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ADS Chapter 592

Performance Audits

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Functional Series 500 – Management Services**ADS 592 – Performance Audits**POCs for ADS 592: Francisco Ramos Hilerio, framoshilerio@usaid.gov**Table of Contents**

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ADS 592 – Performance Audits

592.1 OVERVIEW

Effective Date: 03/29/1996

This chapter provides the policy directives and required procedures for the USAID Office of Inspector General performance audit process.

592.2 PRIMARY RESPONSIBILITIES

Effective Date: 03/22/2010

- a. The **Administrator** is responsible for ensuring that management officials throughout USAID understand the value of the audit process and are responsive to audit recommendations.
- b. The **Bureau for Management, Office of the Chief Financial Officer, Audit, Performance and Compliance Division (M/CFO/APC)** is responsible for participating in the development and maintenance of USAID's audit management policies and procedures and following up on audit recommendations to ensure they are acted on swiftly and aggressively (see [APC Audit Recommendation Final Action \(Closure\) Procedures](#)).
- c. The **Office of Inspector General (OIG)** is responsible for
 - Developing and distributing five-year and annual audit plans;
 - Conducting performance audits of USAID systems, programs, activities, and functions in accordance with [Generally Accepted Government Auditing Standards](#);
 - Providing clarification to USAID staff which facilitates corrective action on vulnerabilities identified in performance audits;
 - Conducting follow-up reviews on the implementation of recommendations from prior audit reports; and
 - Performing unplanned, quick response audits and other tasks in response to requests from Congress, the Office of Management and Budget, the Council of Inspectors General on Integrity and Efficiency, USAID officials, and others.

Text highlighted in yellow indicates that the adjacent material is new or substantively revised.

592.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

592.3.1 Performance Audit Program

Effective Date: 03/22/2010

Performance audits provide an independent assessment of the performance and management of USAID systems, programs, activities, and functions against objective criteria or an independent assessment against best practices or other information. The OIG performance audit program produces information that improves program operations, facilitates decision making, and contributes to public accountability. Performance audits encompass a wide variety of objectives, including objectives related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and, objectives related to providing prospective analyses, guidance, or summary information.

OIG staff carry out performance audits in accordance with [Government Auditing Standards](#), often referred to as Generally Accepted Government Auditing Standards.

592.3.2 Audit Planning and Implementation

592.3.2.1 Audit Planning

Effective Date: 11/07/2001

The OIG develops a five-year plan which articulates the objectives that serve as the framework for audit work over the five-year period. The five-year plan serves as a general long-range strategy, supplemented by annual plans, to identify audits for each fiscal year. The OIG solicits USAID management input and suggestions as part of the annual planning process. The OIG provides copies of the five-year and annual plans to USAID offices.

592.3.2.2 Audit Notification

Effective Date: 03/22/2010

Each audit office must formally notify an auditee of the scheduled date of a planned audit. This is normally done at least 30 days in advance.

The OIG provides notification of unplanned, quick response audits and other requirements as soon as practicable in advance to deputy assistant administrators, Audit Management Officers, Independent Office or Mission directors, and the Bureau for Management, Office of the Chief Financial Officer, Audit, Performance and Compliance Division. In rare instances, it may be necessary for the OIG to conduct an unannounced audit (e.g., cash in imprest funds).

592.3.2.3 Entrance Conference

Effective Date: 03/29/1996

The audit office conducts a formal entrance conference to explain the purpose and scope of the audit to the cognizant management officials and to receive suggestions from the officials regarding how to handle the audit subject.

592.3.2.4 Field Work

Effective Date: 03/22/2010

The OIG conducts audits in accordance with [Generally Accepted Government Auditing Standards](#). The standards require that auditors obtain sufficient, competent, and relevant evidence to afford a reasonable basis for their conclusions and that they document their work in the form of work papers. When deemed necessary or useful to meet the audit objectives, the auditors may request an Agency Management Representation Letter (see [Sample Management Representation Letter for Performance Audits](#)). USAID officials, in supporting the audit effort, must note that the auditors often will need to go beyond USAID's books and records for evidence.

