



U.S. Department of Housing and Urban
Development
Office of the Chief Financial Officer

**Financial Statement
Audit Resolution Policy
HUD Policy Handbook 2300.1**

July 31, 2023

Transmittal Notes

HUD Financial Statement Audit Resolution Policy 2300.1, effective July 31, 2023.

Policy Handbook Number: 2300.01		Date: 2023
SUBJECT:	Financial Statement Audit Resolution Policy	
STATUS:	FINAL	
APPLICABILITY:	Financial Statement Audits	
PROCEDURES REFERENCE:	Audits Management System (AMS) Handbook 2000.06 REV-4 – Note – Once released, the Audit Resolution Procedure (ARP) Handbook will replace the AMS Handbook's procedures.	

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1. Objective/Purpose and Scope of the Policy

The purpose of this document is to define the policies regarding HUD's financial statement (FS) audits, to include responding to notice of findings and recommendations (NFRs), drafts and final reports, and implementing and closing recommendations. HUD's financial audits include the Consolidated FS Audit and stand-alone audits of the Government National Mortgage Association (Ginnie Mae) and the Federal Housing Administration (FHA). This policy applies to all of HUD's Office of the Inspector General (OIG) FS audits and any open OIG FS recommendations and is necessary due to the complex nature of these audits and the multiple workstreams involved in preparing the reports and resolving recommendations.

Actions taken under this policy shall be in accordance with applicable laws, regulations, and relevant other policies. This policy shall apply to all HUD Program Offices (POs). This policy replaces policies in the Audits Management System (AMS) Handbook 2000.06 REV-4. Refer to the AMS Handbook for audit resolution procedures until the new Audit Resolution Procedure (ARP) Handbook is released.

It should be noted that there may be instances where there are exceptions to the policy. When exceptions occur, the Office of the Chief Financial Officer's (OCFO) Office of Financial Management (OCFO-FM) will be notified, and when requested, the Office of the Inspector General's Office of Audits (OIG-OA) will meet with the parties involved in the exception. This should be a very rare occurrence. OCFO-FM and OIG-OA will work closely together when this occurs to work on the issue identified.

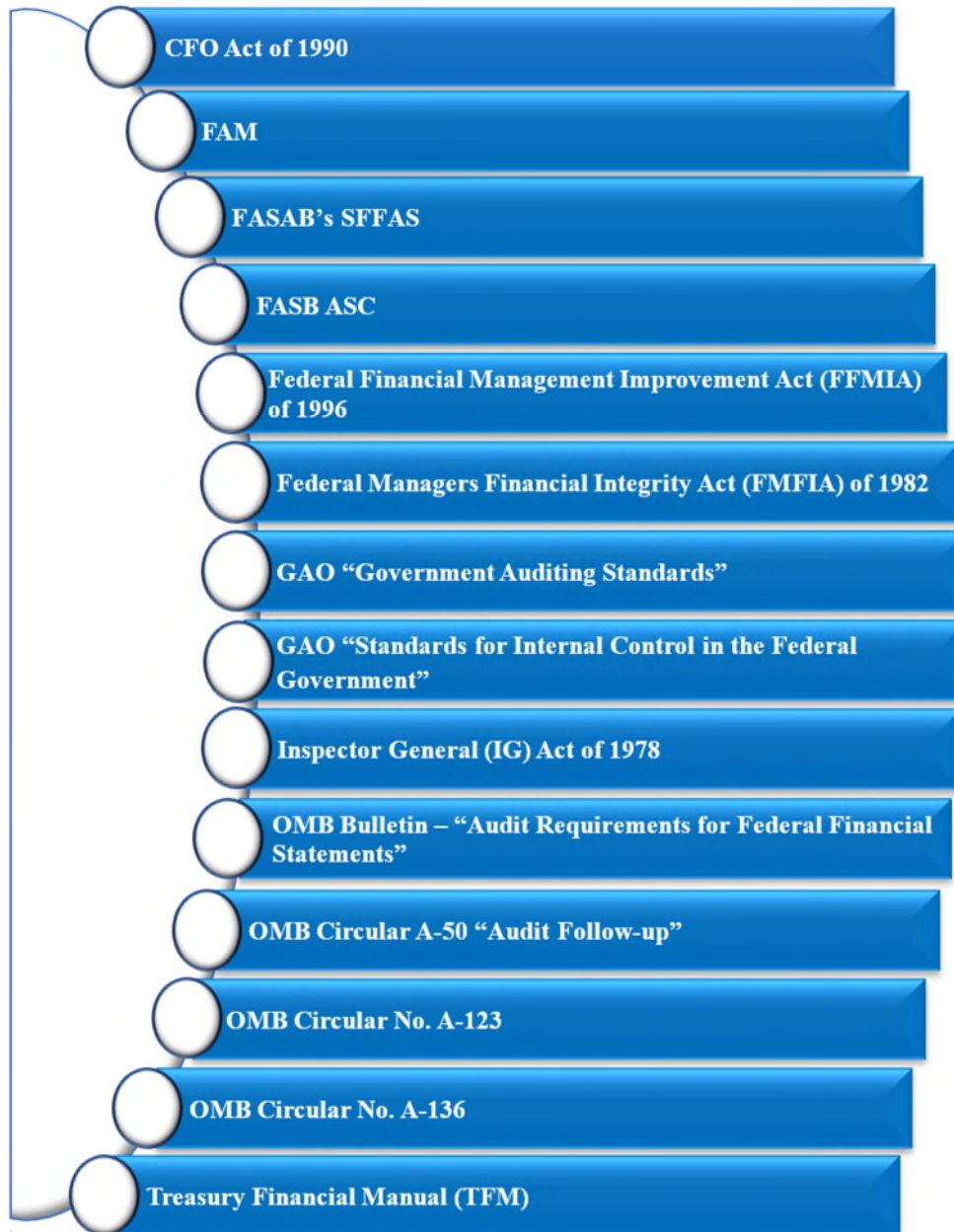
2. Background

FS audits are performed by OIG-OA or an Independent Public Accountant (IPA) contracted by OIG-OA, in accordance with the Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards in the U.S. (GAGAS) and the Financial Audit Manual (FAM), as well as the requirements from the Office of Management and Budget (OMB) for Federal Financial Statement Audits and as required by the Chief Financial Officers (CFO) Act of 1990, as amended by the Government Management Reform Act of 1994.

OIG-OA's objective is to express an opinion on the fair presentation of HUD's principal financial statements and to report on internal controls over financial reporting and compliance with laws, regulations, contracts, and grant agreements. OIG-OA arrives at an opinion after consideration of internal controls over financial reporting and testing compliance with selected provisions of applicable laws, regulations, and grant agreements that may materially affect the principal financial statements. GAGAS requires OIG-OA to obtain reasonable assurance about whether HUD's principal financial statements are fairly presented in accordance with generally accepted accounting principles in the U.S. (GAAP) in all material respects. HUD's financial audits include stand-alone audits of Ginnie Mae and FHA, which feed into HUD's Consolidated FS Audit.

3. Governing Legislation, Regulations and Guidance

HUD prepares its financial statements in compliance with the Federal Accounting Standards Advisory Board's (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) or on a commercial basis¹. The primary pieces of legislation governing this policy are the CFO Act of 1990, as amended by the Government Management and Reform Act of 1994, OMB Requirements, and other applicable guidance as noted below. The following list is presented in alphabetical order and not in order of precedence. See Appendix C for a short description and link to each.



¹ The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) defines GAAP for Ginnie Mae's commercial basis statements.

4. HUD's Policy Requirements Outline

The following table lists the policy requirements that must be followed throughout the FS audit resolution process.

