

# ORO CONTROL FORM - FINAL DIRECTIVE

**PART A** (To be completed by the Division of Primary Interest (DPI))

1. **NUMBER AND TITLE OF DIRECTIVE:** **ORO O 220, Chapter VII, Change 4, AUDIT RESOLUTION AND FOLLOWUP**

2. **PURPOSE OF TRANSMITTAL:**  New Directive  Revised Directive

3. **THIS DOCUMENT MAY AFFECT THE WORK PERFORMED BY THE FOLLOWING CONTRACTORS:** (Check appropriate boxes)

No (all contractors)

Yes If yes, whom?  Bechtel Jacobs Co.  ORAU  UT-Battelle  ISOTEK (Bldg. 3019, ORNL)

Other contractors (list by type)

*Many ORO contractors have approved Standards/Requirements Identification Documents (S/RIDs) or Work Smart Standards (WSS) Sets that may affect applicability of contractor requirements from this directive. Applicability of contractor requirements must take into account the approved standards set for each particular contract.*

4. **SIGNIFICANT PROVISIONS:** Are there any significant changes or impacts?  No  Yes  
If yes, describe: This ORO Chapter is part of the ORO sunset review process. Revisions to this Chapter include (1) update DOE Directive; (2) reflect change to Paragraph 3 to add statement regarding Y-12 Site Office applicability; (3) delete Paragraph 4c; (4) revise Paragraphs 4c(2) and (3); (5) update Paragraph 6, References; (6) revise Attachments 3 and 4; and (7) add new Paragraph 4e.

5. **CONTACT POINT:** Jeanette Miller Financial Evaluation and Accountability Div., FM-73 576-2654  
Name Organization Telephone

**PART B** (To be completed by the Directives Management Group (DMG)):

6. **FILING INSTRUCTIONS:**

<u>Remove</u>	<u>Dated</u>	<u>Insert</u>	<u>Dated</u>
ORO Control Form	06/25/2003	ORO Control Form	04/29/2005
ORO O 220, Ch. VII, Chg. 3	06/25/2003	ORO O 220, Ch. VII, Chg. 4	04/29/2005

*ORO Directives are available on the ORO Directives Management Group Home Page at [http://www.ornl.gov/doe/doe\\_oro\\_dmg/oro\\_dir.htm](http://www.ornl.gov/doe/doe_oro_dmg/oro_dir.htm). The ORO Directives will no longer be mailed in printed copy unless you do not have Internet capabilities.*

7. **APPROVED FOR DISTRIBUTION IN ACCORDANCE WITH THE OFFICIAL DIRECTIVES DISTRIBUTION LIST:**

*Original Signed By*  
Wayne H. Albaugh 04/29/2005  
Signature: DMG Team Leader, AD-440 Date

**INSTRUCTIONS TO ADDRESSEES: THIS FORM IS TO BE FILED WITH THE DIRECTIVE AND RETAINED**

Rev. 06/14/2004

# U.S. Department of Energy

Oak Ridge Office

ORO O 220  
Chapter VII  
Change 4

DATE: 04/29/2005

## **SUBJECT: AUDIT RESOLUTION AND FOLLOW-UP**

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1. PURPOSE. This Chapter correlates to DOE O 224.3, AUDIT RESOLUTION AND FOLLOW-UP, dated January 24, 2005, by assigning responsibility and accountability and providing administrative and/or contractual guidance to the Oak Ridge Office (ORO), the National Nuclear Security Administration Y-12 Site Office (YSO), and their contractors. Nothing in this issuance changes any requirements contained in any Department of Energy (DOE) Directive.
2. CANCELLATION. This Chapter cancels and replaces ORO O 220, Chapter VII, Change 3, AUDIT RESOLUTION AND FOLLOW-UP, dated June 25, 2003.
3. APPLICABILITY. The provisions of this Chapter apply to ORO and YSO Principal Staff and to contractors to the extent set forth in their contract. References to the Y-12 Site Office are to clarify the interface between ORO and YSO and are not intended to indicate direction to YSO by ORO. This guidance does not assign responsibility or authority for the YSO to ORO.
4. RESPONSIBILITIES.
  - a. Director, Financial Evaluation and Accountability Division (FEAD).
    - (1) Performs those tasks identified in DOE O 224.3, subparagraph d.
    - (2) Establishes ORO and YSO audit follow-up process and monitors the Managing and Operating (M&O) contractors' follow-up activities to ensure that audit reports are resolved and documentation is maintained in accordance with DOE O 224.3.
    - (3) Coordinates follow-up actions to ensure that audit findings and recommendations are resolved within six (6) months from an audit report issuance date or receipt date (as applicable).
    - (4) Advises the Manager, ORO, on the status of all open audit reports and all actions taken to correct deficiencies and implement recommendations.
  - b. Director, Oak Ridge Financial Service Center (ORFSC).
    - (1) Establishes accounting and collection controls to ensure prompt recovery of amounts due the Government and prompt payment of amounts owed by the Government.

