 678 audit recommendations that were past due for resolution. The dollar amounts associated with these past-due recommendations totaled \$36.5 million.

ACF had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements, and these policies and procedures specifically stated that audit recommendations are considered unresolved if they are not resolved within 6 months of the audit report's issue date. However, ACF did not always issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period.

According to ACF officials, ACF did not always issue OCDs within 6 months primarily because it lacked sufficient staff to perform this work. These officials also alluded to the large number of grants that ACF awards, and they acknowledged that audit resolution may not always have been given high priority because most of the ACF staff involved in this audit resolution process had other assigned duties as well.

Without resolving all audit recommendations in a timely manner, ACF runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

FEDERAL REQUIREMENTS

In resolving Federal audit recommendations, ACF must comply with OMB Circular A-50. In resolving non-Federal audit recommendations, ACF must comply with OMB Circular A-133 for audits of grantees that received awards in FYs beginning prior to December 26, 2014, and with 45 CFR § 75.521(d) for audits of grantees that received awards in FYs beginning on or after that date (footnote 2).

OMB guidance requires "prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible" (OMB Circular A-50, § 8.a.(2)).

OMB guidance states: "The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be

initiated within six months after receipt of the audit report and proceed as rapidly as possible” (OMB Circular A-133, §____.405(d)).

Federal regulations provide the following management decision time requirements: “The HHS awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report” (45 CFR § 75.521(d)).

ACF DID NOT ALWAYS RESOLVE AUDIT RECOMMENDATIONS IN ACCORDANCE WITH FEDERAL REQUIREMENTS

ACF Did Not Always Resolve Audit Recommendations in a Timely Manner

ACF did not always resolve audit recommendations in a timely manner during FYs 2015 and 2016. Of the 1,570 audit recommendations that ACF resolved during FYs 2015 and 2016, 178 (11.3 percent) were resolved within the required 6-month resolution period, but 1,392 (88.7 percent) were not resolved within that period.¹¹

Of the 10,979 audit recommendations that ACF had resolved during FYs 2006 through 2008, 7,531 (68.6 percent) were, as reported in our previous review,¹² not resolved within the required 6-month resolution period. Table 1 on the following page shows the timeframes for resolving these recommendations for both reviews.

¹¹ Of the 178 recommendations that ACF resolved in a timely manner, 7 were conveyed in Federal audit reports, and 171 were conveyed in non-Federal audit reports. Of the 1,392 recommendations not resolved in a timely manner, 160 were conveyed in Federal audit reports, and 1,232 were conveyed in non-Federal audit reports.

¹² A-07-09-03118.

**Table 1: Timeliness of Audit Recommendations Resolved in FYs 2015 and 2016
Compared With Those Resolved in FYs 2006 Through 2008**

Timeframe To Resolve Recommendation	Current Audit FYs 2015 and 2016		Previous Audit FYs 2006–2008	
	Number of Resolved Recommendations	Percentage of Total	Number of Resolved Recommendations	Percentage of Total
Within 6-month resolution period	178	11.3%	3,448	31.4%
Not resolved within 6-month resolution period:				
6+ months to 1 year	470	29.9%	3,153	28.7%
1+ year to 2 years	364	23.2%	1,467	13.4%
2+ years to 3 years	239	15.2%	694	6.3%
3+ years to 4 years	114	7.3%	640	5.8%
4+ years to 5 years	69	4.4%	500	4.6%
5+ years	136	8.7%	1,077	9.8%
Subtotal (not resolved within 6-month resolution period)	1,392	88.7%	7,531	68.6%
Total	1,570	100.0%	10,979	100.0%

Table 1 also shows that the total number of audit recommendations that ACF resolved was significantly reduced from the FYs 2006 through 2008 timespan covered by our previous review to the (admittedly shorter) FYs 2015 and 2016 timespan covered by our current review. Although ACF had significantly fewer audit recommendations to resolve in FYs 2015 and 2016, the percentage of audit recommendations that ACF did not resolve in a timely manner increased from 68.6 percent in FYs 2006 through 2008 to 88.7 percent in FYs 2015 and 2016.

ACF Had Some Recommendations That Were Unresolved and Due for Resolution

As of September 30, 2016, ACF had not resolved 678 audit recommendations (of the 2,248 outstanding recommendations for FYs 2015 and 2016) that were past due for resolution.¹³ The dollar amounts associated with these recommendations totaled \$36.5 million.