592.3.2.5 Exit Conference

Effective Date: 11/07/2001

The OIG holds an exit conference with the appropriate USAID officials to discuss the auditors' preliminary findings and to ensure that the auditors obtained all relevant information during field work. Generally, the OIG communicates preliminary findings to management in advance orally or through a written record of audit findings. Auditors should discuss preliminary findings with the officials having direct responsibility for the flagged activity as soon as the evidence becomes available. USAID officials should use this conference to discuss corrective actions to audit findings and, where practicable, to reach agreement on such actions.

592.3.2.6 Draft Report

Effective Date: 03/29/1996

The OIG provides a draft audit report to USAID within a reasonable time following the exit conference. USAID must provide written comments to the OIG within 30 days of receipt of the draft, or within the time frame identified by the OIG. Comments must include planned corrective actions and estimated dates for achieving the actions. The comments to the draft audit report is the first formal occasion for USAID and OIG to agree on appropriate corrective actions to address any audit recommendations. This is the management decision stage in the audit follow-up process. (See [ADS 595, Audit Management Program](#)) USAID comments indicating disagreement with the draft audit report or proposed recommendations must include a full explanation of the reasons for the disagreement.

Text highlighted in yellow indicates that the adjacent material is new or substantively revised.

592.3.2.7 Final Report

Effective Date: 03/29/1996

The OIG issues a final performance audit report following USAID's opportunity to comment on the draft report. A final audit report must detail all audit recommendations and their status at the report's issuance, including the identification of questioned costs and the amount of funds that could be put to better use under monetary recommendations. The OIG will summarize management comments on the draft report in the text of the final report as appropriate, and will include them in their entirety as an appendix. (See [ADS 595, Audit Management Program](#))

592.3.2.8 Audit Access and Cooperation

Effective Date: 01/01/2004

In accordance with paragraph six of the [Inspector General Act of 1978](#), USAID must provide OIG staff with access to all records (reports, audits, reviews, documents, papers, recommendations, and other material) — whether in written, electronic, or other format — related to USAID programs and operations. USAID must provide such records irrespective of classification. USAID management and staff must ensure that the OIG has the access to the information, cooperation, support, and assistance necessary to facilitate the timely accomplishment of the OIG's audit mission.

592.4 MANDATORY REFERENCES**592.4.1 External Mandatory References**

Effective Date: 03/22/2010

- a. [Generally Accepted Government Auditing Standards \(GAGAS\), Issued by the Comptroller General of the United States, Revised July 2007](#)
- b. [Inspector General Act of 1978, as amended](#)

592.4.2 Internal Mandatory References

- a. [ADS 590, Audit](#)
- b. [ADS 595, Audit Management Program](#)

592.5 ADDITIONAL HELP

Effective Date: 03/22/2010

- a. [ADS 591sac, APC Audit Recommendation Final Action \(Closure\) Procedures](#)
- b. [ADS 592saa, Sample Management Representation Letter for Performance Audits](#)

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592.6**DEFINITIONS**

Effective Date: 03/22/2010

The terms and definitions listed below have been incorporated into the ADS Glossary. See the [ADS Glossary](#) for all ADS terms and definitions.

annual plan

The audit plan for the upcoming fiscal year developed by the OIG to describe the audits to be conducted. (Chapter 590, 592)

audit notification

A formal notification from the Office of Inspector General to an auditee of the date the audit will commence. (Chapter 592)

entrance conference

A meeting that the auditor holds with agency officials at the start of an engagement to discuss the planned review, including time constraints, preliminary scope and contacts, issues, sensitivities, points of contact, referrals for information, and preliminary requests for information/documents. (Chapter 592, 593)

exit conference

A meeting upon completion of an audit to discuss findings. (Chapter 592, 593)

field work

The detailed examination phase of an audit, developed specifically to obtain the answers to the audit objectives. (Chapters 590, 592)

Generally Accepted Government Auditing Standards (GAGAS)

The standards, issued by the Comptroller General of the U.S., for audits of Government organizations, systems, programs, functions, activities, and Government assistance received by contractors, nonprofit organizations, and other non-governmental organizations (also called Government Auditing Standards or U.S. General Accountability Office "Yellow Book" standards). (Chapters 590, 591, 592)

Management Representation Letter

A letter prepared by an auditee's management for the auditor confirming essential oral statements made by the auditee. (Chapter 592)

performance audit

An objective and systematic examination of evidence to assess the performance and management of a program, provide a prospective focus, or synthesize information on best practices or cross-cutting issues. (Chapters 590, 592)

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