

consequences) of the finding. The audit period may be expanded to include all unaudited Federal funds and license fee revenues.

2.7 Will the grantee be notified of an expanded audit? Yes. The Regional Director promptly notifies the grantee in writing of a change in the period being audited. The notification will include the reason for the change.

2.8 Can a grantee appeal the scope of an audit? No. An audit is an independent examination of the grantee's Federal Assistance Program. However, the grantee may contact the Regional Director if the grantee has concern about the programs or activities being audited that have no relation to the Federal Assistance program.

Chapter 3, Conducting and Reporting on Grantee Audits (417 FW 3)

3.1 What is the purpose of this chapter? This chapter provides procedures for conducting and reporting on audits of Federal Assistance Program grantees. See 417 FW 1 for authorities, responsibilities, and definitions. Other chapters in this Part establish policy and procedures for audit planning, resolution, and appeals.

3.2 What is the objective of the conducting and reporting phase? The objective of the conducting and reporting phase is to ensure that independent examination of grantees is consistent with Government auditing standards. This examination results in a final audit report issued by the OIG.

3.3 What steps does the conducting and reporting phase involve? The conducting and reporting phase involves the following steps:

A. Audit Entrance Conference. This meeting marks the official beginning of the fieldwork.

B. Fieldwork. Fieldwork usually takes 3 to 4 months to complete, including site visits. The auditor, the grantee, and the Regional Director communicate regularly to resolve potential audit findings and recommendations before the auditor prepares the draft audit report.

C. Compilations of Findings and Recommendations. Prior to the exit conference, the auditor will provide the grantee and the Service with a compilation of the findings and recommendations that were developed during the audit and that will be used as the basis for preparing the draft audit report.

D. Audit Exit Conference. After providing the compilation of findings and recommendations for review, the auditor schedules an audit exit conference with the Regional Director and the grantee. This conference

provides an opportunity for the grantee and Service representatives to ask for or provide further clarification as well as to address any other concerns. If significant changes are made to the findings and recommendations on the basis of discussions at the exit conference or as a result of additional audit work after the exit conference, the auditor will provide the revised findings and recommendations to the grantee and the Service, with a request for comments, prior to preparing the draft audit report. The completion of the audit exit conference marks the completion of the fieldwork.

E. Draft Audit Report. After the exit conference, the auditor will provide a draft audit report to the Service and the grantee, with a request for written comments within 30 days. The grantee must provide comments to the Regional Director for forwarding to the auditor. The grantee can request additional review time, with justification, in writing to the Regional Director.

F. Final Audit Report. The final audit report is issued by OIG to the Director, and includes both the grantee's response and the auditor's reply.

3.4 What is an audit entrance conference? The auditor schedules this conference in consultation with the grantee and the Regional Director to mark the official beginning of the fieldwork. Participants include the auditor and representatives from the grantee and the Region. The auditor will explain the audit objectives and process, address logistical needs, establish a tentative schedule, and answer questions.

3.5 Who provides technical guidance to the auditor on interpretation and application of Federal Assistance Program rules and regulations? The Regional Director provides routine guidance and interprets laws, rules, regulations, and policies for the auditor during the conduct of the audit. The Assistant Director—Wildlife and Sport Fish Restoration ensures consistent interpretation and application of rules, regulations, and laws nationwide.

3.6 Will the auditor issue status reports? Yes. During the fieldwork, the auditor provides monthly status reports, or more frequently as may be specified during the entrance conference, to the Regional Director and the Chief, Division of Federal Assistance (Washington Office), and to the grantee, unless the grantee advises otherwise. The status report contains a brief description of preliminary findings and how the audit is progressing.

3.7 Is the Service required to share monthly status reports? No. The

auditor's monthly status reports are proprietary, and we will share these reports with the grantee only.

3.8 Will the auditor consult with the Service on potential findings while the audit is in progress? Yes. The auditor must report all potential findings to the grantee, the Regional Director, and the Assistant Director—Wildlife and Sport Fish Restoration as soon as possible. However, in the case of illegal activity or suspected fraud, the auditor must immediately report such findings to the OIG—Division of Investigations without notice to the Service or grantee.

3.9 How does the Service address major issues identified during the audit? If the Regional Director or the Chief, Division of Federal Assistance (Washington Office), has a concern about potential findings by the auditor, he/she contacts the Assistant Director, the auditor, and the grantee to deal with the issue(s) as soon as possible. If the Regional Director or the Chief believes that an issue is of national concern, he/she notifies the Assistant Director—Wildlife and Sport Fish Restoration. The Assistant Director determines the appropriate action for national application and issue resolution and issues written guidance to the Regional Directors.

3.10 Can audit findings be resolved while the field audit is still in progress? Yes. When practical and feasible, we work with grantees to resolve audit findings while the auditor is still on site so that he/she can verify and document the resolution in audit work papers and report the resolution in the final audit report. The auditor must document all reportable conditions, including those resolved during the audit, to meet Government Auditing Standards. Upon written request to the auditor, the Service and the grantee will be provided copies of the auditor's working papers that are needed to fully understand and resolve the audit findings and recommendations.

3.11 Will the Service and the grantee have an opportunity to review findings and recommendations prior to the exit conference? Yes. Copies of findings and recommendations will be provided to the Service and grantee for comment as they are developed throughout the audit fieldwork phase. The findings and recommendations are subject to revision based on any comments received from the Service or the grantee. The findings and recommendations provide the basis for the draft audit report.

3.12 Is an audit exit conference required and, if so, when does it occur? No, is it not required. An audit exit conference will be conducted at the option of the State. The auditor