As of September 30, 2008 (the end of the period covered by our previous report), ACF had not resolved 2,086 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$94.6 million. Therefore, between the period covered by our previous review and the period covered by our current review, ACF significantly reduced both the total number and the associated dollar amounts of unresolved audit recommendations that were past due for resolution. On the following page, Table 2 presents information on the timeframes for our current review and Table 3 presents information on the timeframes for our previous review.¹⁴

¹³ Of the 678 recommendations that were unresolved and past due for resolution, 91 were conveyed in Federal audit reports, and 587 were conveyed in non-Federal audit reports.

¹⁴ A-07-09-03118.

**Table 2: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2016**

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percentage of Total Recommendations	Average Days Beyond Required Resolution Date	Dollar Amounts Beyond Required Resolution Date (in millions)	Percentage of Dollar Amounts Beyond Required Resolution Date
6+ months to 1 year	154	22.7%	164.8	\$17.4	47.7%
1+ year to 2 years	121	17.8%	500.7	0.3	0.8%
2+ years to 3 years	134	19.8%	904.4	9.9	27.1%
3+ years to 4 years	111	16.4%	1,293.2	4.3	11.8%
4+ years to 5 years	81	11.9%	1,619.9	4.5	12.3%
5+ years	77	11.4%	2,136.7	0.1	0.3%
Total	678	100.0%		\$36.5	100.0%

**Table 3: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2008 (Previous Audit)**

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percentage of Total Recommendations	Average Days Beyond Required Resolution Date	Dollar Amounts Beyond Required Resolution Date (in millions)	Percentage of Dollar Amounts Beyond Required Resolution Date
6+ months to 1 year	1,024	49.1%	218.0	\$76.9	81.3%
1+ year to 2 years	427	20.5%	547.2	15.4	16.3%
2+ years to 3 years	257	12.3%	914.1	0.0	0.0%
3+ years to 4 years	102	4.9%	1,285.9	0.0	0.0%
4+ years to 5 years	98	4.7%	1,647.2	0.0	0.0%
5+ years	178	8.5%	3,161.4	2.3	2.4%
Total	2,086	100.0%		\$94.6	100.0%

Table 4 on the following page compares the period covered by our previous review and the period covered by our current review. It does so by presenting additional information on the dollar amounts associated with the unresolved audit recommendations for which ACF was or is the cognizant Federal agency, categorized by recommended action.

**Table 4: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2016, and as of September 30, 2008—
Dollar Amounts by Recommended Action**

Recommended Action	Current Audit FYs 2015 and 2016	Previous Audit FYs 2006—2008
	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)
Monetary recommendations:		
Questioned costs	\$26.9	\$29.7
Provide documentation or make financial adjustment	4.7	0.0
Funds put to better use	0.0	13.2
Subtotal	\$31.6	\$42.9
Unable to express an opinion (set aside)	\$4.9	\$51.7
Total	\$36.5	\$94.6

ACF DID NOT ALWAYS FOLLOW ITS POLICIES AND PROCEDURES WHEN RESOLVING AUDIT RECOMMENDATIONS

ACF had policies and procedures in place to ensure that audit recommendations were resolved in compliance with Federal requirements, and these policies and procedures specifically stated that audit recommendations are considered unresolved if they are not resolved within 6 months of the audit report’s issue date. However, ACF did not always issue management decisions and submit the related OCDs to OIG within the required 6-month resolution period. According to ACF officials, ACF did not always issue OCDs within 6 months primarily because it lacked sufficient staff to perform this work.

These officials added that ACF awards a large number of grants which, in turn, can result in a large number of audit recommendations, the resolution of which is a joint effort between ACF’s Central and regional offices. In addition, most of the ACF staff involved in this audit resolution process had other assigned duties as well, and for this reason ACF officials acknowledged to us that audit resolution may not always have been given high priority—a circumstance that can result in untimely audit resolution.

During our audit period, ACF performed reconciliations between its internal audit tracking and monitoring system and the OIG stewardship reports; however, its staff performed these reconciliations on an intermittent basis. By not performing reconciliations on a systematized, recurring basis, ACF lessened its ability to identify and follow up on differences between information in its internal audit tracking and monitoring system, on the one hand, and information in the OIG stewardship reports on the other. Since the end of our audit period, ACF has, according to its officials, implemented new reconciliation procedures, under which reconciliations are now performed on a monthly basis by the audit liaisons assigned to the audit recommendations.