- (2) Notifies the appropriate Audit Action Officer and FEAD of all collections of audit-related debts.
- c. Action Officers (Contracting Officers, Contract Specialists, Contracting Officer's Representatives, and other Designated Officials).
- (1) Prepare and transmit to FEAD, as soon as possible, but not later than six (6) months from issuance of audit reports, an Audit Report Action Plan on open audit report recommendations identified in DOE O 224.3. (See sample Audit Report Action Plan, Attachment 2 of this Chapter.)
  - (2) Respond to requests of the FEAD and provide audit follow-up information and updates on open audit report recommendations by the 15th day of September, December, March, and June for preparation of the quarterly Departmental Audit Report Tracking System (DARTS) report to Headquarters. Information required includes copies of all correspondence to and from the contractor regarding audit reports, negotiation memoranda, copies of checks where monies are recovered, and copies of final vouchers.
  - (3) Prepare and transmit to the FEAD either a formal DARTS Status Report or information on the status of open report recommendations on applicable audit reports to meet the quarterly DARTS submission to Headquarters. (See sample DARTS Status Report, Attachment 3 of this Chapter.)
  - (4) Prepare and transmit to the FEAD an Audit Closeout Memorandum, which includes a certification at the bottom of the DARTS Status Report that an audit follow-up assessment or review has been conducted on each recommendation in the audit report. (See sample Audit Closeout Memorandum, Attachment 4 of this Chapter.)
  - (5) Monitor corrective actions on open audit report recommendations until completed and report corrective actions to the FEAD.
  - (6) Notify the FEAD and ORFSC of all accepted audit recommendations resulting in amounts due the Government or for payment of amounts by the Government.
  - (7) Coordinate and monitor the activities of contractors in the establishment and maintenance of an audit follow-up system in accordance with DOE O 224.3, including:
    - (a) Maintenance of complete and accurate files for each audit report issued on internal audits of M&O contractors and subcontractors.
    - (b) Resolution of audit findings and recommendations within six (6) months from an audit report issuance date, or document exceptions.
- d. Principal Staff ensures that performance appraisals of appropriate officials reflect internal control effectiveness in carrying out audit resolution and follow-up responsibilities.
- e. Contractor Responsibilities. Contractors with internal audit staffs shall establish and maintain a formal follow-up system to manage the audit follow-up process and to provide a mechanism for providing data to DOE to support DARTS as well as to manage follow-up activities for contractor internal audits.

5. REQUIREMENTS AND PROCEDURES. None.
6. REFERENCES.
  - a. ORO O 220, Chapter III, Change 4, ESTABLISHMENT OF DEPARTMENTAL POSITION ON INSPECTOR GENERAL REPORTS, dated April 7, 2004, and any subsequent revisions.
  - b. ORO O 220, Chapter IV, Change 4, COORDINATION OF GOVERNMENT ACCOUNTABILITY OFFICE ACTIVITIES, dated April 29, 2005, and any subsequent revisions.
7. DEFINITIONS. None.
8. CONTRACTOR REQUIREMENTS DOCUMENT. See Contractor Requirements Document, Attachment 1 of this Chapter.
9. ATTACHMENTS.
  - a. Attachment 1 - Contractor Requirements Document.
  - b. Attachment 2 - Audit Report Action Plan.
  - c. Attachment 3 - DARTS Status Report.
  - d. Attachment 4 - Audit Closeout Memorandum.

**CONTRACTOR REQUIREMENTS DOCUMENT**

Contractors identified in Paragraph 3 of this Chapter will accomplish the following, to the extent set forth in their contract.

1. Contractors with internal audit staffs shall establish and maintain a formal follow-up system to manage the audit follow-up process and to provide a mechanism for providing data to the Department of Energy to support the Departmental Audit Report Tracking System (DARTS) as well as to manage follow-up activities for contractor internal audits.

AUDIT REPORT ACTION PLAN

OAK RIDGE OFFICE

DCAA AUDIT REPORT NO. 4161 -75171046 (DARTS NO. OR-88-043)

AUDITEE: XYZ CORPORATION

TITLE: "ADVISORY AUDIT ON TERMINATION SETTLEMENT PROPOSAL," CPFF  
CONTRACT NO. DE-AC05-XXX002120

FINDING(S). The auditor questioned (\$99,999) potentially due the contractor. Revised questioned costs of (\$99,999). (See below.)

RECOMMENDATION. That questioned costs be reinstated to the contractor.