Policy Requirement	Description
A. Obtaining a Financial Statement Audit	HUD is required to produce financial statements under the CFO Act of 1990 that must be audited in accordance with GAGAS. OIG-OA will determine who performs the audit. OIG-OA, IPA firms, or other qualified parties may perform the audits.
B. Following Required Governing Legislation, Regulations, and Guidance	The preparation and audit of financial statements shall follow the established legislation, regulations, and guidance provided on page 5 above.
C. Consolidated FS Audit Timeline	OCFO-FM, in consultation with other OCFO components, and OIG-OA will collaborate on the development of the Consolidated FS Audit timeline. The timeline will, at a minimum, include the following: an entrance conference, draft and final audit opinions, Management Representation Letter/Statement of Assurance (MRL/SOA), draft and final Agency Financial Report (AFR), and an exit conference.
D. Tracking Ongoing OIG-OA Assignments	For all but the most sensitive assignments, OIG-OA will enter new ongoing assignment information into the audit tracking system, including new assignment notifications, NFRs, and draft reports.
E. Conducting Entrance and Exit Conferences with Auditors	Entrance and exit conferences shall be held at mutually agreeable dates. Entrance and exit conferences shall include all POs involved in the FS audits. The exit conferences shall be held between OIG-OA and HUD management representatives within 30 calendar days after final report issuance. The relevant OIG Audit Liaison Officer (ALO) shall enter the date and notes from these conferences into the audit tracking system.
F. Fulfilling Audit Documentation Requests	All requested FS audit documents and items required to conduct the audits will be tracked in the HUD-designated prepared-by-client (PBC) system. PBC Items are directed to the appropriate HUD official and Consolidated Audit Liaison Officers (CALO) for fulfillment.

G. Conducting Status Meetings

Status meetings shall be established between OIG-OA, OCFO, FHA, Ginnie Mae, PO CALOs, and other relevant PO staff to be held at least monthly initially, and then weekly as the various audits progress and are agreed to between the CFO and OIG-OA. The relevant OIG ALO will attach notes from these meetings in the audit tracking system.

H. Responding to NFRs

All NFRs for the Consolidated FS Audit will be entered into the audit tracking system by OIG-OA and sent through the system to the involved PO staff, relevant PO CALO, and the “OIGCorrespondencetoFM@hud.gov” mailbox as soon as issues are discovered, but no later than 14 calendar days prior to the issuance of the audit report² except for the review of year-end financial statements. The Office of the Assistant CFO (ACFO) for Financial Management (ACFO-FM) will respond to NFRs addressed to OCFO-FM or forward the NFR to the appropriate office to respond. NFRs should be immediately coordinated, reviewed, and discussed internally with all affected stakeholders. The issuance of an NFR indicates that a situation exists where the agency’s internal controls may not adequately address 1 or more risks. HUD management should provide comments to OIG-OA within 10 business days, including agreement or disagreement, suggested changes, and identification of any information unknown to OIG-OA. Draft responses should be provided to the Deputy CFO (DCFO) for concurrence 2 business days prior to the due date. See Appendix A for NFR flowcharts. The CFO ALO will enter the response to the NFR into the audit tracking system.

All NFRs for FHA and Ginnie Mae FS audits will be entered into the audit tracking system by OIG-OA and sent through the system to FHA and Ginnie Mae officials, relevant CALOs, and the “OIGCorrespondencetoFM@hud.gov” mailbox as soon as issues are discovered, but no later than 14 calendar days prior to the issuance of the audits². FHA and Ginnie Mae will review the NFR and coordinate their response when necessary. Comments should be provided to OIG-OA with a cc to OCFO-FM and CFO within 10 business days. The Ginnie Mae or FHA ALO will enter the response to the NFR in the audit tracking system.

For NFRs issued after September 30th, the response will be due within 5 business days or as negotiated closer to the audit issuance.

OIG-OA will review all NFR responses and seriously consider

² If the 14-day timeframe cannot be met, a briefing that includes the ACFO for Financial Management, ACFO for Accounting, the CFO/DCFO, affected PO Head, and OIG-OA shall be held where an explanation for the late notification and discussion of the NFR can take place to ensure a response is provided before audit issuance.

them prior to report issuance. If HUD management indicates no action is needed and provides the needed documentation or justification within the 10- or 5-business day timeframe, and OIG-OA agrees, the report should indicate that the recommendation was resolved prior to audit report issuance or excluded from the report. If there is disagreement about the response or the response is provided less than 30 days before the end of the audit timeframe to allow OIG-OA to evaluate, the report will reflect this instead.

**I. Resolving
Recommendations Prior
to Audit Issuance**

Once HUD management agrees to an NFR or provides alternatives acceptable to OIG-OA within the 10-business day timeframe for responding, HUD management and OIG-OA will work together to achieve management decisions to resolve the resulting recommendations. In some instances, management may be able to achieve an approved management decision and implement corrective actions to resolve recommendations prior to audit report issuance. All management decisions concurred on by OIG-OA prior to report issuance should be documented in the final report and entered by OIG-OA into the audit tracking system as completed recommendations with final action if implemented or pending final action if not implemented.

**J. Responding to Draft
Report**

When the draft reports are issued, OIG-OA shall enter the report and response due date into the audit tracking system and forward it through the system to HUD management, relevant CALOs, and the “OIGCorrespondencetoFM@hud.gov” mailbox. The draft may contain recommendations for HUD management and POs. The individual POs prepare responses to the consolidated draft report, where they are consolidated and submitted by OCFO-FM. For FHA and Ginnie Mae FS draft reports, these POs will prepare and submit their responses. Draft report responses are directed to the OIG-OA official responsible for the draft report, and a copy is provided to the lead auditor unless otherwise directed. The relevant ALO will enter the response to the draft report into the audit tracking system.

**K. Responding to Final
Report Recommendations**

When the final reports are issued, they may contain recommendations for HUD management and POs. OIG-OA shall enter all findings and recommendations from the FS audits into the audit tracking system. The Action Official (AO), Recommendation Action Official (RAO), or Program Office Contact (POC) must submit proposed management decisions to final reports through the audit tracking system to OIG-OA no later than 90 days after report issuance.

The ALO, upon receiving a request for an extension, which must include an explanation for the delay from the AO, RAO, or POC, can extend the FATD up to 1 year from the management decision date. The ALO can also extend the FATD for any recommendation coded as under judicial review, under investigation, or needing legislation for 1 year at a time until the special coding is removed.

**L. Extending Final Action
Target Dates (FATD)**

OIG-OA can extend FATDs on any recommendation at any time at their discretion or upon the request of the AO, RAO, or POC when it has been more than a year past the management decision date. The AO, RAO, or POC will request an extension through the audit tracking system to OIG-OA. OIG-OA will review the extension request and process the acceptance or rejection of the request in the audit tracking system within 15 business days. If OIG-OA rejects the extension request, a reason for the rejection must be entered into the appropriate audit tracking field rather than attaching a document. Starting on the 16th business day, OIG-OA will receive a daily notification from the audit tracking system every day until a decision is rendered. Every 30 calendar days, OIG-OA will update the recommendation status in the audit tracking system until a decision is rendered.

**M. Revising Management
Decisions**

A proposed revised management decision request must be submitted to OIG-OA through the audit tracking system as soon as it is determined that a revision is needed. Revisions are not to be submitted solely as a way to request a new FATD. OIG-OA will either accept or reject the proposed revised decision in the audit tracking system within 15 calendar days of submission. If rejected, OIG-OA will enter the reason into the correct audit tracking system field and will not indicate “see attachment.” If OIG-OA cannot render a decision within 30 calendar days, OIG-OA will enter a status update into the audit tracking system and every 30 calendar days until a decision is made. The system will generate a daily overdue notice to OIG-OA starting on the 16th calendar day and every day until a decision is made.

**N. Resolving
Disagreements with
Findings and
Recommendations**

A referral process is instituted for situations where a disagreement arises between HUD management and OIG-OA. As soon as HUD management or OIG-OA becomes aware of a disagreement or impasse, a meeting shall be held to attempt to resolve the issues. If this meeting is unsuccessful or it has been 121 calendar days since report issuance, the referral process to obtain a management decision will begin. See the ARP Handbook for detailed referral procedures.

When there is an impasse on accounting standards, OIG-OA and CFO will jointly consult with FASAB, GAO, or OMB prior to

referral to the Principal Audit Follow-up Official for a directed decision. In the event that the decision from FASAB, GAO, or OMB takes longer than 150 calendar days after report issuance, the referral to the Principal Audit Follow-up Official can proceed.

