

serves as the point of contact for followup activities pertaining to grantee audits.

V. *Service Determination.* The Service decision to sustain (accept) or not sustain (reject) the auditor's finding and recommendation.

W. *Single Audit Report.* An audit of a grantee completed in accordance with the requirements of the Single Audit Act of 1984, as amended, and OMB Circular A-133. These audits are separate from Federal Assistance Program specific audits (grantee audits).

X. *We/Us.* As used throughout this Part, the terms "we" and "us" refer to the Fish and Wildlife Service.

1.9 What phases are included in a Federal Assistance Program grantee audit?

A. Planning (417 FW 2). The auditor, in consultation with the Service and the grantee, identifies programmatic and financial elements to be audited, establishes the period to be audited, identifies issues of potential concern, and ensures that the audit meets Government standards. The planning phase helps to ensure a nationally consistent, effective, and timely audit process. Audit planning establishes the audit schedule, identifies who will conduct the audit, identifies point(s) of contact, sets milestones, and describes logistical requirements.

B. Conducting and Reporting (417 FW 3). The audit conducting and reporting phase helps to ensure independent examination of grantees consistent with Government auditing standards.

C. Audit Resolution (417 FW 4). The audit resolution phase ensures that we track and resolve all findings and recommendations in a timely and efficient manner.

D. Appeals (417 FW 5). The appeals process allows a grantee to appeal Service determinations, corrective actions, or resolutions.

E. Single Audit Act Audits (417 FW 6). Policy for resolving findings from audits conducted under the Single Audit Act.

Chapter 2, Planning (417 FW 2)

2.1 *What is the purpose of this chapter?* This chapter describes audit planning. See 417 FW 1 for authorities, responsibilities, and definitions. Other chapters in this Part establish policy and procedures for audit conducting and reporting, resolution, and appeals.

2.2 *What is audit planning and why do it?* During the audit planning phase, the auditor, in conjunction with the Service and the grantee, identifies the scope of the audit, the audit schedule and milestones, the personnel who will conduct the audit, points of contact,

logistical requirements, issues of potential concern, and the detailed steps for conducting the audit. The scope of the audit includes the financial and program elements, time period, and locations to be covered by the audit. Audit planning helps to ensure that we have a nationally consistent, effective, and timely audit process.

2.3 What are the key coordination steps in audit planning?

A. Engagement Letter. The auditor is responsible for notifying a grantee of a pending audit. The auditor sends an engagement letter to the grantee, with a copy to the Regional Director, approximately 90 calendar days, or as negotiated with the grantee, prior to the audit entrance conference. This letter informs the grantee of the audit objectives, the audit period, the key program elements being audited, the information and documents the grantee must make available, and the logistical needs for conducting the fieldwork.

B. Grantee's initial reply to the Auditor's engagement letter. The grantee will respond to the auditor's engagement letter within 45 calendar days after receipt, and provide available information. The grantee acknowledges the auditor's engagement letter by providing a written response, including as much requested data as is practical at that time. The grantee notifies the auditor of any information that is not available and estimates the date when the information will be available or explains why it cannot be provided. Auditors should review data prior to arriving on site in order to ensure a more timely and efficient onsite audit with minimal disruption of the grantee's normal operations.

C. Pre-Audit Coordination. The auditor schedules a pre-audit coordination meeting with the Regional Director and regional Federal Assistance staff. The purposes of the meeting are for the auditor to become familiar with grants that were active during the audit period and for the Service to discuss specific concerns. The regional Federal Assistance staff may solicit grantee input prior to this meeting.

D. Coordination with State Auditor. The auditor contacts the audit agency or group that performed the statewide audit or agency-specific audit to obtain access to audit work papers. The auditor reviews prior audits of the grantee's program to aid in identifying issues to be evaluated, obtain a general understanding of the grantee's accounting and internal control systems, and avoid duplication of effort.

E. Auditor review of past audit findings. Using Government Auditing Standards, the auditor is required to

review corrective actions from prior audits to determine if the grantee has implemented them or if additional actions are needed.

2.4 *What could the scope of an audit include?* The scope of an audit may include one or more of the following components:

A. A financial compliance component to determine if:

(1) A grantee properly conducts financial operations.

(2) Financial reports are submitted timely in accordance with established due dates and conform with generally accepted accounting principles.

(3) Operations comply with applicable laws and regulations.

(4) Expenditures claimed by the grantee were eligible, approved, allowable, and allocable for costs necessary to accomplish the objectives in the approved grant.

B. A component to determine whether or not the grantee accomplished the work or objectives approved in the grant.

C. An economy and efficiency component to determine whether or not the grantee efficiently and economically managed resources; e.g., personnel, property, space.

2.5 *Who determines the scope of an audit?* The auditor determines the scope of the audit. The auditor consults with the grantee and the Service, and supplements and builds upon other audits of the grantee, to set the scope of the audit and identify the depth and coverage of the audit work. Reports issued by the OIG will address only the initial 2-year period unless there is some extraordinary finding. This 2-year period applies to the audit period itself and does not eliminate Service responsibilities for general oversight of the Federal Assistance program outside of that timeframe. The auditor may use previous audits or other information from outside the audit period as reference to improve the effectiveness and efficiency of the audit.

2.6 *Will the audit be limited to a 2-year period?* All reports will be limited to addressing the 2-year audit period unless there is some extraordinary finding. To be considered extraordinary, a finding must meet the threshold of: (a) Fraud; (b) direct and material illegal acts; or (c) noncompliance that could result in exclusion from further participation. With the exception of a fraud investigation, expanding the audit period to investigate extraordinary findings requires the express written approval of the Director. Justification for requesting an expanded audit period must address the elements of criteria, condition, and effect (measure of