

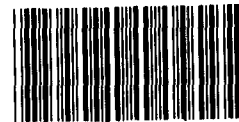
GAO

Report to the Chairman, Committee on  
Governmental Affairs, U.S. Senate

March 1992

# AUDIT RESOLUTION

## Strengthened Guidance Needed to Ensure Effective Action



146624

**RESTRICTED--Not to be released outside the  
General Accounting Office unless specifically  
approved by the Office of Congressional  
Relations.**

**RELEASED**

---

---

**Accounting and Financial  
Management Division**

B-243159

March 24, 1992

The Honorable John Glenn  
Chairman, Committee on  
Governmental Affairs  
United States Senate

Dear Mr. Chairman:

As you requested, we reviewed the extent to which the managers of federal agencies are acting on inspector general (IG) audit recommendations. As agreed with your office, this report provides the results of our review at four federal agencies—the Departments of Education, Health and Human Services (HHS), and Veterans Affairs (VA) and the National Aeronautics and Space Administration (NASA).

---

**Results in Brief**

Managers at Education, HHS, VA, and NASA do not always ensure that actions have been completed on audit recommendations before claiming credit for completing such actions, nor do managers always maintain adequate documentation to support their claims that action has been completed. Incomplete action on audit recommendations can render audit resources less effective and can result in losses in federal programs and operations.

Audit resolution problems are attributable in part to outdated guidance in Office of Management and Budget (OMB) Circular A-50, "Audit Followup." The circular does not indicate (1) when an audit recommendation should be closed and (2) what kind of documentation is sufficient to support closure of an audit recommendation. Also, the circular has not been updated to reflect provisions of the IG Act Amendments of 1988, which the Congress passed to underscore the importance of resolving auditors' recommendations.

OMB agreed with our recommendations to revise OMB Circular A-50 and has already started the process of implementing the recommendations.

---

## Background

The ultimate objectives of audit work are saving tax dollars, improving programs and operations, and providing better service to the public. Auditors' recommendations are vehicles for fulfilling these objectives, but only the effective implementation of recommendations—not the recommendations themselves—will enable the government to work better at lower cost.

When an audit recommendation is made, agency management is responsible for taking corrective action. Management's responsibility for resolving and implementing audit recommendations stems from requirements for effective internal control systems contained in the Accounting and Auditing Act of 1950. Increased focus on the need for effective resolution of audit recommendations was provided by the Federal Managers' Financial Integrity Act (FMFIA) of 1982. As required by FMFIA, standards for prompt resolution of audit recommendations were included in GAO's Standards for Internal Controls in the Federal Government.

OMB Circular A-50 requires that federal managers establish procedures to ensure that prompt and proper corrective action is taken on auditors' recommendations. The circular states that such actions are essential to improving the effectiveness and efficiency of government operations. Federal managers' responsibility for acting on auditors' recommendations is further underscored by the IG Act Amendments of 1988. The amendments require agency heads to report to the Congress on the extent to which they have acted on audit recommendations and the effectiveness of actions that have been completed.

Although agency management is responsible for implementing audit recommendations, auditors can do a great deal to improve the likelihood that a recommendation will be appropriately implemented. To that end, we have issued a publication, How to Get Action on Audit Recommendations (GAO/OP-9.2.1, July 1991), to help auditors get more action and better results from their audit work. Moreover, agency managers can use three basic principles discussed in that publication to take corrective action on auditors' recommendations:

- make a commitment to realizing the benefits of audit work by ensuring that recommended improvements are implemented,
- ensure the implementation of recommended improvements through an aggressive monitoring and followup system, and
- give special attention to key recommendations.

## The Audit Resolution Process

In general, the four agencies in our review followed the same audit resolution process. Program managers in each agency used "management status" reports to report actions taken on IG audit recommendations. If program managers believed corrective action had been completed on an audit recommendation, the status report contained management's recommendation that the audit recommendation be closed. The status reports were then routed to audit resolution or audit "follow-up" staff in each agency who (1) tracked the status of corrective actions and (2) closed the audit recommendations, if appropriate.