Directed decisions by the Principal Audit Follow-up Official are specific only to the recommendation that has been referred. If the directed decision includes recommendation closure on non-accounting standard recommendations, the recommendation cannot be reopened unless the Principal Audit Follow-up Official directs it or a neutral party such as Treasury, GAO, or OMB determines that the directed decision is not in compliance with laws or regulations. A directed management decision is the final position of the Department; however, OIG-OA can decide to go back to the Principal Audit Follow-up Official when additional information has come to light to consider reversing or revising the directed management decision.

Note: OCFO-FM's Audit Liaison Division (FM-ALD) will enter management decisions directed by the Principal Audit Follow-up Official within 5 business days of the decision date. OIG-OA will concur on the management decision submitted within 5 business days unless a determination contrary to the directed management decision is received from Treasury, GAO, or OMB.

**O. Closing
Recommendations by
ALO**

Final action occurs when all corrective actions, including recovery or non-recovery of disallowed costs, are completed. Closing documentation, as outlined in the evidence to provide closure section of the agreed-upon management decision, must be entered into the audit tracking system. In addition, the AO, RAO, or POC will submit a final action certification through the audit tracking system to the ALO. The ALO will review the closure documentation, and if in agreement that the required closure documentation outlined in the agreed-upon management decision was provided, the ALO will close the recommendation.

**P. Closing
Recommendations
Concurrently by OIG-OA**

When all actions have been completed before a proposed initial or revised management decision is submitted to OIG-OA through the audit tracking system, a request for concurrent closure must be included in the management decision text and all documentation demonstrating closure attached. If OIG-OA agrees, they will close the recommendation when they accept the management decision.

Any OIG-OA recommendation can be closed by the OIG at any time at OIG-OA's discretion. When this occurs, the recommendation should not be reopened. If OIG-OA closes a recommendation and then finds later that the actions did not

resolve the identified issue in full, a new recommendation with additional suggestions or clarifications for resolving the root cause should be issued. On very rare occasions, the OIG may reopen a recommendation if they find that the documentation or actions described as being developed or taken to resolve the recommendation have not actually occurred.

See the ARP Handbook for detailed procedures regarding OIG-OA concurrent closure of recommendations and for procedures for reversing entries in error during a semiannual period or reopening recommendations.

**Q. Conducting Corrective
Action Verification (CAV)
and Quality Control
Reviews (QCR)**

It should be noted that since the financial statement audits are conducted annually, the annual audit is considered a CAV. OIG-OA may choose to perform a CAV review to ensure that recommendations have been closed in accordance with the agreed-upon management decisions. If it is found during their review that recommendations were not closed as agreed, OIG-OA can reopen improperly closed recommendations and will set the FATD to 60 calendar days after reopening. If OIG-OA finds that the recommendations were appropriately closed but the actions agreed to did not adequately address the core of the recommendation, OIG-OA will not reopen the recommendation. Instead, OIG-OA will include a new recommendation in the CAV report that outlines the additional actions needed.

The Departmental Audit Liaison Officer (DALO)/FM-ALD will conduct QCRs on closed reports, where ALOs closed recommendations. QCRs are usually conducted every other year. However, this may be adjusted depending on the resources available to conduct the review, but not less than once every 5 years.

5. Recommendations with Cost

For recommendations that contain questioned costs or funds-put-to-better-use (FPTBU), HUD management may express agreement or disagreement with the costs identified in the proposed management decision. If management agrees that repayment is needed or that the FPTBU amount is reasonable, the proposed management decision shall identify all such costs, whether the amounts are due to HUD or the program participant, and a FATD that reflects the anticipated date of final payment or implementation. If management disagrees that repayment is needed, the responsible official provides the reason(s) why recovery is not required, and the amount of costs to be adjusted must be included in the proposed management decision and concurred on by OIG-OA. If OIG-OA does not agree, they may reject the proposed management decision. If it is determined that there is an impasse, the referral process would begin.

It may become necessary to adjust the cost amount after the initial management decision has been approved. When this occurs, a proposed revised management decision must be submitted to OIG-OA through the audit tracking system to obtain OIG-OA concurrence. Upon concurrence, OIG-OA will adjust the costs in all applicable fields within the audit tracking system to reflect the new management decision.

See the ARP Handbook for detailed procedures regarding OIG-OA recommendations with costs.

6. Reporting and Tracking


All FS audit documents and items required by the OIG-OA to conduct the audits, and those audits that feed into them, will be tracked in the PBC system. HUD's PBC user guide and ARP Handbook provide detailed procedure instructions. OIG-OA will use the PBC system to request all the data needed to conduct these audits, including general information and testing samples.



Final reports, audit findings, recommendations, and proposed management decisions will be submitted and tracked through the audit tracking system until recommendation closure. HUD's ARP Handbook provides procedures and the audit tracking system user guide for detailed entry instructions: [FM-ALD intranet site](#).



7. Management Letters

OIG-OA may issue a Management Letter after the completion of each of the FS audits. These letters include additional items for action that were not included in the FS Audit reports. Management Letters should be prepared by the auditor and provided to management within 60 calendar days of audit report issuance. Each finding may contain more than 1 condition or issue and recommendation. HUD shall address the issues identified in the letter by developing a corrective action plan (CAP) that addresses the underlying root cause of the finding and the solution to resolve the issue. The issues identified in this letter are tracked separately and not in the audit tracking system.

8. Roles and Responsibilities

<div>  <div> Office of the Inspector General's Office of Audits/Independent Public Accountant </div> </div>	
<p>Your Role: OIG-OA/IPA expresses an opinion on the fair presentation of HUD's principal financial statements and reports on internal controls over financial reporting and compliance with laws, regulations, contracts, and grant agreements.</p>	
<p>In an effective audit resolution process, OIG-OA/IPA role is a mature function that includes:</p>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ Conducting FS audits in accordance with laws and regulations. ➤ Planning, internal control testing, substantive testing, and reporting. ➤ Entering and submitting all requests for data through the PBC system. ➤ Coordinating interviews, meetings, walkthroughs, and information requests through HUD POCs. ➤ Reviewing all materials provided by HUD before issuing an NFR.
<p>Communication and Cooperation: OIG-OA/IPA provides open communication and support to the Deputy Secretary and each HUD Primary Organization Head (HPOH) in all audit matters.</p>	<ul style="list-style-type: none"> ➤ Issuing NFRs throughout the audit process as they arise and requesting a timely management response by entering and submitting them through the audit tracking system. ➤ Reviewing all NFR responses thoroughly before adding a recommendation to a report. ➤ Issuing draft audit reports for comments by entering them into the audit tracking system and sending them through the system to responsible HUD management and PO staff. ➤ Entering final reports, findings, and recommendations into the audit tracking system. ➤ Issuing a Management Letter within 60 calendar days of audit report issuance, when needed. ➤ Reviewing, approving, and negotiating management decisions for recommendations when needed. ➤ Closing recommendations concurrent with approval of a management decision when appropriate or when otherwise found to be appropriate. ➤ Preparing and transmitting referrals for management decisions to appropriate levels of management and entering them into the audit tracking system. ➤ Conducting CAVs.

<h3 style="text-align: center;">Chief Financial Officer</h3>	
	<p>Your Role: The CFO reports directly to and advises the HUD Secretary on all aspects of financial management, accounting, and budgetary matters; ensures the Department establishes and meets financial management goals and objectives; and ensures that the Department is in compliance with financial management legislation and directives.</p>
<p>In an effective audit resolution process, the CFO role is a mature function that includes:</p> <p> Governance and Oversight: CFO provides leadership in instituting financial accountability, financial integrity, and financial and operational risk awareness throughout HUD.</p>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ Monitoring the progress toward obtaining audit completion. ➤ Ensuring final resolution on actions needed to close FS audit recommendations. ➤ Reporting audit-related activities to various management levels through appropriate reports and briefings.

<h3 style="text-align: center;">Deputy Secretary</h3>	
	<p>Your Role: The Deputy Secretary assists the Secretary in the administration of HUD programs, functions, and HUD authorities. While overseeing the daily operations of the agency, the Deputy Secretary is the Principal Audit Follow-up Official and resolves disagreements between OIG-OA and program management.</p>
<p>In an effective audit resolution process, the Deputy Secretary role is a mature function that includes:</p> <p> Governance and Oversight: The Deputy Secretary provides guidance and tools needed to administer and provide oversight for critical programs, including correcting program deficiencies.</p>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ Serving as the Principal Audit Follow-up Official for HUD, as designated by the Secretary. ➤ Ensuring recommendations referred by OIG-OA for an initial management decision have a directed management decision in place by 180 calendar days after report issuance, as required by statute.

