

## The Audit Process Step-By-Step

**1. Notification:** In most cases, an upcoming audit is announced at least 30 days in advance.

**2. Survey and Planning:** Office of Inspector General auditors determine the type and scope of the audit and then approve a final plan. This process may include a pre-audit survey.

**3. Entrance Conference:** A meeting is held at the site of the audit that includes OIG representatives and the auditors who will be conducting the audit. The purpose is to discuss the audit scope, objectives, the time frame for completing the audit, and access requirements for records and personnel. The entrance conference also provides a forum to enhance communication among all parties.

**4. Fieldwork:** Auditors examine internal controls, member files, financial records, policy manuals and other data at the site, as well as at Corporation headquarters. Interviews are held with management and staff. Interim discussions are held on audit issues and a concerted effort is made to resolve problems during fieldwork.

**5. Exit Conference:** A meeting is held at the audit site among all parties at the conclusion of fieldwork to discuss the results of the audit, including recommendations to improve operations and performance. The conference may coincide with the issuance of a Draft Audit Report.

**6. Draft Audit Report:** Issued by the OIG to Corporation management and the grantee being audited. It includes a detailed description of the scope, objectives, methodology, findings and recommendations for corrective action. Corporation management and the auditee are given the opportunity to provide written responses to the Draft Audit Report. These responses are due to the OIG within 30 days of issuance of the draft report. A Draft Audit Report is a "work-in-progress" and, therefore, is not a public document.

**7. Final Audit Report:** At the end of the response period, and after reviewing and assessing written responses from Corporation management and the auditee, the OIG issues the Final Audit Report. The report outlines findings and recommendations and includes the written responses from Corporation management and the auditee.

**8. Audit Resolution Process:** In the final step, Corporation management and the auditee address identified conditions, problems, and recommendations in the audit. The Corporation then issues a Management Decision, which may propose corrective actions on audit recommendations, within 180 days of the issuance of the Final Audit Report. Management's Notice Of Final Action, indicating that all issues have been resolved and that all corrective actions have been taken, is due to the OIG within one year of the issuance of the Final Audit Report.

## Who Gets Copies Of Audit Reports?

Reports that are legislatively mandated are distributed in accordance with those requirements. These reports include the Corporation's Financial Statements Audit. Other reports are generally distributed to Corporation management and the auditee. Final Audit Reports are made available as public documents.

Some audit reports are accessible from the Office of Inspector General Internet website ([www.cncsoig.gov](http://www.cncsoig.gov)). Brief summaries of all audit reports are included in the OIG's Semiannual Reports to Congress that are posted on the OIG website.

# All About Audits

**Your guide to audits conducted by the**

**Office of Inspector General of the Corporation for National and Community Service**



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# Introduction

The Office of Inspector General (OIG) is the independent investigative, audit and evaluation arm of the Corporation for National and Community Service (Corporation). It conducts investigations, audits and evaluations of Corporation programs and grantees to detect and prevent fraud, waste and abuse. The OIG strives to ensure that every tax dollar allocated to national service programs is used efficiently and effectively.

The Office of Inspector General's Audit Section conducts an annual audit of the Corporation's financial statements. It also conducts financial and performance audits of selected programs. Audit Section staff is supplemented by Certified Public Accounting firms working under contract with the OIG. All audits are

supervised by the OIG Audit Section and are conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

Along with identifying and assisting in the recovery of misused and misallocated taxpayer dollars, the Office of Inspector General also seeks to promote efficiency and effectiveness. The audit process is intended to be instructive and productive, rather than punitive. Each audit seeks to identify problems and weaknesses and offer recommendations for improvement. The audit process enhances the Corporation's core mission of promoting and supporting service in communities throughout the nation.

## What Types Of OIG Audits Are Conducted?

**Financial audits:** Examine key areas such as costs charged to grants and contracts, indirect costs, and internal controls. Financial statement audits determine whether the financial statements of the auditee are fairly presented.

**Performance audits:** Examine the economy and efficiency of Corporation programs. Economy and efficiency audits measure program effectiveness and compliance with Federal laws, Corporation regulations and grant provisions. Performance audits measure a program's achievement of desired results or benefits.

## Communication Is The Key

Communication involving all stakeholders begins with audit notification and does not end until the audit is resolved. Audit communication may be informal including telephone calls.



If required, formal briefings may be held to deal with significant issues. During the audit, communication between program managers, the auditor on site, and the OIG Audit Section staff can enhance understanding of the facts and circumstances surrounding identified issues. Communication also clears up misunderstandings and sets the stage for corrective actions prior to the issuance of the Final Audit Report.

## Sound Practices Result In Clean Audits

The keys to achieving a clean audit include: effective grant management, strong internal controls and systems, accurate record-keeping, and retention and adherence to all Corporation policies, Federal laws and grant provisions. Preparations for an OIG audit include providing an on-site workspace for auditors, scheduling interviews with key personnel, and making records and documents readily accessible. Our goal is to conduct audits with minimal disruption to daily operations.

## Typical Issues Raised In Audits

**Questioned costs:** These are costs that are not allowed under Office of Management and Budget regulations, Corporation grant provisions, or for which there is inadequate documentation to support the expenditures. Questioned costs, unless resolved in the audit resolution process, can result in disallowed costs that must be returned to the Corporation.

**Systems and controls:** Accounting systems and controls are inadequate to report grant expenditures, or management controls are insufficient to safeguard Federal funds.



### Reporting performance:

Financial Status Reports, Progress Reports and other required documentation is missing, incomplete, inaccurate, or fails to meet Corporation reporting deadlines.

**Timekeeping:** Inadequate systems for recording staff and/or member time, including unsigned or missing time sheets. Also, systems that lack the capacity to log staff time allocated to various programs and activities.

**Monitoring:** Some grantees lack systems and policies to regularly monitor the performance of sub-grantees.

**Matching funds:** Match goals are not met or supported by adequate documentation.

**Eligibility:** Grantees lack documentation to support member eligibility requirements, including a high school diploma or equivalent, citizenship status, or background checks on members whose service includes working with children or at-risk persons.

**Finances:** Reported program expenditures do not agree with accounting records, or grant money is drawn down in excess of actual program needs.

**Sub-grantee selection:** A grant program that may lack policies and internal controls to ensure that the sub-grantee selection process is open, competitive and unbiased.