## Audit Resolution Has Been a Long-Standing Problem in the Federal Government

Over the years, federal managers have not paid adequate attention to implementing auditors' recommendations. This lack of management commitment has rendered audit resources less effective and has resulted in losses in federal programs and operations. Appendix I provides a list of reports by GAO and others on federal managers' inattention to audit resolution during the 11-year period from 1978 to 1988.

## Objectives, Scope, and Methodology

The objectives of our review were to (1) identify the extent to which federal managers at Education, HHS, VA, and NASA, (a) close IG audit recommendations only after all corrective actions are completed and (b) document the bases for closures in their audit follow-up files, (2) determine whether OMB Circular A-50, "Audit Followup," guidance to federal agencies is sufficiently detailed on (a) when an audit recommendation should be considered closed and (b) what kind of documentation is sufficient to support closure of an audit recommendation, and (3) determine whether OMB Circular A-50 reflects the reporting requirements for agency heads, including the definitions of terms relevant to such requirements, contained in the IG Act Amendments of 1988.

We selected Education, VA, and NASA because these agencies were identified by OMB, through the agencies' yearly FMFIA reports, as being at high risk for audit resolution deficiencies. We reviewed HHS because it represented about 35 percent of total federal outlays in fiscal year 1989 and its programs are the subject of many internal audit reports annually.

We obtained listings of internal audit reports issued by the IGs at Education, HHS, VA, and NASA during the 2-1/2 year period from October 1, 1987, to March 31, 1990. From these listings, we identified 47 audit reports that addressed program areas identified by OMB and/or GAO as

---

being at high risk for major program failure or having material internal control weaknesses. After reviewing the audit resolution files for the 47 IG reports, we judgmentally selected for more detailed review 34 agency-closed recommendations from 26 of the 47 audit reports because (1) corrective action on those recommendations appeared to be incomplete and/or (2) sufficient documentation was lacking in the audit resolution files to determine whether the recommendations were properly closed.

To determine what actions had been taken to close the 34 audit recommendations, we (1) interviewed audit resolution and program officials responsible for taking actions and IG staff responsible for monitoring actions taken by management and (2) reviewed and obtained copies of available documentation maintained in audit resolution and program officials' files. However, we did not independently verify that all actions we were told about, and/or reviewed documentation for, had actually been completed at the time of our review. Also, we did not assess whether the corrective action taken solved the problem identified by the IG.

We reviewed OMB Circular A-50 to determine whether (1) its guidance to federal agencies was sufficiently detailed on (a) when an audit recommendation should be closed and (b) what kind of documentation is sufficient to support closure of an audit recommendation and (2) it reflected the reporting requirements for agency heads, including the definitions of terms relevant to such requirements, contained in the IG Act Amendments of 1988. We also interviewed agency officials to determine their views on the adequacy of the circular's guidance for resolving audit recommendations.

We performed our review between January 1990 and November 1991 in accordance with generally accepted government auditing standards. Our review was conducted at the headquarters of the Departments of Education, Health and Human Services, and Veterans Affairs and the National Aeronautics and Space Administration. In addition, we conducted our work at HHS's Social Security Administration, Health Care Financing Administration, Public Health Service, and Indian Health Service in the Washington, D.C., area; NASA's Johnson Space Center in Houston; and Marshall Space Flight Center in Huntsville, Alabama. The Office of Management and Budget Deputy Director for Management provided written comments on a draft of this report. These comments are in appendix IV.

---

## Audit Resolution Problems Exist in Federal Programs

We identified audit resolution problems for 28 of the 34 audit recommendations that we reviewed. Ten audit recommendations were closed before corrective action was completed and 18 were closed even though the audit resolution files did not contain sufficient supporting documentation to demonstrate that corrective action had been completed at that time and before the recommendations were closed.