Assistant Chief Financial Officer for Financial Management**Your Role:**

The ACFO-FM plays a central role during the Consolidated FS Audit, working with OIG-OA and POs to coordinate different aspects of the audit, monitor audit progress, and follow-up on and track issues identified by the audit.

In an effective audit resolution process, the ACFO-FM role is a mature function that includes:

**Governance and Oversight:**

ACFO-FM sets the tone for audit readiness through proactive involvement in audit planning, risk-based decision making, and status reporting that drives timely action.

Key responsibilities include:

- Receiving the Consolidated FS Audit engagement letter from OIG-OA prior to the start of the Consolidated FS Audit.
- Participating in all conferences and meetings to monitor the progress of the audit.
- Evaluating audit recommendations and management decisions and working with OIG-OA to resolve disagreements.

Office of Financial Management's Funds Control Assurance Division



Your Role:

OCFO-FM's Funds Control Assurance Division (FM-FCAD) works closely with OIG to coordinate the entrance conference, interviews, meetings, walkthroughs, information requests, and exit conference.

In an effective audit resolution process, the FM-FCAD role is a mature function that includes:



Knowledge Management:

FM-FCAD works closely with the key stakeholders for knowledge exchange regarding PBCs, conferences, interviews, walkthroughs, and meetings.



Stakeholder Coordination:

FM-FCAD assists with managing the flow of communication and the timely delivery of PBC requests.

Key responsibilities include:

- Coordinating with OIG-OA to arrange entrance and exit conferences.
- Forwarding draft PBC Items lists to POs for a general review to ensure the correct staff and offices are included.
- Coordinating walkthrough meetings and PBC requests with OIG-OA.
- Helping to ensure that PBC requests are directed to appropriate HUD officials and CALOs.
- Forwarding any PBC Items to Treasury's Administrative Resource Center (ARC) requiring their input.
- Assisting with ARC documentation review before it is provided to OIG-OA and making entries into the PBC system on ARC's behalf.
- Coordinating and monitoring responses to NFRs.
- Following up on overdue promised dates or overdue delivery of documentation, as shown in the PBC system.
- Overseeing the "OIGCorrespondenceToFM@hud.gov" mailbox, used as the entry point and central repository for NFRs.
- Collecting and consolidating responses, documentation, and concurrences to the draft report.
- Following up and tracking issues identified in the final Consolidated FS Audit Report and Management Letter using the Audit Remediation CAP Tracker.

Office of Financial Management's Audit Liaison Division



Your Role:

FM-ALD serves in a support role for the HUD-designated PBC and audit tracking systems and audit resolution process.

In an effective audit resolution process, the FM-ALD role is a mature function that includes:



Support:

FM-ALD ensures timely resolution of PBC and audit tracking system issues, including providing ongoing support to all POs and ALOs to resolve, negotiate, and successfully navigate audit closure activities per policy.

Key responsibilities include:

- Resolving all PBC and audit tracking system issues, and/or forwarding to PBC and audit tracking system contractors for advanced resolution when necessary.
- Responding to technical questions regarding the PBC and audit tracking systems.
- Providing on-going training and support to all PO staff on audit engagement, policy, and audit tracking system actions.
- Supporting program recommendation responses and resolution as needed to include the Tiger Team.

Primary HUD Responsible Official (or designee)



Your Role:

An individual who works closely with OIG-OA on behalf of their PO to coordinate, review, and deliver the information needed from PBC requests.

In an effective audit resolution process, the Primary HUD Responsible Official (PHRO) role is a mature function that includes:



Stakeholder Coordination:



PHRO manages the flow of communication and timely delivery of PBC requests between OIG-OA and PO.



★★★ Quality Assurance:



PHRO provides oversight of PBC requests and PBC Item submissions, reviewing them for accuracy and resolving issues.

Key responsibilities include:





- Maintaining communication between the PO and OIG-OA.
- Overseeing and directing the delivery of PBC requests.
- Negotiating changes in PBC Items with OIG-OA.
- Making needed tracking entries into the PBC system.
- Ensuring all documentation requested in PBC Items is attached in the PBC system.

 <h2>HUD Primary Organization Head</h2> <p>Your Role: An official responsible for an organizational component that reports directly to the Secretary or Deputy Secretary. HPOHs are accountable for managing the audit program of their organizational component and providing oversight for audit participants.</p>	
<p>In an effective audit resolution process, the HPOH role is a mature function that includes:</p> <p> Governance and Oversight: HPOH sets the tone for audit readiness through proactive involvement in audit planning, risk-based decision making, and status reporting that drives timely action.</p>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ Resolving recommendations assigned to them in FS audits. ➤ Assigning a Primary and Secondary CALO for FS PBC coordination. ➤ Assigning a POC and RAO for recommendations assigned to them. ➤ Assigning a Primary and Secondary ALO for coordination of audit recommendation resolution (this may be the same as the CALOs).

 <h2>Program Offices</h2> <p>Your Role: Offices within HUD responsible for monitoring and administering the various programs that HUD offers to the public.</p>	
<p>In an effective audit resolution process, the PO provides:</p> <p> Timely Resolution: POs resolve PBC requests, NFRs, and recommendations through timely communication and action.</p>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ Fulfilling OIG-OA PBC requests relevant to their office. ➤ Resolving recommendations contained in FS audits. ➤ Resolving issues identified in the Management Letter.

<div data-bbox="277 254 451 422">  </div> <div data-bbox="527 195 1092 233"> <h2>Consolidated Audit Liaison Officer</h2> </div> <div data-bbox="544 237 703 270"> <p>Your Role:</p> </div> <div data-bbox="540 270 1403 382"> <p>An individual who serves as the focal point for coordinating responses to PBC Items and providing training on the PBC system to responsible staff.</p> </div>	
<p>In an effective audit resolution process, the CALO role is a mature function that includes:</p> <div data-bbox="196 590 253 642">  </div> <p>Knowledge Management: CALOs coordinate PBC responses and ensure responsible staff are trained on PBC system processes.</p>	<p>Key responsibilities include coordinating PBC requests by:</p> <ul style="list-style-type: none"> ➤ Assisting their PO by providing instructions on the PBC system to their staff members. ➤ Sending reminders to the PHRO and other HUD officials to ensure timely entries into the PBC system. ➤ Ensuring timely delivery of PBC Items. ➤ Providing guidance on obtaining extensions. ➤ Arranging meetings when needed. ➤ Making needed entries in the audit tracking system during the audit process, such as meeting notes, responses to NFRs, response to draft reports, etc.

<div data-bbox="277 254 451 422"></div> <div data-bbox="634 197 984 231">Audit Liaison Officer</div> <div data-bbox="545 237 703 268">Your Role:</div> <div data-bbox="545 275 1425 415">An individual appointed by the HPOH to coordinate the processing of OIG-OA audit reports and ensure that all requirements for processing audit recommendations within their area of responsibility are met.</div>	
<p>In an effective audit resolution process, the ALO role is a mature function that includes:</p> <div data-bbox="191 604 256 653"></div> <div data-bbox="256 600 618 632">Stakeholder Coordination</div> <div data-bbox="256 638 683 779">ALO works closely with the AO, RAO, and POC to ensure timely submission of initial and revised management decisions.</div> <div data-bbox="199 825 256 873"></div> <div data-bbox="256 821 540 890">Communication and Cooperation</div> <div data-bbox="256 896 695 1037">ALO provides open communication and support to the OIG-OA and the AO, RAO, and POC.</div> <div data-bbox="199 1083 256 1134"></div> <div data-bbox="256 1079 574 1148">Tracking, Monitoring/Reporting:</div> <div data-bbox="256 1152 683 1367">ALO monitors and reports the status of audit recommendations and entries in the audit tracking system for all divisions of the HUD office they were appointed to represent.</div> <div data-bbox="191 1409 256 1440"></div> <div data-bbox="256 1409 516 1440">Quality Assurance</div> <div data-bbox="256 1446 683 1587">ALO reviews supporting documentation to ensure compliance with an agreed-upon management decision.</div> <div data-bbox="199 1612 256 1663"></div> <div data-bbox="256 1625 612 1656">Knowledge Management:</div> <div data-bbox="256 1663 683 1837">ALO maintains and provides technical assistance and training for audit resolution and the audit tracking system for their program areas.</div>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ Representing HUD in all related audit engagements assigned to the appointed office with integrity and professionalism. ➤ Monitoring the processing and handling of audit recommendations issued by OIG-OA. ➤ Providing support and instruction to program staff during the processing of recommendations. ➤ Ensuring that the AO assigns an RAO and POC for each recommendation. ➤ Ensuring initial proposed management decisions are submitted timely to OIG-OA through the audit tracking system by the AO, RAO, or POC. ➤ Following up to ensure management decisions are reached timely. ➤ Directing the submission of revised management decisions through the audit tracking system by the AO, RAO, or POC when needed. ➤ Recording repayments in the audit tracking system. ➤ Reviewing final action certifications and closure documentation, and when appropriate, closing recommendations. ➤ Extending FATDs in the audit tracking system when appropriate. ➤ Communicating any violations of audit processes to the DALO. <p>Note: The ARP Handbook provides additional responsibilities and duties.</p>

