



## Department of Health

# Help Me Grow ARRA Program Audit

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**Audit Period: November 1, 2009 to January 31, 2010**



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## Executive Summary

### **Background**

The American Recovery and Reinvestment Act (ARRA), signed into law on February 17, 2009, includes the following statement of purposes:

- To preserve and create jobs and promote economic recovery.
- To assist those most impacted by the recession.
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
- To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The State of Ohio has applied for over 90 ARRA programs with expected total grant awards to exceed \$8.5 billion during the next two years. These applications have been initiated by 21 state agencies in the form of formula, competitive, and discretionary grants. The grant awards are distributed in the following four spending categories:

- Countercyclical Funds: The two largest components of the State's budget that are exposed during a recession, while state revenues decline, are health care and education. The State has been awarded two formula grants (Medicaid and State Fiscal Stabilization) to assist the State's budget. The State Fiscal Stabilization Fund is primarily for education.
- Appropriated Funds: These grants represent additional funding for existing programs such as transportation, labor, and justice programs which will assist in job creation.
- Safety Net Funds: These grants provide relief for lower-income families in the form of supplemental nutrition assistance, child care, and extension of unemployment benefits.
- Economic Growth Funds: These awards focus on new technologies such as alternative energy, health information technology, broadband, and research initiatives.

The Department of Health (DOH) has applied for approximately 9 awards. This audit focused on the Help Me Grow ARRA Program (HMG) which is a formula grant. As of December 31, 2009, DOH has disbursed \$2,660,074 of the awarded \$16,403,578 for this program. For the quarter ending December 31, 2009, DOH reported 141.5 jobs created or retained in accordance with OMB guidance issued prior to December 18, 2009.

The program is currently in the initial stage so our audit is primarily focused on internal control design.



Part C of the Individuals with Disabilities Education Act (IDEA) - Special Education - Grants for Infants and Families, commonly referred to as Help Me Grow (HMG), is funded through the U.S. Department of Education (CFDA<sup>1</sup> 84.393A). Funding from the ARRA will be allocated based on a formula to county Family and Children First Councils for program services and supports for families.

The HMG program provides family supports and early identification of infants and toddlers with developmental delays and disabilities (birth to age three). Services include screening, evaluations, and service coordination.

During the audit, OIA identified opportunities for DOH to strengthen internal controls and improve business operations. Summary and detailed observations have been provided. OIA would like to thank DOH staff and management for their cooperation and time in support of this audit.

This report is intended for the information and use of DOH management and the State Audit Committee.

<sup>1</sup> Catalog of Federal Domestic Assistance



## Scope and Objectives

OIA staff was engaged to perform assurance work related to the HMG ARRA Program. This work was completed between November 1, 2009 and January 31, 2010. The scope of this audit included the following areas:

- Program planning
  - Program risk assessment; and
  - Internal control process documentation
- Application process
  - Public award announcement; and
  - Applicant evaluation and award notification
- Program administration and monitoring
  - Communication of grant requirements; and
  - Program oversight and monitoring
- Reporting
  - Financial reporting; and
  - Non-financial statistical reporting

The following summarizes the objectives of the review along with a conclusion on the design of management’s internal controls.

Objective	Conclusion <sup>1</sup>
Evaluate the adequacy of DOH’s ARRA program risk assessment and internal control documentation based on guidance provided by State management.	Improvements Needed – See Observation 1
Evaluate the adequacy of the awarding process for ARRA funds to subrecipients and vendors.	Improvements Needed – See Observation 2
Evaluate the design and adequacy of communication related to program requirements, state guidance, and federal compliance requirements to grant recipients.	Well-Controlled
Evaluate the design of controls over the timely, accurate, and completeness of ARRA disbursements.	Improvements Needed – See Observation 3
Evaluate the design of the controls over subrecipient and vendor monitoring process for the program.	Improvements Needed – See Observation 4



Objective	Conclusion <sup>1</sup>
Evaluate the design of controls over complete, accurate, and timely reporting of financial and non-financial information.	<b>Improvements Needed - See Observation 5</b>

<sup>1</sup> Refer to [Appendix A](#) for classification of audit objective conclusions.