ACTION PLANNED. Concur. Negotiations have been ongoing between DOD and XYZ Corporation. Resolution is contingent upon the venture closeout and negotiation settlement. Questioned costs will be resolved when the Joint-Venture is closed out, which is now projected to be mm/dd/yy. On mm/dd/yy, a letter to XYZ suggested that it handle the settlement of indirect rates with XXX.

When the revised indirect rates (obtained from DCAA in March 1989) were substituted for the estimated rates used in the audit report, the refund of \$99,999 potentially due the contractor became a net payment due of \$99,999. Therefore, the questioned costs are revised to reflect this change. Closure is projected at mm/dd/yy.

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Mary Doe, Contract Specialist  
Procurement & Contracts Division  
Oak Ridge Office

Date

DARTS STATUS REPORT  
DEPARTMENTAL ELEMENT NAME  
PERIOD ENDING - (USE CURRENT QUARTER END DATE)  
GAO OR IG AUDIT REPORT NUMBER/DARTS NUMBER  
DATE REPORT ISSUED/MANAGEMENT DECISION DATE

TITLE OF THE REPORT. Enter the title from the audit report.

FINDING(S). A brief synopsis of the report's findings.

RECOMMENDATION (#). Each open recommendation is to be repeated verbatim from the audit report and addressed separately.

ACTION PLANNED. State the action planned from the approved Management Decision (formerly called Departmental position). This information may be summarized if it is more than two paragraphs; however, do not change specific actions to be taken. A target date for completion of corrective action must also be provided; if unknown, state why. If it is determined that planned actions as stated in the Management Decision cannot be accomplished, a full explanation must be given below in the Status of Action update for the current semiannual period.

STATUS OF ACTION PERIOD ENDED (DATE). Describe specific actions taken and any delays encountered during the semiannual period. If the corrective actions planned have changed since the Management Decision was approved, give a full explanation.

The report should include a Status of Action for the current period, plus the two previous semiannual reporting periods; the sequence of the reporting periods is the current period's status report first, followed by the prior status reports in reverse chronological order. Also, recommendations for which corrective action has been completed and closure agreed to by the DOE Chief Financial Officer are to be deleted from the status report. A status update of "No change" or "Same as below" is unacceptable.

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(Name and Signature of  
Audit Action Officer)

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(Title and Routing Symbol)

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(Telephone Number)

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(Date)

The signature of both the audit action officer and the designated head of the primary organization or his/her designee must be included on the DARTS Status Report.

AUDIT CLOSEOUT MEMORANDUM  
DEPARTMENTAL ELEMENT NAME  
PERIOD ENDING - (USE CURRENT QUARTER END DATE)  
GAO OR IG AUDIT REPORT NUMBER/DARTS NUMBER  
DATE REPORT ISSUED/MANAGEMENT DECISION DATE

TITLE OF THE REPORT. Enter the title from the audit report.

FINDING(S). A brief synopsis of the report's findings.

RECOMMENDATION (#). Each open recommendation is to be repeated verbatim from the audit report and addressed separately.

ACTION PLANNED. State the action planned from the approved Management Decision (formerly called Departmental position). This information may be summarized if it is more than two paragraphs; however, do not change specific actions to be taken. A target date for completion of corrective action must also be provided; if unknown, state why. If it is determined that planned actions as stated in the Management Decision cannot be accomplished, a full explanation must be given below in the Status of Action update for the current semiannual period.

STATUS OF ACTION PERIOD ENDED (DATE). Describe specific actions taken and any delays encountered during the semiannual period. If the corrective actions planned have changed since the Management Decision was approved, give a full explanation.

The report should include a Status of Action for the current period, plus the two previous semiannual reporting periods; the sequence of the reporting periods is the current period's status report first, followed by the prior status reports in reverse chronological order. Also, recommendations for which corrective action has been completed and closure agreed to by the DOE Chief Financial Officer are to be deleted from the status report. A status update of "No change" or "Same as below" is unacceptable.

This is to certify that an audit follow-up assessment or review has been completed on the subject audit report or recommendations contained in the audit report, and necessary corrective actions, if any, have been completed.

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(Name and Signature of Audit Action Officer) (Title and Routing Symbol)

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(Telephone Number) (Date)

The signature of both the audit action officer and the designated head of the primary organization or his/her designee must be included on the Audit Closeout Memorandum.

ASSURANCE: An "Assurance of Effectiveness of Corrective Actions Taken" must be provided on operational audit reports in order to close them in DARTS. The "Assurance" must be signed by the Head of the Departmental element or his/her formal designee. If signed by the formal designee, a copy of the formal delegation of authority must be or have been provided to the Audit Liaison Division before closure can be effected.