Additionally, ACF officials stated that there were some instances in which ACF had submitted OCDs to OIG, but OIG had not marked the relevant audit recommendations as resolved on the stewardship reports. ACF gave us a list of 69 audit reports that it believed had experienced this issue. We evaluated these 69 audit reports and determined that 21 of them, with a total of 88 associated recommendations, fell within our audit period. Based on our review of supporting documentation submitted by ACF, we changed the status of 23 of the 88 recommendations from unresolved to resolved; these changes are reflected in the numbers reported above. (We note, too, that of those 23 recommendations, only 1 was resolved within the 6-month period.)

ACF DID NOT ALWAYS ENSURE THAT FEDERAL FUNDS WERE EFFECTIVELY AND EFFICIENTLY USED

Without resolving all audit recommendations in a timely manner, ACF runs the risk of noncompliance with Federal requirements and mismanagement of Federal funds. The prompt resolution of audit recommendations helps ensure that Federal funds are effectively and efficiently used to carry out the activities for which they were authorized.

RECOMMENDATIONS

We recommend that ACF:

- follow its policies and procedures to ensure that management decisions are issued within the required 6-month resolution period,
- resolve the 678 outstanding audit recommendations that were past due as of September 30, 2016,
- follow its recently implemented procedures by reconciling each month the OIG stewardship reports with ACF's internal audit tracking and monitoring system and following up on any differences noted, and
- give higher priority to audit resolution so that the audit resolution process is conducted in accordance with Federal requirements.

ACF COMMENTS

In written comments on our draft report, ACF concurred with all of our recommendations and described actions that it had taken or planned to take. ACF said that it would continue to work toward complying with the required 6-month resolution period and resolving the backlog of outstanding audit recommendations and added that it would continue to work with OIG to reconcile the OIG stewardship reports to its own internal audit tracking and monitoring system. In addition, ACF stated that it is working to realign workflow and responsibilities to prioritize and place greater emphasis on audit resolution. ACF's comments are included in their entirety as Appendix C.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports to identify all outstanding audit recommendations that ACF resolved during FYs 2015 and 2016 as well as all outstanding audit recommendations that remained unresolved and were due for resolution as of September 30, 2016. These stewardship reports identified 742 audit reports and 2,248 corresponding recommendations (footnote 9). The issuance dates for these audit reports ranged from December 16, 2005, through May 27, 2016.

We did not review ACF’s overall internal control structure. Rather, we reviewed only those internal controls related to our objective.

We conducted our audit work from July to November 2017.

METHODOLOGY

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, HHS regulations at 45 CFR part 75, and other applicable Federal requirements;
- reviewed ACF’s policies and procedures for resolving audit recommendations;
- interviewed ACF’s staff and reviewed documentation provided by ACF officials;
- obtained ACF’s “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for our audit period and used them to:
 - identify the total number of recommendations that were resolved timely or untimely by:
 - including only the recommendations that had the “management decision” data field populated (which indicated that a management decision had been made) and that had a decision date (i.e., the date that ACF issued the OCD) that fell within our audit period of FYs 2015 and 2016 and

- quantifying the timeframe it took to resolve those recommendations by calculating the number of days between the issued date and the decision date;¹⁵
 - quantify the total number of recommendations that were unresolved and beyond the required resolution period by:
 - including only the recommendations that had no decision date documented or that had a decision date that was after our audit period (indicating that a management decision had not been made as of the end of our audit period) and
 - quantifying the timeframe beyond the required resolution date for those recommendations by calculating the number of days between the required resolution date and the last day of our audit period (September 30, 2016); and
 - identify the dollar amounts associated with any unresolved recommendations that were beyond the required resolution period as of September 30, 2016, by summing the dollar amounts in those recommendations;
- evaluated the 69 audit reports provided to us by ACF officials to determine which of them fell within our audit period and to determine the resolution status of the associated recommendations; and
- discussed the results of our audit with ACF officials on February 5, 2018.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁵ To determine whether a management decision was issued timely for a Federal audit, we reviewed the time period between the date that OIG issued the audit report and the date that ACF issued the management decision. To determine whether a management decision was issued timely for a non-Federal audit, we reviewed the time period between the date that NEAR assigned the single audit finding(s) to ACF and the date that ACF issued the management decision. Both the date that OIG issued the audit report and the date that NEAR assigned the single audit finding(s) are reported on the stewardship report in the “issued date” data field.