### Summary of Observations and Recommendations

The Summary of Observations and Recommendations includes only those risks which were deemed high or moderate. There were no low risk observations and recommendations identified as part of this audit.

No.	Observation	Recommendation	Risk <sup>2</sup>
1.	<p><b>Risk Assessment and Internal Control Documentation</b> – Documentation was not detailed sufficient to determine who in the organization is responsible for performing the activity. Process diagrams and narrative documentation did not depict the ARRA reporting process and only illustrated a portion of the monitoring process. Also, the controls identified on the Risk Management Analysis did not include the identification of the specific monitoring procedures to be implemented, the process for compiling and validating subrecipient reporting elements.</p>	<p>DOH should perform a comprehensive risk assessment. Also, DOH should update current HMG process diagrams and supporting narratives to ensure it reflects an end to end process flow of all key stages of the program process, individual roles and responsibilities, key reviews/validations, and key program risks to assist in minimizing potential exposures to the agency.</p>	<p><b>Moderate</b></p>
2.	<p><b>Awarding Process</b> –DOH did not factor in results of previous reviews and audits over the subrecipient’s ability to achieve program objectives and reporting requirements of ARRA funds. DOH does not have procedures in place to verify a subrecipient has not been deemed unauditible or have outstanding findings for recovery.</p>	<p>DOH should implement an effective and objective evaluation when determining recipients to ensure each entity receiving funds is considered as part of an overall risk mitigation and monitoring plan. Such an evaluation should consider DOH’s past relationship with the recipient, results of financial/program monitoring, and whether the recipient has fulfilled its responsibilities in accordance with OMB Circular A-133.</p>	<p><b>Moderate</b></p>



3.	<b>Review of Expenditures</b> – The quarterly expenditure reports and subrecipient general ledgers does not contain adequate detail on expenditures reported for staff to determine whether costs are allowable; expenditure are reported on non-ARRA HMG report; or report submitted depicts the subrecipient’s actual financial activity.	DOH should evaluate the current disbursement process and implement procedures to be reasonably assured expenditure reports do not include unallowable costs before payment is issued. This process should be included as a component of the overall HMG monitoring plan.	<b>Moderate</b>
4.	<b>Subrecipient Monitoring</b> – The Risk Management Analysis process was not initiated until after the disbursement of funds for the HMG program and continues to be in draft form. Also, on-site visits appear to be inconsistent and have not incorporated any reviews for compliance with the new ARRA requirements.	A coordinated, comprehensive, cohesive, risk-based monitoring program should be developed to align controls with risks associated with administering and disbursing ARRA funds.	<b>Moderate</b>
5.	<b>ARRA Reporting</b> – The department has not sufficiently documented or reviewed a reporting plan in its entirety to ensure federal reporting will be complete, accurate, and timely. Evidence does not exist to reflect validation of financial or non-financial data has taken place for the last reporting period. It does not appear procedures are in place to differentiate the ARRA program information submitted by DOH subrecipients from non-ARRA program information, when reporting on the ARRA 1512 data.	DOH should continue to develop and implement formalized procedures over the validation process that define who validates the data; from where the data is obtained; how management ensures the subrecipients submit accurate, complete, and timely data; and how management ensures all ARRA reporting data is included through the end of the proper reporting period.	<b>Moderate</b>

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist DOH in achieving improvements in internal controls, compliance, and operational efficiencies.

2 Refer to [Appendix A](#) for classification of audit observations.



## Detailed Observations and Recommendations

### **Observation 1 – Risk Assessment and Internal Control Documentation**

An effective and transparent risk management process includes program documentation that identifies key risks, internal controls, decision points, and program outcomes as described in OBM Guidance Memo #5 (March 27,2009).