---

## Agencies Closed Audit Recommendations in Critical Program Areas Without Completing Corrective Action

At Education, HHS, VA, and NASA, we identified in eight IG reports 10 audit recommendations that were closed before corrective action was completed. The following are examples of management's incomplete corrective actions on audit recommendations before they were closed.

- HHS closed an IG recommendation to begin collecting nearly \$500,000 in annual rent from contractors. While HHS revised certain written procedures for collecting rent, audit resolution officials did not know whether collection efforts had begun when the recommendation was closed.
- VA reported that it had implemented an IG recommendation which the IG believed could save more than \$12 million in VA's guaranteed home loan program. While VA responded to the recommendation by revising guidance regarding the program, it had not initiated agreed upon corrective action on a computer system modification for achieving the savings when it closed the recommendation.
- NASA closed an IG recommendation to update management guidance relating to the safety, reliability, maintainability, and quality assurance of Marshall Space Flight Center. Although all recommended actions had not been completed when it closed the recommendation, NASA justified the closing on the basis of the "positive spirit" management had displayed in response to the audit recommendation. At NASA, it was the general practice to close many audit recommendations before action was completed, as long as program managers had shown commitment to completing required actions.

Appendix II provides additional examples of agencies closing audit recommendations in critical program areas without completing corrective action.

## Agencies Are Closing Audit Recommendations Without Adequate Documentation

At Education, HHS, and VA, we identified 18 audit recommendations in 14 IG reports that had been closed without adequate evidence in the audit resolution files that corrective action had been completed. Unless such evidence is contained in agency audit resolution files, agency management cannot ensure that the appropriate corrective action has been taken before recommendations are closed. This documentation is the essential control for providing management assurance that its audit resolution system is operating efficiently and effectively and that audit efforts are resulting in improved agency operations.

As discussed later, OMB Circular A-50 does not indicate what kind of documentation is sufficient to support closure of an audit recommendation. In our opinion, adequate documentation to justify closure would, as a minimum, entail written evidence supporting a program manager's assertion that corrective action has been accomplished. However, the necessary documentation would vary with the corrective action required. For example, documentation could include a copy of a new policy document, organizational chart, or statement of duties and responsibilities; evidence of payments made or monies recovered; or a transmittal memorandum to field offices outlining a change in procedures. The following examples illustrate that audit resolution officials did not ensure that adequate supporting documentation existed in the audit resolution records before audit recommendations were closed.

- At Education, the IG discovered that interest on nearly 250,000 defaulted student loans had been computed incorrectly. Education closed the IG's recommendation to revise the system for computing interest, but its audit resolution files did not contain sufficient evidence to document the closure, such as a report explaining how the system was revised and a computer printout showing how borrower payments are applied first against accrued interest, then to principal. The audit resolution files only contained management's written assertions that it had made such revisions.
- HHS closed an IG audit recommendation to recover an estimated \$21 million in Medicare overpayments. However, there was not sufficient documentation in the audit resolution files, such as a report showing how HHS had initiated action to track overpayments and progress reports on collection actions. The audit resolution files only contained management's written assertions that it had initiated recovery.
- VA closed an IG recommendation to a VA hospital to strengthen its accountability over methadone dispensed to patients. The audit resolution files only contained management's written assertions that it had taken



---

corrective action. The files should have contained a copy of revised procedures for dispensing methadone.

Appendix III provides additional examples of agencies closing audit recommendations without adequate documentation.

---

### Agency IGs Have Reported Similar Audit Resolution Problems

In 1989, both the Education and VA IGs reported that their agencies had audit resolution problems similar to the ones we identified. The VA IG reported<sup>1</sup> that in 34 percent of the audits reviewed, VA's audit resolution staff did not ensure that corrective action had been fully implemented before audit recommendations were closed. The IG attributed this condition to officials' insufficient action to ensure prompt and effective correction of identified problems before closing recommendations.