Action Official/Recommendation	Action Official/Program Office Contact
<p>In an effective audit resolution process, the AO, RAO, and POC roles are mature functions that include:</p> <p> Your Role: HUD officials (program or administrative managers) to whom an audit report is addressed or who are responsible for taking action on or ensuring that action is taken on the recommendations in the report. The AO, RAO, and POC are responsible for completing the planned and approved corrective actions and any required follow-up.</p> <p> Management Decision Creation: AO, RAO, or POC develop tangible remediation plans.</p> <p> Timely Response Management: AO, RAO, or POC meet audit-related deadlines.</p> <p> Audit Management Subject Matter Expert: AO, RAO, or POC possess technical capabilities, industry insight, and familiarity with the audit process, which they use to proactively engage stakeholders, anticipate audit requirements, and enhance audit performance.</p>	<p>Key responsibilities include:</p> <ul style="list-style-type: none"> ➤ AO designating an RAO and POC for each recommendation in the audit report by either notifying their ALO or making the designation themselves in the audit tracking system. ➤ Entering proposed management decisions into the audit tracking system. ➤ Implementing necessary actions to fulfill the management decision. ➤ Entering a project plan to support proposed management decision actions in the CAP tracker for issues identified in the Consolidated FS Audit report and Management Letter. ➤ Developing, entering, and submitting proposed revised management decisions through the audit tracking system to OIG-OA when needed. ➤ Participating in the referral process when the OIG-OA refers recommendations for initial or revised management decisions due to an impasse. ➤ Attaching closure documentation in the audit tracking system and submitting the final action certification. <p>Note: The ARP Handbook provides additional responsibilities and procedures.</p>

9. Consolidated Financial Statement Audit Process Only

The following graphics break down the Consolidated FS Audit process into 6 stages: (1) New Consolidated FS Assignment, (2) During the Consolidated FS Audit, (3) Draft Consolidated FS Report, (4) Final Consolidated FS Report, (5) Recommendations, and (6) Recommendation Closure Review. The graphics provide a high-level overview of the process steps, the responsible offices, and the individuals involved in each of the process steps. The ARP Handbook provides detailed procedures regarding each stage shown below.





Timeline Preparation

OCFO-FM and OIG-OA collaborate on timeline preparation:

- OCFO-FM, in consultation with OCFO components, and OIG-OA develop new timeline for current year
- OCFO-FM provides timeline to OIG-OA for comments
- OCFO-FM obtains concurrence of OCFO components and POs for new timeline
- OCFO-FM and OIG-OA negotiate changes in dates when necessary
- OIG-OA attaches final timeline in audit tracking system

OIG-OA presents and reviews timeline at entrance conference and subsequent status meetings



Steps During the Consolidated FS Audit

- OIG-OA requests all documentation through PBC system
- HUD provides requested documentation to OIG-OA through PBC system
- OIG-OA conducts needed interviews with HUD staff
- Audit status meetings are conducted



Preliminary Findings (NFRs)

- OIG-OA enters NFRs into audit tracking system
- OIG-OA delivers NFRs to PO, relevant CALO, and the "OIGCorrespondencetoFM@hud.gov" mailbox through audit tracking system
- PO prepares the response to NFRs and provides it to DCFO for concurrence at least 2 business days before due date
- PO provides the response to OIG-OA and cc's the "OIGCorrespondencetoFM@hud.gov" mailbox and enters it into the audit tracking system
- CFO ALO enters response date and attaches documentation in audit tracking system

Note: See Appendix A for additional details

Stage 2: During the Consolidated FS Audit
Responsible Parties: OIG-OA, OCFO-FM, PO, CALO, ALO



Draft Report

- OIG-OA enters the draft report and response due date into audit tracking system
- OIG-OA sends draft report through the system to PO, CALO, OCFO-FM, and "OIGCorrespondencetoFM@hud.gov" mailbox
- OCFO-FM requests feedback from POs
- OCFO-FM prepares draft report response for CFO signature
- OCFO-FM provides response to OIG-OA by established due date
- ALO enters response date and attaches response in audit tracking system

Stage 3: Draft Consolidated FS Report
Responsible Parties: OIG-OA, OCFO-FM, PO, CALO, ALO

**Final Report**

- OIG-OA issues final report to Secretary and CFO
- OIG-OA enters report into the audit tracking system, including any findings and recommendations

**HUD's Response to OIG-OA**

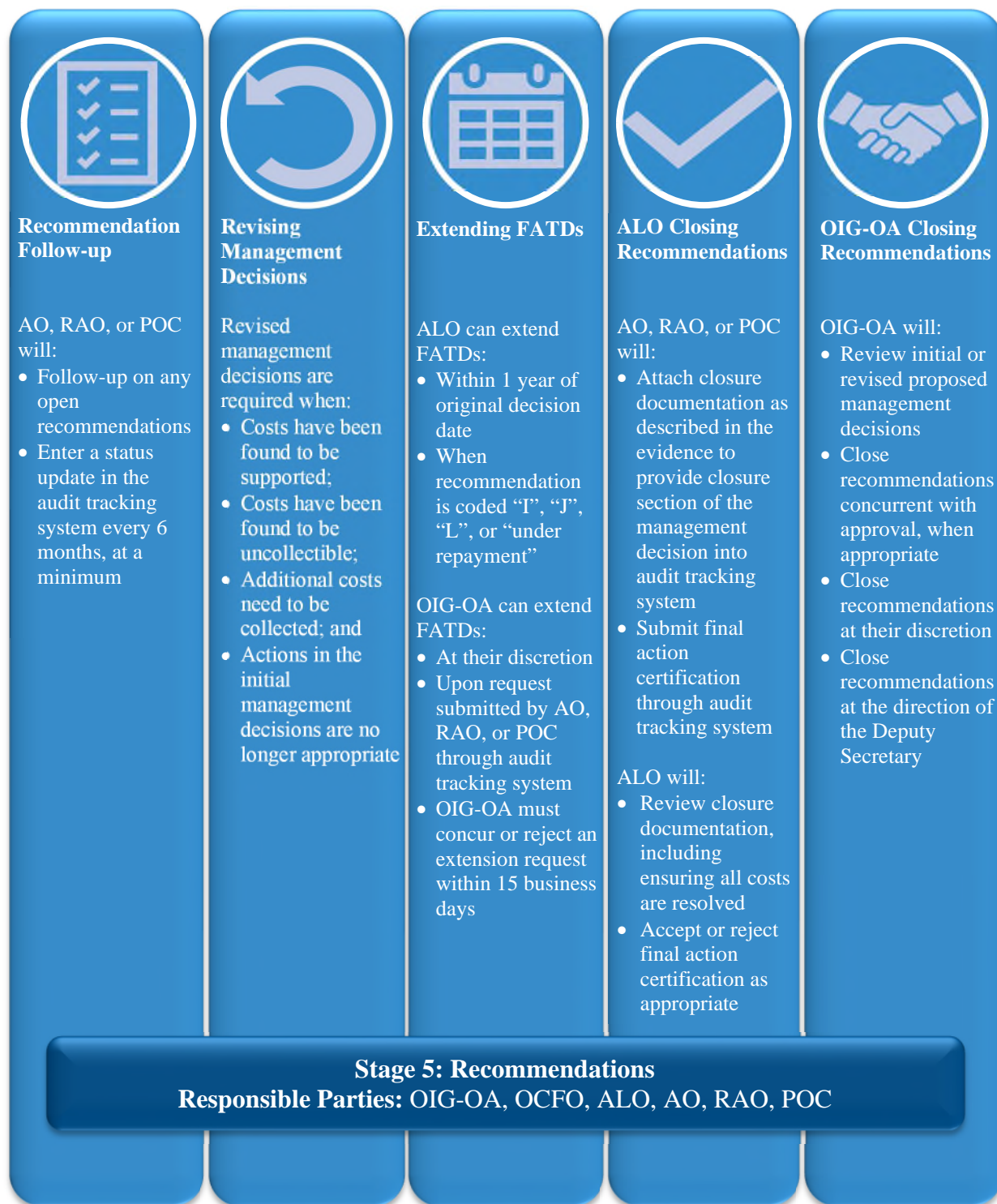
- POs prepare proposed management decisions as assigned
- AO, RAO, or POC enters and submits proposed management decisions through audit tracking system to OIG-OA
- OIG-OA reviews proposed management decisions and accepts or rejects them with a reason in the audit tracking system within 15 calendar days
- OIG-OA must reject proposed decisions that include the words "see attachment" in the evidence to provide closure or the management decision sections
- OIG-OA places recommendations without management decisions by the 120th calendar day into the referral process
- Management decisions should be reached no later than 180 calendar days after report issuance