The Department of Health (DOH) developed process diagrams and narratives documenting the flow of the federal grants, RFP, subrecipient application, and grant payment and closeout processes for the Help Me Grow ARRA program (HMG). However, the documentation provided was not presented at a detailed level sufficient to determine who in the organization is responsible for performing the activity. Additionally, the process diagrams and narrative documentation did not depict the ARRA reporting process and only illustrated a portion of the monitoring process. The monitoring activities documented included the internal control questionnaire (ICQ) evaluation, independent audit reviews, and on-site audit procedures. At the time of our review, DOH had not yet updated the monitoring procedures to address the ARRA requirements but were developing procedures over the ARRA reporting process.

DOH has proactively documented and evaluated most programmatic processes and prepared an agency-wide risk assessment, as evidenced through the development of a Risk Management Analysis (dated May 1, 2009) and holding bi-weekly ARRA stimulus team meetings. However, upon examination of the Risk Management Analysis, the controls identified did not include the identification of the specific monitoring procedures to be implemented, the process for compiling and validating subrecipient reporting elements, or the review process to ensure the accurate execution of ARRA reporting procedures. Additionally, although OIA was able to observe the bi-weekly ARRA meetings being held, it was noted there are no meeting minutes maintained or distributed as a product of the meetings to establish a consensus on items discussed and hold individuals accountable for action items.

Without all key processes being completed and/or documented, DOH management may not have identified the highest program risks and effective controls to mitigate those risks to an acceptable level. Additionally, external transparency is increased and opportunities for process improvement efficiencies can result from the completion of documenting key processes.



**Recommendation**

DOH should take measures to perform a comprehensive agency-wide risk assessment. DOH should consider the following when assessing risk:

- clarity and measurability of program outputs and outcomes and the tools within the program to measure the outputs and outcomes;
- extent to which existing resources are sufficient to achieve program objectives;
- risk profiles of final recipient(s) of funds;
- presence of internal controls sufficient to mitigate the risk of waste, fraud, and abuse adequately;
- performance issues with (potential) funding recipients; and,
- availability of tools for program staff to monitor ongoing program performance frequently.

DOH should formally document the results of the risk assessment and also consider periodically evaluating its risk plan to determine whether the risks previously identified remain key risks or need updated to include higher risk areas.

Additionally, DOH should continue to update the current HMG process diagrams and supporting narratives to ensure it reflects an end to end process flow which includes all key stages of the program process, individual roles and responsibilities, key reviews/validations, and key program risks to assist in minimizing potential exposures to the agency.

**Management Response**

The Department of Health (DOH) is in the process of finalizing a risk-based, comprehensive, agency-wide assessment. The assessment will address the considerations detailed by OBM Office of Internal Audit (above), will provide documentation for the results, and yield a report of the results.

The assessment will be reviewed periodically by DOH -Compliance and Accountability Unit (CAU) to ascertain if revisions are needed.

DOH will continue to update and revise current process diagrams and supporting narratives to reflect necessary detail and an “end-to-end” flow which includes all key factors.

Risk	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	Terri Davis-Stuckey Chief, Compliance and Accountability	April 2010



## Observation 2 – Awarding Process

Per examination of OMB M-09-10, Section 5.1, the Recovery Act calls on agencies to commence expenditures and activities as quickly as possible consistent with prudent management, however, this does not constitute a sufficient justification to support award of a federal grant on a non-competitive basis. Departments and agencies should develop transparent, merit-based selection criteria that will guide their available discretion in committing, obligating, or expending funds under the Recovery Act for grants and other forms of Federal financial assistance. Furthermore, as described in OBM Guidance Memo #5, an effective risk mitigation strategy should involve consideration of the risk profiles of final recipients as well as performance issues with funding recipients, when determining how and to whom the ARRA funding will be awarded.

The IDEA – Part C (HMG) program is a formula based grant allocated to predetermined subrecipients. DOH evaluated subrecipient applications for administrative completeness and applied special conditions for applications that were incomplete or completed incorrectly. Such reviews included narrative content, budget justification, signed assurance that the subgrantee is not suspended or debarred, a DUNS number, and any additional agency required forms. Based on our walkthrough of the application evaluation process, it did not appear DOH factored in results of previous reviews (by DOH -Compliance and Accountability Unit (CAU)) and/or audits conducted by Auditor of State (AOS) or any other external auditor over the subrecipient’s ability/capacity to achieve the program objectives and reporting requirements of ARRA funds. Furthermore, DOH does not have procedures in place to verify the subrecipient(s) has not been deemed unauditible or have outstanding findings for recovery.