Likewise, Education's IG reported<sup>2</sup> that the department's audit resolution system could not ensure that corrective action had been taken on over \$61 million in closed audit recommendations because audit resolution records did not contain documentation supporting closure. According to the IG, agency management attributed the problem to inadequate resources and a lack of direction as to which agency managers were responsible for ensuring that appropriate actions had been taken.

---

### Audit Resolution Guidance Is Inadequate

Audit resolution problems are attributable in part to outdated guidance in OMB Circular A-50, which was last revised in 1982. Although the circular spells out the overall goals for audit follow-up by federal agencies, it lacks certain specifics that are critical to implementing auditors' recommendations. For example, although the circular requires that management and the auditor agree on a corrective action plan for an audit recommendation, it does not indicate (1) when an audit recommendation should be closed and (2) what kind of documentation is sufficient to support closure of an audit recommendation. Also, the circular has not been updated to reflect provisions of the IG Act Amendments of 1988 which the Congress passed to underscore the importance of resolving auditors' recommendations. These provisions impose additional reporting requirements for agency heads and include the definitions of terms

---

<sup>1</sup>Audit of Department of Veterans Affairs Audit Followup System (9AL-G03-063, May 12, 1989).

<sup>2</sup>The Department Needs to Improve Its Internal Audit Followup System (Audit Control Number 11-90301, September 1989).

---

relevant to such requirements.<sup>3</sup> Including these definitions in the circular, and applying them to the audit resolution process as a whole, would help to ensure consistency between agencies' closing of audit recommendations and agencies' reporting to the Congress on the status of audit recommendations.

---

## Conclusions

Effectively implementing corrective actions on auditors' recommendations is a basic responsibility of agency management. We found that existing guidance is insufficient to achieve consistent implementation of recommended corrective action. The first step in achieving more effective audit resolution in federal agencies is for OMB to provide clear and concise governmentwide guidance. Until OMB revises OMB Circular A-50 and federal agencies incorporate these needed revisions into their day-to-day management of program operations, there can be no assurance that audit resources are used effectively and federal programs and operations are protected from losses.

---

## Recommendations

We recommend that the Director, Office of Management and Budget, revise OMB Circular A-50, "Audit Followup," to clarify what agencies must do before closing out audit recommendations. Specifically, the circular should require that agencies close recommendations when agreed upon corrective actions have been implemented, when alternative actions have been taken that essentially meet the auditors' intent, or when circumstances have changed and the recommendations are no longer valid. Also, the circular should require that agencies provide the documentation necessary to verify that agreed upon corrective actions have been implemented, alternative actions have been taken that essentially meet the auditors' intent, or circumstances have changed and the recommendations are no longer valid. In addition, the guidance should reflect the reporting requirements and pertinent definitions contained in the IG Act Amendments of 1988.

---

<sup>3</sup>The IG Act Amendments require agency heads to report semiannually on the status of IG recommendations for which management decisions have been made. Management must submit to the Congress, along with the IG's semiannual report, statistical tables showing actions on "management decisions" for IG reports on (1) "disallowed costs" and (2) "recommendations that funds be put to better use." Management must also include statements on audit reports on which decisions were made, but "final actions" are still incomplete after 1 year. The IG Act Amendments also defined the following terms for purposes of the reporting requirement: questioned cost, unsupported cost, disallowed cost, recommendation that funds be put to better use, management decision, and final action.

---

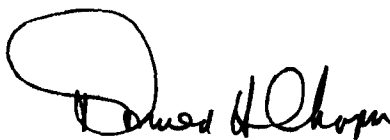
## Agency Comments

In commenting on a draft of this report, the Office of Management and Budget Deputy Director for Management stated that OMB agreed with our recommendations to revise OMB Circular A-50. Moreover, OMB has already started the process of implementing the recommendations. In a January 25, 1992, issue paper distributed for comment throughout the executive branch, OMB proposed changing Circular A-50 in 10 substantive respects. Three of the proposed changes directly address our recommendations. (See appendix IV.)