**Conduct an Exit Conference**

- OIG-OA coordinates with OCFO-FM to schedule exit conference
- OIG-OA and HUD management use exit conference to review lessons learned and best practices for conducting audits
- OIG ALO enters date of meeting and notes into audit tracking system

Stage 4: Final Consolidated FS Report

Responsible Parties: OIG-OA, CFO, OCFO-FM, ALO, PHRO, AO, RAO, POC





Corrective Action Verification by OIG-OA

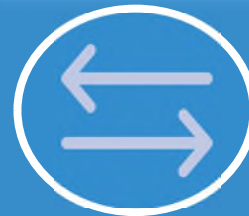
- OIG-OA conducts CAV review
- Since the audits are conducted annually, the annual audit is considered a CAV
- OIG-OA will conduct CAVs after ALOs have certified that a recommendation is closed



Quality Control Review

FM-ALD will:

- Identify OIG-OA audits with recommendations closed by management during the review period where the audit is also closed
- Select from the identified population a sample of audit resolution files for review
- Review the selected audit's files for a copy of:
 - Final Action Certification; and
 - Documentation to justify recommendation closure
- Discuss with ALOs to ensure understanding of QCR recommendations
- Issue a report with QCR results and lessons learned to all concerned parties



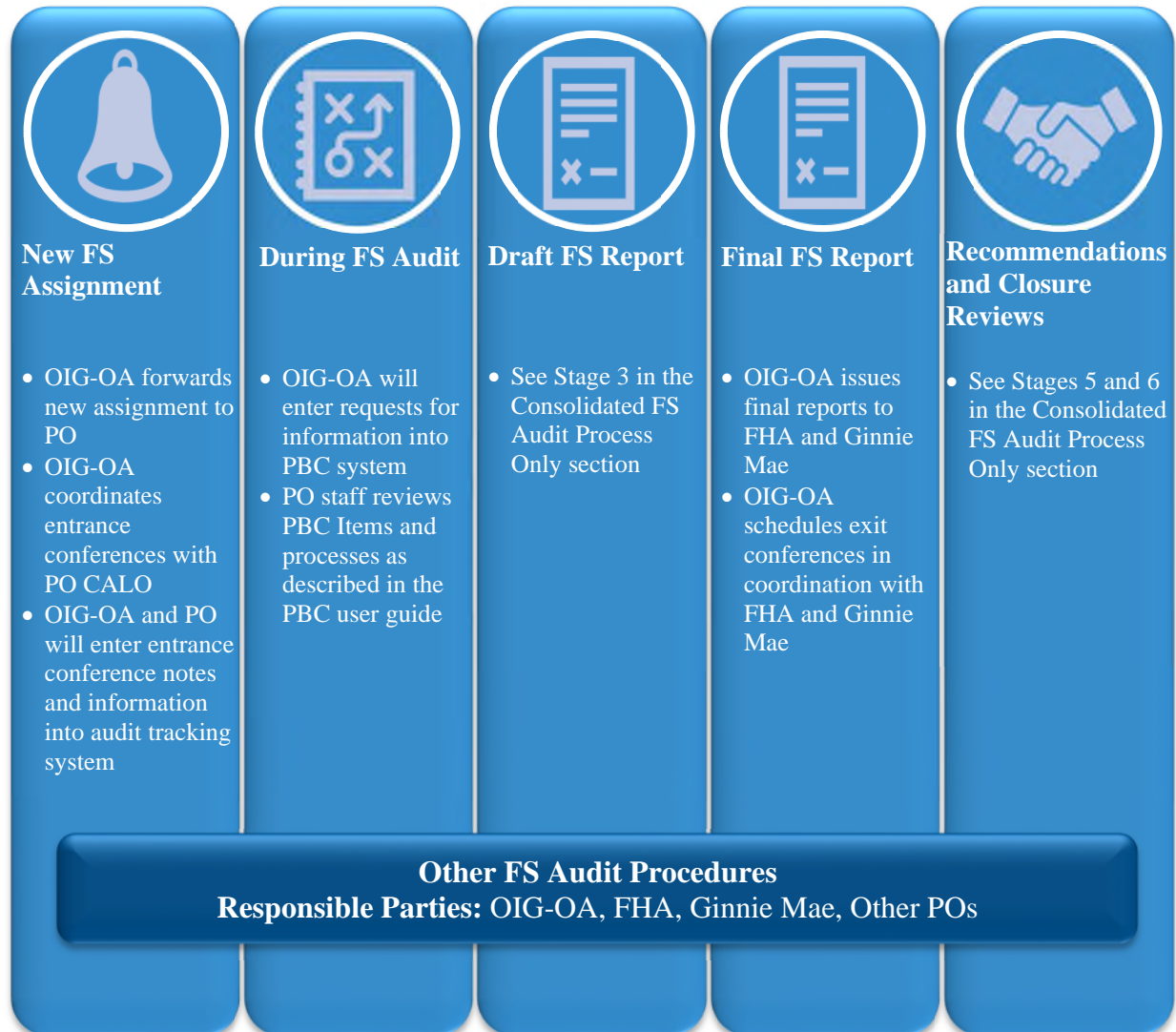
Reopening Recommendations

- OIG-OA may determine a recommendation should be reopened if:
 - Recommendation has not been implemented or documentation has not been provided as agreed to in management decision after CAV review
 - Decision provided by Treasury, GAO, or OMB regarding accounting recommendations that is contrary to a directed decision
- Once recommendation has been reopened, OIG-OA will enter new FATD 60 days from reopening in audit tracking system
- AO, RAO, or POC should propose revised management decision through audit tracking system to OIG-OA within 45 calendar days
- FM-ALD may determine recommendation should be reopened after conducting QCR if it is determined recommendation was improperly closed

Stage 6: Recommendation Closure Review
Responsible Parties: OIG-OA, FM-ALD, ALO, AO, RAO, POC