Allocating federal funds to the existing HMG providers without taking into consideration or factoring in results of audits, reviews, or monitoring activities puts DOH at risk of awarding federal funds to providers unable to administer the program or fulfill award requirements as well as ineligible recipients. Additionally, by awarding funds to recipients already found non-compliant increases the risk of undetected fraud, waste, and abuse; unallowable use of funds; noncompliance with contract, state or federal regulations; or inaccurate reporting of information to FederalReporting.gov.

### Recommendation

DOH should implement an effective and objective evaluation when determining recipients to ensure each entity receiving funds is considered as part of an overall risk mitigation and monitoring plan. Such an evaluation should include, but not be limited to, consideration of DOH’s past relationship with the recipient, if applicable, results of financial/program monitoring, and whether the recipient has fulfilled its responsibilities in accordance with OMB Circular A-133. Furthermore, the application process should include verification that a subrecipient is not deemed unauditible or have outstanding findings for recovery.



**Management Response**

DOH Executive Management will continue to coordinate policies and procedures and communication among Program, Grants Administration Unit (GAU), and the Compliance and Accountability Unit (CAU) staff to ensure that subgrantees are compliant with federal and state rules and regulations, are in good financial standing, able to achieve program objectives and reporting requirements. Special conditions will be applied to awards to minimize the potential risk of fraud, abuse and waste. To accomplish this, DOH will update its policies and procedures regarding the evaluation of subgrantee applicants including the revision of the Request For Proposal subgrantee scoring instrument to include a minimum score to receive grant funding.

The scoring instrument will include an evaluation of past performance based on both programmatic and financial aspects of grant management. The scoring instrument will factor the following into the award process: CAU will communicate to Program administration previous findings from audits conducted by the CAU, Auditor of State (AOS), and other external auditors for consideration in evaluating subgrantee’s application; and GAU will communicate to Program administration monitoring activities and findings from monitoring performed by the GAU.

Lastly, as part of the application process, the CAU will verify and communicate to Program administration if a subgrantee is deemed unauditible or has outstanding findings for recovery. These findings will be incorporated into the application checklist and may impact future funding.

Risk	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	Terri Davis-Stuckey Chief, Compliance and Accountability	April 2010



### Observation 3 – Review of Expenditures

Per examination of OBM Guidance #8 regarding ARRA Procurement, as well as OMB Circular A-87, Appendix A, certain costs are allowable and unallowable when paid for by federal funds. OMB Circular A-133 as well as the Compliance Supplement to the Circular for the Department of Education outlines the specific intended use of program dollars for IDEA, Part C. Because federal agencies delegate the responsibility for ensuring ARRA funds are spent appropriately, DOH has an obligation to develop procedures to appropriately minimize the risk of expending ARRA funds on unallowable costs.

Subrecipients of the HMG ARRA program are required to submit quarterly expenditure reports via DOH's Grants Management Information System (GMIS); these reports contain total dollars expended for each quarter by budgeted line item. Program staff review the line items for allowable or unallowable costs, while the Grant Administration Unit (GAU) staff review the reports for variances from budgeted line items. The GAU staff also plan to recalculate the submitted costs from the subrecipient general ledgers to confirm the accuracy of the amount reported. GAU and program staff indicated contact would be made with the recipient for further clarification if a cost appeared questionable and payment would not be issued if a recipient was unable to support the expenditure(s). However, after reviewing examples of both the quarterly expenditure reports and subrecipient general ledgers, it does not appear there is adequate detail on the expenditures reported for program staff and/or GAU staff to determine whether the costs are/are not allowable; whether the expenditure was also reported on the non-ARRA HMG report; or whether the quarterly expenditure report submitted depicts the subrecipient's actual financial activity.

Inadequate or ineffective review of subrecipient expenditure reports increases the risk of undetected fraud, waste, and abuse; unallowable use of funds; noncompliance with contract, or state/federal regulations; or not achieving program objectives.