As agreed with your office, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from its date. At that time, we will send copies of the report to the Director of the Office of Management and Budget; the Secretaries of Education, Health and Human Services, and Veterans Affairs; the Administrator of the National Aeronautics and Space Administration; and interested congressional committees. We will also make copies available upon request.

This report was prepared under the direction of David L. Clark, Director, Legislative Reviews and Audit Oversight, who may be reached on (202) 275-9489 if you or your staff have any questions. Major contributors are listed in appendix V.

Sincerely yours,



Donald H. Chapin  
Assistant Comptroller General

---

# Contents

---

Letter	1
Appendix I Reports Showing Management Inattention to Audit Resolution Over the 11-Year Period From 1978 to 1988	12
Appendix II Additional Examples of Agencies Closing Audit Recommendations in Critical Program Areas Without Completing Corrective Action	13
Appendix III Additional Examples of Agencies Closing Audit Recommendations Without Adequate Documentation	14
Appendix IV Comments From the Office of Management and Budget	15

---

Appendix V  
Major Contributors to  
This Report

17

---

**Abbreviations**

FMFIA	Federal Managers' Financial Integrity Act
GAO	General Accounting Office
HHS	Department of Health and Human Services
IG	inspector general
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
VA	Department of Veterans Affairs

# Reports Showing Management Inattention to Audit Resolution Over the 11-Year Period From 1978 to 1988

Date	Report title	Findings related to management inattention
1978	<u>The National Science Foundation Needs a Formal System for Followup on Audit Reports</u> (GAO/HRD-78-147, October 3, 1978)	Action was not taken on many audit recommendations because audit follow-up was a very low agency priority.
1978	<u>More Effective Action Is Needed on Auditors' Findings—Millions Can Be Collected or Saved</u> (GAO/FGMSD-79-3, October 25, 1978)	Sizable savings were forgone because agency administrators were busy with other duties, and acting on audit recommendations had low priority.
1979	<u>Failure of Government Departments and Agencies to Follow Up and Resolve Audit Findings</u> (House Committee on Government Operations, June 18, 1979)	Substantial losses of government funds occurred because agency management gave a low priority to audit resolution.
1980	<u>GAO Findings on Federal Internal Audit—A Summary</u> (GAO/FGMSD-80-39, May 27, 1980)	Hundreds of millions of dollars may have been lost each year because federal agencies too often delayed or took no action on audit recommendations.
1981	<u>Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings</u> (GAO/AFMD-81-27, January 23, 1981)	Prompt and effective audit resolution was impeded because of the lack of OMB leadership and accountability on the part of agency officials.
1981	<u>Continued Failure of Departments and Agencies to Take Effective Action on Audit Findings</u> (House Committee on Government Operations, October 20, 1981)	Unresolved audit recommendations persisted because federal agencies were not strongly committed to effective and timely audit resolution.
1982	<u>Federal Agencies Negligent in Collecting Debts Arising From Audits</u> (GAO/AFMD-82-32, January 22, 1982)	Audit recommendations to recover millions of dollars from government contractors and grantees went unheeded because of systems problems and poor management practices at federal agencies.
1982	<u>Failure of Federal Departments and Agencies to Collect Audit-Related Debts</u> (House Committee on Government Operations, August 12, 1982)	There was scant evidence that OMB and federal agencies had fulfilled promises to make audit resolution a high priority.
1983	<u>Improving the Quality of Audit Resolution</u> (OMB, August 1983)	Auditors and program managers could have been wasting their time because the government was recovering less funds from audits than it should have been.
1984	<u>Audits of Federal Programs: Reasons for the Disparity Between Costs Questioned by Auditors and Amounts Agencies Disallow</u> (GAO/AFMD-84-57, August 8, 1984)	Questionable procedures were used by federal program managers in handling audit recommendations to recover disallowed costs of government contractors and grantees.
1984	<u>Questionable Decisions by Program Managers Undermine the Federal Government's Audit Process</u> (House Committee on Government Operations, September 28, 1984)	Serious flaws in OMB guidance on audit resolution contributed to large disparities between costs questioned by auditors and costs allowed by federal program managers.
1986	<u>Internal Audit: Nonstatutory Audit and Investigative Groups Need to Be Strengthened</u> (GAO/AFMD-86-11, June 3, 1986)	Management officials at two federal agencies did not have the necessary incentive to act on audit recommendations.
1987	<u>Audit Resolution: Responsiveness of Defense Management to Internal Audit Recommendations</u> (GAO/AFMD-87-37 BR, July 31, 1987)	Potential savings and benefits from audit recommendations may have been lost because of delays and inadequate documentation by Defense management.
1988	<u>Audit Resolution: DOD's Policy Can Be Strengthened</u> (GAO/AFMD-89-8, December 16, 1988)	Greater involvement by top Defense management officials in implementing audit recommendations was needed.