10. FHA and Ginnie Mae Financial Statement Audit Process

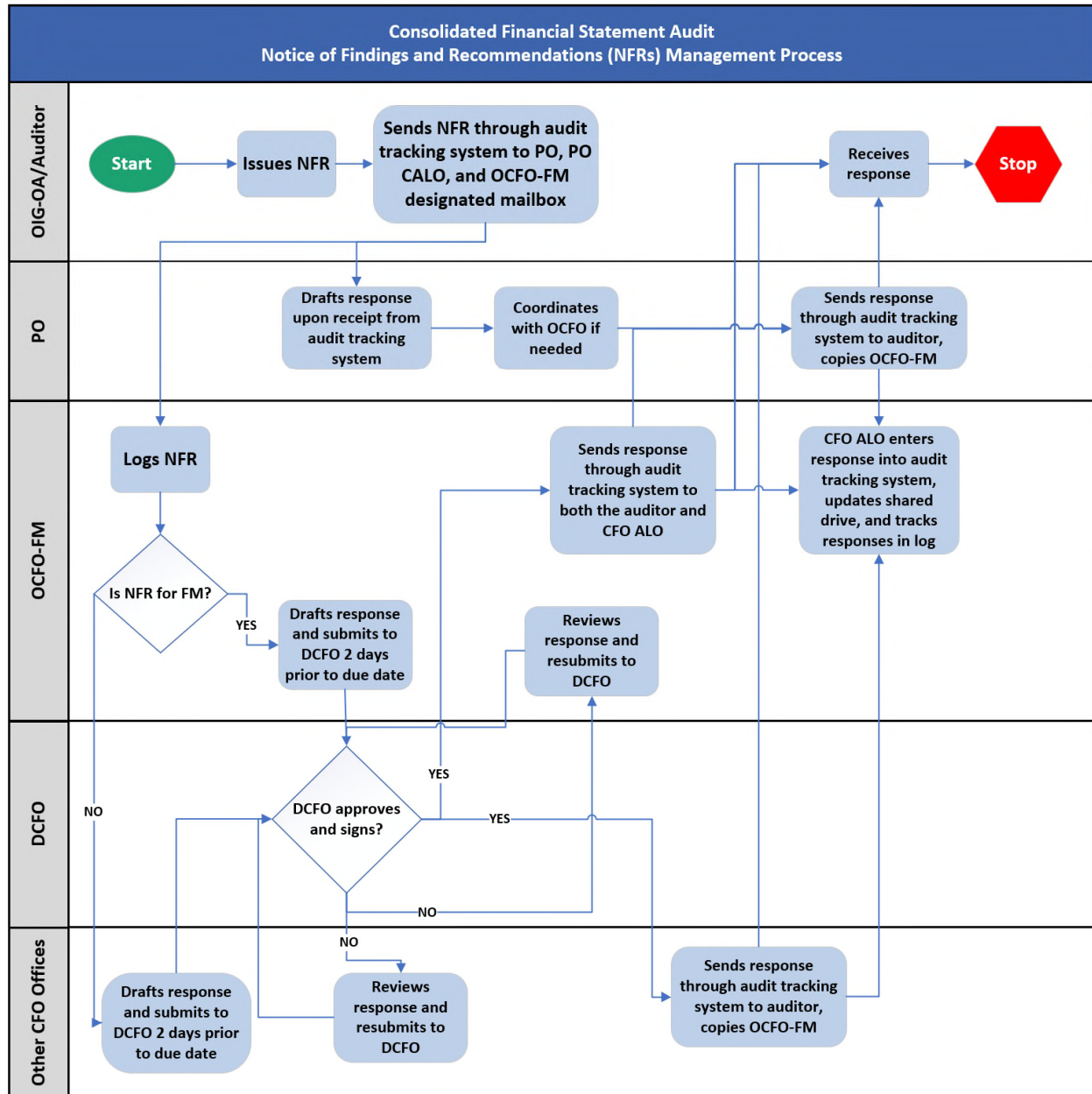
The following graphic provides an overview of FHA and Ginnie Mae FS Audit process. FHA and Ginnie Mae follow similar processes found in the Consolidated FS Audit stages. Any differences between the official or office responsible for each task are highlighted in the graphics. See the ARP Handbook for detailed procedures regarding each stage shown below.

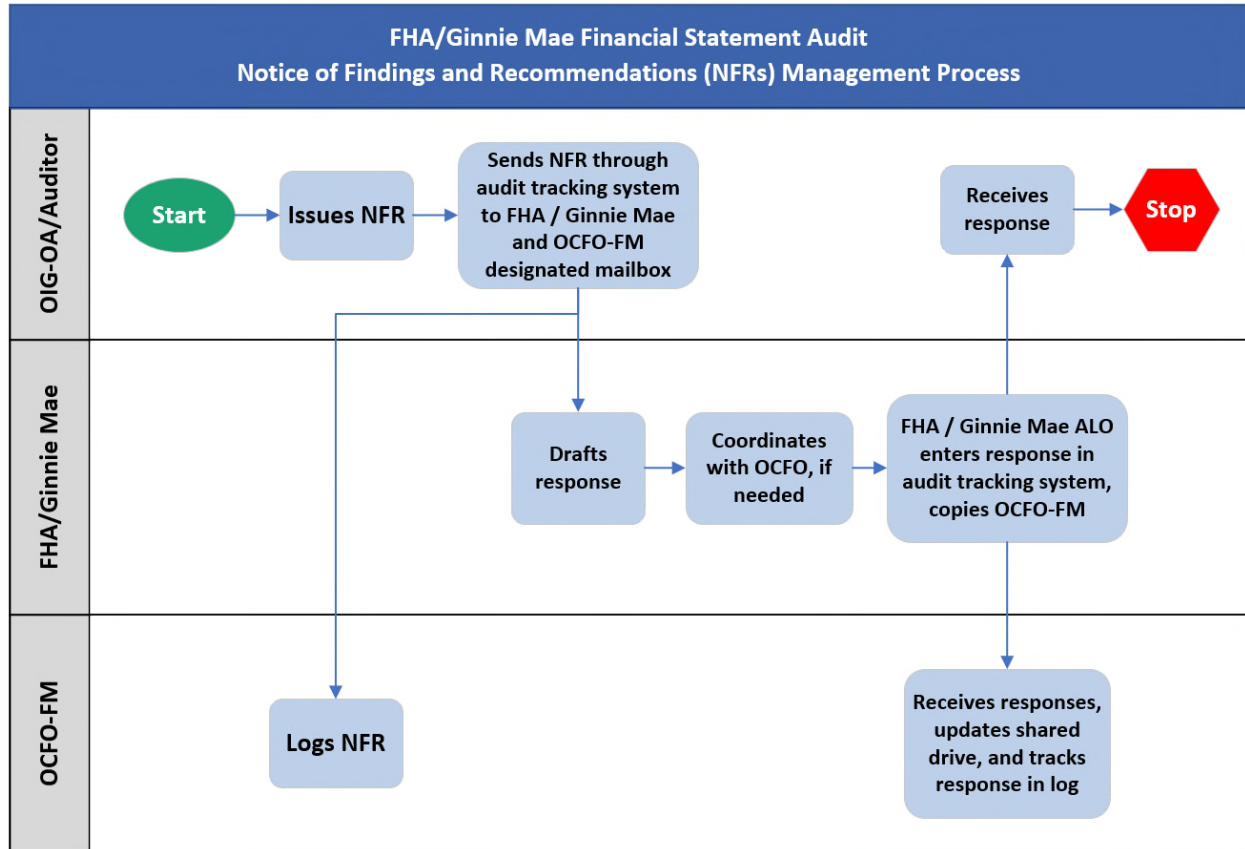


11. Maintaining a Relationship with OIG

HUD staff involved in the engagement process will achieve cooperation with OIG-OA by following established protocols and promptly communicating information to OCFO-FM, PHRO, CALOs, and their appropriate HUD PO staff regarding the FS audit or questions about the audit. Consistent internal communication will assist HUD in being more responsive to OIG-OA.