#### Recommendation

DOH should evaluate the current disbursement process and consider implementing procedures that would allow DOH to be reasonably assured that expenditure reports do not include unallowable costs before payment is issued. This process should be included as a component of the overall monitoring plan for the HMG program.



<b>Management Response</b>		
<p>DOH Executive Management is in the process of reviewing and revising its policies and procedures which will enhance the depth of monitoring of subrecipient expenditures. DOH units (GAU, Programs, and CAU) will maintain a multi-point collaborative effort to perform sample testing for allowability of subgrant expenditures during the operational period of the grant (GAU and Program) and after the grant has been closed (CAU).</p>		
<b>Risk</b>	<b>Remediation Owner</b>	<b>Estimated Completion Date</b>
<b>Moderate</b>	Terri Davis-Stuckey Chief, Compliance and Accountability	April 2010



## Observation 4 – Subrecipient Monitoring

OMB Circular A-133, Subpart D, requires the department to monitor the activities of subrecipients to reasonably ensure that laws, grant agreements, and performance goals are achieved. Additionally, DOH signed an assurance statement indicating a risk-based subrecipient monitoring process would be in place to ensure achievement of the ARRA program and economic outcomes.

Currently, DOH's Compliance and Accountability Unit (CAU) monitors subrecipients by reviewing single audit reports and performing on-site audits (only when specific circumstances warranting additional attention arise). Furthermore, HMG program staff perform on-site visits to ensure subrecipients are meeting the program objectives.

A review of DOH's Risk Management Analysis, dated May 1, 2009, listed several instances where "additional monitoring is necessary" or "additional monitoring is critical." The CAU has initiated an evaluation process of the program and program recipients to determine the desired monitoring procedures necessary to minimize the risk of non-compliance to an acceptable level. The assessment includes factors such as: funding level, reporting compliance, previous history, status of findings, etc. However, the evaluation process was not initiated by the department until after the disbursement of funds for the HMG program and continues to be in draft form. Additionally, the on-site visits currently conducted appear to be inconsistent and have not incorporated any reviews for compliance with the new ARRA requirements.

The lack of a formalized, coordinated risk-based monitoring process increases the risk of subrecipient noncompliance or questioned costs and exposes the department to increased oversight by federal agencies.

### Recommendation

Through a coordinated effort between the program offices, the Grants Administration Unit (GAU) and CAU, a comprehensive, cohesive, risk-based monitoring program should be developed to align controls with risks associated with administering and disbursing ARRA funds. The monitoring program should prioritize activities to minimize risk to an acceptable level as established by DOH management. This risk-based approach should be reassessed annually through a combined effort with program, fiscal (GAU), and oversight (CAU) functions to communicate relevant issues and/or concerns with subrecipient activity that could impact the annual review scope and schedule. Additionally, procedures should illustrate how to coordinate the frequency and scope of onsite visits, desk reviews, communication and training, and remediation processes for subrecipient issues identified.



**Management Response**

DOH Executive Management is in the process of developing a comprehensive, risk-based subrecipient monitoring plan which will contain fiscal and programmatic modules and incorporate a combination of desk and on-site reviews. These reviews will work in tandem with the agency-wide risk assessment results, and with staff from Program (HMG for the Part C ARRA grants), GAU and CAU.

The results of the monitoring efforts will be distributed to DOH and subgrantee management to supply information for management decisions. This coordinated risk-based monitoring program will help ensure that adequate oversight of subrecipients occurs and that laws, grant agreements, and performance goals for ARRA funds, which were presented to subrecipients during the mandatory ARRA orientation, are achieved. These risk assessment results will be used to further determine additional monitoring efforts (desk reviews, on-site reviews, technical assistance, etc.) which may be necessary to mitigate risks. Key communication and enforcement will be provided by and through the Subgrantee Compliance Committee.

Additionally, the monitoring plan and process will be updated continually to include a review and follow-up on external monitoring results.

BEIS/HMG has a general supervision process by which they use our data system (Early Track) and an annual self-assessment to review numerous programmatic indicators. They conduct approximately 6 on-site visits a year. If it is determined an on-site visit is required to validate ARRA expenditures, a visit may be conducted separately or in conjunction with the program monitoring visit, as deemed appropriate for the situation.