# Additional Examples of Agencies Closing Audit Recommendations in Critical Program Areas Without Completing Corrective Action

The following are additional examples of management's incomplete corrective actions on closed audit recommendations.

- Education closed an IG recommendation to have Education, rather than guaranty agencies, take responsibility for recovering nearly \$200 million in defaulted student loans. Education agreed to study the issue. However, Education closed the recommendation before the study was completed, and the study did not fully address the audit recommendation for Education to collect defaulted student loans.
- Education closed an IG recommendation to modify collection subsystem programs which had improperly classified the age of about 9,000 accounts in the guaranteed student loan data bank. These accounts had an outstanding balance totaling \$21.1 million of which \$6.8 million was older than categorized. However, program and audit resolution officials closed the recommendations without knowing whether the collection subsystem modifications had been made.
- Education closed an IG recommendation to develop performance measurements for evaluating guaranty agencies participating in the guaranteed student loan program. The recommendation was closed before any corrective action was taken.
- VA closed an IG recommendation to verify, on a sample basis, the annual school enrollment certifications by beneficiaries receiving benefits for dependent school children. While VA agreed to initiate a verification process, the recommendation was closed before any corrective action had begun.
- VA agreed to a corrective action plan to implement an IG recommendation which the IG believed could save about \$1 million annually in veterans pension benefits. However, VA had not initiated the agreed upon corrective action on a computer match for achieving the savings when it closed the recommendation.
- NASA closed an IG recommendation to provide additional staff guidance for evaluating contractor performance in controlling costs on contracts for the Hubble Space Telescope. The guidance was not provided before the recommendation was closed.
- NASA closed an IG recommendation to include all specified arrangements in future contracts for calibration services of test instruments relating to the safety, reliability, maintainability, and quality assurance of the Marshall Space Flight Center. While NASA agreed to implement the recommendation, it closed the recommendation before signing its next contract for calibration services.

---

# Additional Examples of Agencies Closing Audit Recommendations Without Adequate Documentation

---

The following are additional examples which illustrate agencies closing audit recommendations without adequate documentation in the audit resolution files.

- Education closed an IG recommendation to develop and implement a system of controls for data used to certify per pupil state expenditures. However, there was not sufficient documentation in the audit resolution files, such as a manual on the controls developed and a report on how they were implemented, to certify per pupil state expenditure data. The audit resolution files only contained management's written assertions that it had developed and implemented the system of controls.
- HHS closed an IG recommendation to recover \$2.2 million in overpayments of outpatient laboratory fees under the Medicaid program. Although HHS reported that all the overpayments were collected, the audit resolution files did not contain any evidence to document closure, such as a schedule of the collection activity.
- HHS closed an IG recommendation to revise the Social Security Administration's master plan to require programmatic reviews of headquarters' operations. The audit resolution files did not contain any evidence to document closure, such as a copy of the revised master plan.
- VA closed an IG recommendation to deobligate undelivered orders totaling about \$185,000 and accrued services payable totaling about \$345,000. The audit resolution files contained only management's assertions that it had taken corrective action, not concrete evidence, such as copies of the undelivered orders and the accrued services payable deobligations.