Appendix A: NFRs Flowcharts





Appendix B: Acronyms

ACFO	Assistant Chief Financial Officer
ACFO-FM	Assistant Chief Financial Officer for Financial Management
AFR	Agency Financial Report
ALO	Audit Liaison Officer
AMS	Audits Management System
AO	Action Official
ARC	Administrative Resource Center
ARP	Audit Resolution Procedure
ASC	Accounting Standards Codification
CALO	Consolidated Audit Liaison Officer
CAP	Corrective Action Plan
CAV	Corrective Action Verification
CFO	Chief Financial Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DALO	Departmental Audit Liaison Officer
DCFO	Deputy Chief Financial Officer
FAM	Financial Audit Manual
FASB	Federal Accounting Standards Board
FASAB	Federal Accounting Standards Advisory Board
FATD	Final Action Target Date

FFMIA	Federal Financial Management Improvement Act
FHA	Federal Housing Administration
FM-ALD	Office of Financial Management's Audit Liaison Division
FM-FCAD	Office of Financial management Funds Control Assurance Division
FMFIA	Federal Managers Financial Integrity Act
FPTBU	Funds-Put-to-Better-Use
FS	Financial Statement
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
Ginnie Mae	Government National Mortgage Association
HPOH	HUD Primary Organization Head
IG	Inspector General
IPA	Independent Public Accountant
MRL/SOA	Management Representation Letter/Statement of Assurance
NFRs	Notice of Findings and Recommendations
OCFO	Office of the Chief Financial Officer
OCFO-FM	Office of the Chief Financial Officer's Office of Financial Management
OIG	Office of the Inspector General
OIG-OA	Office of the Inspector General's Office of Audits
OMB	Office of Management and Budget

PBC	Prepared-By-Client
PHRO	Primary HUD Responsible Official
PO	Program Office
POC	Program Office Contact
QCR	Quality Control Review
RAO	Recommendation Action Official
SFFAS	Statement of Federal Financial Accounting Standards
TFM	Treasury Financial Manual

Appendix C: Governing Legislation, Regulations, and Guidance

A. **CFO Act of 1990 (Public Law 101-576) as amended by the Government Management and Reform Act of 1994**

The CFO Act of 1990, as amended by the Government Management and Reform Act of 1994, requires federal agencies to obtain a financial statement audit. It provides guidance for agency operations, the central coordination of financial management, and the responsibilities of auditors. The Act establishes a leadership structure, provides long-range planning, requires audited financial statements, and strengthens accountability reporting.

Link³: [CFO Act of 1990](#)

Link³: [Government Management Reform Act of 1994](#)

B. **FAM**

GAO and the Council of Inspectors General on Integrity and Efficiency (CIGIE) jointly developed the FAM. FAM presents a methodology for performing financial statement audits of federal entities in accordance with professional standards. The appendices contain useful information regarding financial reporting and objectives, as well as relevant statutes.

Link³: [GAO FAM](#)

C. **FASAB's SFFAS**

FASAB's SFFAS defines generally accepted accounting principles for federal entities (federal GAAP).

Link³: [FASAB Handbook of Accounting Standards and Other Pronouncements](#)

D. **FASB ASC**

The FASB's ASC is the source of authoritative GAAP recognized by the FASB to be applied to nongovernmental entities.

Link³: [Codification \(fasb.org\)](#)

³ The links provided in this document pertaining to governing legislation, regulations and guidance may be updated frequently. Please refer to the website of the respective legislation for link updates.

E. **[FFMIA of 1996, Title VIII of Section 101\(f\) of Title I, Division A of P.L. 104-208, as codified at 31 U.S.C. 3512 \(September 30, 1996\)](#)**

FFMIA of 1996 requires each federal agency to implement and maintain financial management systems that comply with federal requirements, federal GAAP, and the U.S. Government Standard General Ledger at the transaction level.

Link³: [Federal Financial Management Improvement Act of 1996](#)

F. **[FMFIA of 1982 \(P.L. 97-255\), codified at 31 U.S.C. 3512](#)**

FMFIA of 1982 requires federal agencies to establish internal accounting and administrative controls to: (1) prevent waste or misuse of agency funds or property; and (2) assure the accountability of assets.

Link³: [Federal Managers Financial Integrity Act of 1982](#)

G. **[GAO “Government Auditing Standards” \(Yellow Book\), GAO-18-568G, issued July 17, 2018](#)**

GAO's “Government Auditing Standards,” known as the “Yellow Book,” establishes a framework for performing high-quality audit work with competence, integrity, objectivity, independence, accountability, and improved operations and services.

Link³: [Yellow Book](#)

H. **[GAO “Standards for Internal Control in the Federal Government” \(Green Book\), GAO-14-704G, issued September 10, 2014](#)**

GAO's “Standards for Internal Control in the Federal Government,” known as the “Green Book,” provides the overall framework for the establishment, operation, and maintenance of an effective internal control system.

Link³: [Green Book](#)

I. **[IG Act of 1978, as amended \(5 U.S.C. 401-424\)](#)**

The IG Act of 1978 creates independent and objective units to conduct and supervise audits and investigations related to agency programs and operations, recommends policies for designed audit activities, and establishes a means for keeping the head of the agency and Congress fully and currently informed.

Link³: [Inspector General Act of 1978, as amended, 5 U.S.C. Appendix 3](#)

J. **[OMB Bulletin - “Audit Requirements for Federal Financial Statements”](#)**

OMB Bulletin, “Audit Requirements for Federal Financial Statements,” requires that independent auditors to plan and perform the audit to obtain reasonable assurances about whether the financial statements are free from material misstatement. OMB releases this bulletin annually and assigns it a new number.

Link³: [OMB Bulletin No. 19-03 \(link will be different each year when released\)](#)

K. OMB Circular A-50 “Audit Follow-up” (September 29, 1982)

OMB Circular A-50 “Audit Follow-up” establishes the policies and procedures used by executive agencies when considering reports issued by their OIG, the GAO, other executive branch audit organizations, and non-federal auditors.

Link³: [OMB Circular A-50](#)

L. OMB Circular No. A-123

OMB Circular No. A-123 defines management’s responsibility for internal control in federal agencies. Circular A-123 and the statute it implements, FMFIA of 1982, are at the center of existing federal requirements to improve internal control.

Link³: [OMB Circular No. A-123](#)

M. OMB Circular No. A-136

OMB Circular No. A-136 streamlines reporting requirements where possible and reflects current federal GAAP.

Link³: [OMB Circular No. A-136](#)

N. TFM

The TFM is the U.S. Department of the Treasury’s (Treasury’s) official publication of policies, procedures, and instructions concerning financial management in the federal government intended to promote the government’s financial integrity and operational efficiency.

Link³: [Treasury Financial Manual \(TFM\)](#)

Appendix D: Definitions

- A. Audit Report Issue Date. The publication date of the OIG-issued audit report.
- B. Corrective Action Plan. A step-by-step plan to be followed to address issues identified in the Management Letter that will resolve the root causes of material weaknesses, significant deficiencies, or noncompliance with laws or regulations.
- C. Entrance Conference. A kick-off meeting between HUD and OIG-OA, where OIG-OA will provide: (1) background, including the reason for the audit; (2) detail on its scope; (3) insight into the types of data needed; (4) the time frames for the audit; (5) the location(s) where OIG-OA will conduct the audit; (6) and respond to program office questions about the audit. Entrance conferences shall be held at mutually agreeable dates between HUD and OIG-OA.
- D. Exit Conference. A closeout meeting which is conducted after the final report is published. The exit conference shall be held on mutually agreeable dates between HUD and OIG-OA.
- E. Final Action. The completion of all corrective actions that management has concluded in its approved management decision are necessary with respect to recommended actions included in an audit report. In the event it is concluded that no further action is necessary, final action occurs when a management decision is reached.
- F. Management Decision. The agreed upon action(s) that need to be completed in order to close a recommendation. This decision contains 3 parts: (1) management decision text; (2) evidence to provide closure; and (3) a FATD. It should be noted that management decisions may specify that no action is needed.
- G. OIG Audit Report Issuer. The HUD OIG official who is the signer of the report. This representative is responsible for monitoring management decisions and all related actions based on recommendations contained in the audit reports.
- H. Recommendation. The auditor's written suggestions for specific action to correct a deficient condition, prevent a recurrence of the condition, or alleviate the adverse effects of a condition.
- I. Recommendation Closure. A recommendation is considered closed when all actions agreed to in a management decision have been completed, a final action certification is submitted, an ALO agrees to closure in the audit tracking system, or OIG-OA has closed the recommendation either concurrently with a proposed management decision or at their discretion.
- J. Referral Process. Once it has been determined that there is an impasse in reaching a management decision or that the 120-day deadline has been reached without a management decision, recommendations will be put into the referral process.