Risk	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	Terri Davis-Stuckey Chief, Compliance and Accountability	June 2010



## Observation 5 – ARRA Reporting

An effective reporting process includes documented procedures that define roles and responsibilities as well as detail the process steps to achieve the ARRA reporting objectives as described in OBM Guidance Memo #9, issued to state agencies on July 30, 2009, as well as federal Office of Management and Budget (OMB) Guidance M-09-21, issued June 22, 2009, which provided guidance to recipients on the 1512 reporting elements.

DOH is responsible for compiling and validating the information of both the department and its subrecipients that is reported into the ARRA Hub. To date, DOH has established an ARRA committee which meets regularly to discuss implementation of ARRA grants, including the orchestration of procedures necessary to meet ARRA Section 1512 reporting requirements as managed through the Ohio OBM SharePoint hub. However, while meetings to organize this effort have taken place, the department has not sufficiently documented or reviewed a reporting plan in its entirety to ensure federal reporting will be complete, accurate, and timely. Moreover, we have not received evidence that validation of financial or non-financial data has taken place for the last reporting period. It was also noted that while DOH continues to administer the non-ARRA funded HMG program alongside the ARRA funded HMG program, it does not appear there are procedures in place to differentiate the ARRA program information submitted by DOH subrecipients from non-ARRA program information, when reporting on the ARRA 1512 data.

Failure to adequately plan for and implement ARRA reporting procedures, including a formal validation process of ARRA data, may result in incomplete and/or inaccurate information being reported to federal oversight agencies, thereby decreasing reliance to the public on whether the department will achieve the overall ARRA program objectives.

### Recommendation

DOH should continue to develop and implement formalized procedures over the validation process that define:

- who validates the data;
- from where the data is obtained;
- how management ensures the subrecipients submit accurate, complete, and timely data; and
- how management ensures all reporting data as required by ARRA Section 1512 are included through the end of the proper reporting period.

Additionally, DOH should consider implementing procedures as they conduct onsite monitoring visits to validate the jobs reported by its subrecipients.



**Management Response**

DOH Executive Management is in the process of formalizing its policies and procedures that will provide guidance to staff regarding the validation process of both financial and programmatic information being entered into the ARRA Hub. This process will include a limited number of desk reviews to assess that the data is included in the proper reporting period.

Additionally, DOH will implement procedures to conduct on-site monitoring visits (on a sample basis) to validate the jobs reported by our subrecipients.

Risk	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	Terri Davis-Stuckey Chief, Compliance and Accountability	April 2010



**Appendix A – Classification of Audit Objective Conclusions and Observations**

**Classification of Audit Objective Conclusions**

Conclusion	Description of Factors
<b>Major Improvements Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.
<b>Improvements Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Well-controlled with Improvements Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.

**Classification of Audit Observations**

Rating	Description of Factors	Reporting Level
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Audit Committee, Senior Management, Department Management
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Audit Committee, Senior Management, Department Management
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Department Management, Senior Management (Optional), Audit Committee (Not reported)



## **Appendix B – Audit Follow-up Procedures**

OIA will periodically follow-up on management’s plans to remediate high and moderate risk audit observations. Follow-up activities may generally be broken down into three categories:

- Detailed** Detailed follow-up is usually more time-consuming and can include substantial audit customer involvement. Verifying and testing procedures implemented as well as substantiating records are examples. The more critical audit observations usually require detailed follow-up.
  
- Limited** Limited follow-up typically involves more audit customer interaction. This may include actually verifying procedures or transactions and, in most cases, cannot be accomplished through memos or telephone conversations with the audit customer but requires onsite observation or testing.
  
- Informal** This is the most basic form of follow-up and may be satisfied by review of the audit customer’s procedures or an informal telephone conversation. Memo correspondence may also be used. This is usually applicable to the less critical observations.

Low risk audit observations will not result in an OIA audit follow-up, although these observations will be factored into the continuous risk assessment process for future OIA engagements.