**APPENDIX B: PREVIOUSLY ISSUED
OFFICE OF INSPECTOR GENERAL REPORTS**

Report Title	Report Number	Date Issued
<i>The Administration for Children and Families Region II Did Not Always Resolve Head Start Grantees' Single Audit Findings in Accordance With Federal Requirements</i>	<u>A-02-16-02009</u>	2/1/18
<i>The Administration for Children and Families Region X Did Not Always Resolve Head Start Grantees' Single Audit Findings in Accordance With Federal Requirements</i>	<u>A-09-16-01004</u>	12/19/17
<i>The Administration for Children and Families Did Not Always Resolve American Indian and Alaska Native Head Start Grantees' Single Audit Findings in Accordance With Federal Requirements</i>	<u>A-06-17-07003</u>	12/14/17
<i>The Administration for Children and Families Region VI Did Not Always Resolve Head Start Grantees' Single Audit Findings in Accordance With Federal Requirements</i>	<u>A-06-16-00019</u>	9/29/17
<i>The Administration for Children and Families Region IX Resolved Head Start Grantees' Single Audit Findings in Accordance With Federal Requirements</i>	<u>A-09-16-01003</u>	8/8/17
<i>Review of the Centers for Disease Control and Prevention's Resolution of Audit Recommendations</i>	<u>A-07-09-03131</u>	5/26/10
<i>Administration for Children and Families Resolution of Audit Recommendations</i>	<u>A-07-09-03118</u>	10/28/09
<i>Centers for Medicare & Medicaid Services Resolution of Audit Recommendations</i>	<u>A-07-07-04112</u>	11/19/08
<i>Indian Health Service's Resolution of Audit Recommendations</i>	<u>A-07-06-03077</u>	3/9/07
<i>Administration on Aging's Resolution of Audit Recommendations</i>	<u>A-07-06-03084</u>	2/21/07
<i>Food and Drug Administration's Resolution of Audit Recommendations</i>	<u>A-07-06-03083</u>	2/15/07



ADMINISTRATION FOR
CHILDREN & FAMILIES

Office of the Assistant Secretary | 330 C Street, S.W., Suite 4034
Washington, D.C. 20201 | www.acf.hhs.gov

May 23, 2018

Ms. Gloria L. Jarmon
Deputy Inspector General for Audits
U.S. Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Ms. Jarmon:

The Administration for Children and Families (ACF) appreciates the opportunity to respond to the Office of Inspector General (OIG) report titled, *The Administration for Children and Families ACF Did Not Always Resolve Audit Recommendations in Accordance with Federal Requirements (Report A-07-17-03225)*.

The following are ACF's responses to the OIG's four recommendations:

Recommendation 1:

ACF follow its policies and procedures to ensure that the management decisions are issued within the required six-month resolution period.

Response:

ACF concurs with this recommendation and will continue to work toward meeting compliance within the 6-month requirement. With the support of the Assistant Secretary, in February 2018, ACF implemented a delegation of authority and business process which centralized the signing and issuing of the audit determination letters. Initial results from this business process improvement indicate the audit backlog is decreasing.

Recommendation 2:

ACF resolve the 678 outstanding audit recommendations that were past due as of September 30, 2016.

Response:

ACF concurs with this recommendation and will continue to work toward resolving the backlog of outstanding audit recommendations. As indicated in the response to Recommendation 1, with the support of the Assistant Secretary, in February 2018, ACF implemented a delegation of authority and business process which centralized the signing and issuing of the audit determination letters. As a result, as of May 14, 2018, ACF has resolved 345 (51%) of the 678 recommendations identified by the OIG as of September 30, 2016.

Recommendation 3:

ACF follow its recently implemented procedures by reconciling each month the OIG stewardship reports with ACF's internal audit tracking and monitoring system and following up on any differences noted.

Response:

ACF concurs with this recommendation and will continue to work with the OIG to reconcile the OIG stewardship report with our system of record, the Audit Resolution Tracking and Monitoring System.

Recommendation 4:

ACF give higher priority to audit resolution so that the audit resolution process is conducted in accordance with Federal requirements.

Response:

ACF concurs with this recommendation and is working to realign workflow and responsibilities to prioritize audit resolution. In addition to approving the delegation of authority, the Assistant Secretary has placed an emphasis on audit resolution. One example, as of December 2017, weekly reports are provided to senior leadership that contain the status of open audits.

Again, thank you for the opportunity to review this report. Please direct any follow-up inquiries to Scott Logan of our Office of Legislative Affairs and Budget at (202) 401-4529.

Sincerely,

/s/

Steven Wagner
Acting Assistant Secretary
for Children and Families