# Comments From the Office of Management and Budget



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

February 14, 1992

Mr. Donald H. Chapin  
Assistant Comptroller General  
U.S. General Accounting Office  
Washington, DC 20548

Dear Mr. Chapin:

The Office of Management and Budget (OMB) is pleased to comment on the General Accounting Office (GAO) draft report titled "Audit Resolution: Strengthened Guidance Needed to Ensure Effective Action" dated January 16, 1992.

The GAO draft report recommends that OMB revise Circular A-50, Audit Followup, to (i) clarify what agencies must do before closing out audit recommendations, and (ii) reflect the reporting requirements and pertinent definitions contained in the Inspector General (IG) Act Amendments of 1988.

We agree. Specifically, we believe Circular A-50 should indicate (i) when an audit recommendation should be closed and (ii) what kind of documentation is sufficient to support closure of an audit recommendation.

OMB has already started the process of implementing your recommendations. In a January 25, 1992, issue paper distributed for comment throughout the Executive Branch, we proposed changing Circular A-50 in ten substantive respects. Three of the proposed changes directly address the GAO recommendations: (i) incorporation of terminology and associated definitions established in the IG Act Amendments of 1988; (ii) incorporation of audit followup reporting requirements established by the IG Act Amendments of 1988; and (iii) establishment of criteria for final action determinations. The other seven proposed changes provide:

- o More precise definition of the level of the audit followup official;
- o Definitions of reports to be tracked through the agency followup system;
- o Required audit concurrence on management decisions (other than management decisions on pre-award audits);
- o Required audit/management agreement on changes in management decisions;

**Appendix IV  
Comments From the Office of Management  
and Budget**

- o Guidance on responsibility for the audit tracking system and audit followup data;
- o Requirements that audit followup be considered an integral part of the FMFIA process; and
- o Required audit concurrence with final action determination.

The Circular A-50 issue paper was distributed for comment to the President's Council on Integrity and Efficiency, the President's Council on Management Improvement, the Chief Financial Officer's Council, Designated Federal Entity Inspectors General, and agency audit followup staff. OMB plans to incorporate agency comments and publish a draft revision of OMB Circular A-50 in the Federal Register during March 1992. The Federal Register notice will allow for a 60 day comment period. OMB expects to issue the final revision of Circular A-50 in May 1992.

The draft GAO report greatly assists OMB's efforts to strengthen agency audit followup through revision of Circular A-50. We appreciate your efforts in this area, and look forward to continued communication on the revision of Circular A-50. In the meantime, under separate cover, we will be offering several suggestions for enhancing the draft report.

Sincerely,



Frank Hodson  
Deputy Director  
for Management

---

# Major Contributors to This Report

---

**Accounting and  
Financial Management  
Division,  
Washington, D.C.**

Charles W. Culkin, Jr., Senior Assistant Director  
Warren C. Underwood, Project Manager  
Clarence A. Whitt, Deputy Project Manager  
Maria A. Cruz, Accountant  
Kerrie L. Pariso, Accountant  
Sandra N. Ranck, Accountant

---

**Office of the General  
Counsel**

Helen T. Desaulniers, Attorney



---

### **Ordering Information**

**The first copy of each GAO report is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.**

**U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20877**

**Orders may also be placed by calling (202) 275-6241.**

---

United States  
General Accounting Office  
Washington, D.C. 20548

Official Business  
Penalty for Private Use \$300

First-Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100

---