



DoD INSTRUCTION 7600.10

FOLLOW-UP AND OVERSIGHT ON SINGLE AUDITS

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Approved by:	Glenn A. Fine, Acting Inspector General of the Department of Defense

Purpose: In accordance with the authority in DoD Directive 5106.01, this issuance:

- Establishes DoD policy for the implementation of single audit requirements in Part 200, Subpart F of Title 2, Code of Federal Regulations (CFR), which was issued pursuant to Chapter 75 of Title 31, United States Code.
- Assigns DoD responsibilities for the follow-up and oversight of single audits performed in accordance with Part 200, Subpart F of Title 2, CFR; DoD Grant and Agreement Regulations in Chapter I, Subchapter C of Title 32, CFR; the Federal Acquisition Regulation (FAR), and the Defense Federal Acquisition Regulation Supplement.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

1.2. POLICY.

a. The DoD:

(1) Will rely on and use single audits performed by independent auditors in accordance with the requirements of Part 200, Subpart F of Title 2, CFR, in the oversight of federal awards provided to States, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

(2) May request additional audits of such federal awards when required by regulation or as needed to ensure effective use of such federal awards. Any additional audit effort will be planned and implemented to avoid duplication and must be separately funded.

b. Unless prohibited by law or the limitations of Subpart 200.425 of Title 2, CFR, the cost of single audits made in accordance with the provisions of Part 200, Subpart F of Title 2, CFR, are allowable charges to federal awards. The charges are considered a direct cost or an allocated indirect cost, as determined in accordance with Parts 30 and 31 of FAR; Parts 230 and 231 of the Defense Federal Acquisition Regulation Supplement, and Part 200, Subpart E of Title 2, CFR.

1.3. INFORMATION COLLECTIONS. The reviews of audits, referred to throughout this issuance, do not require licensing with a report control symbol in accordance with Volume 1 of DoD Manual 8910.01.

SECTION 2: RESPONSIBILITIES

2.1. INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE (IG DoD). The IG DoD:

a. Provides audit policy guidance and direction to the DoD Components and other federal agencies on single audit matters related to States, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

b. Performs the following when DoD is the cognizant agency for audit of States, local governments, Indian tribes, institutions of higher education, and non-profit organizations, as determined in accordance with Subpart 200.513(a) of Title 2, CFR:

(1) Provides technical audit advice and liaison assistance to States, local governments, Indian tribes, institutions of higher education, non-profit organizations, and auditors.

(2) Conducts desk reviews of selected audits to determine whether reports were prepared in accordance with requirements of Part 200, Subpart F of Title 2, CFR.

(3) Conducts quality control reviews of selected audits performed by independent auditors and provides the results to other interested organizations. Cooperates and provides support, as appropriate, to the federal agency designated by the Office of Management and Budget (OMB) to lead a government-wide project to determine the quality of single audits.

(4) Informs other affected federal agencies and appropriate law enforcement officials of any reported illegal acts or irregularities.

(5) Advises the auditors, federal awarding agencies and, where appropriate, the auditee of any deficiencies identified in the audits when the deficiencies require corrective action. In such instances:

(a) Notifies the auditors, the auditee, federal awarding agencies, and pass-through entities of facts and makes recommendations for follow-up action when corrective actions were not taken on identified deficiencies.

(b) Refers the independent auditors to appropriate professional bodies, such as the American Institute of Certified Public Accountants-Professional Ethics Division and State licensing agencies, for appropriate action for major inadequacies or repetitive, sub-standard performance of independent auditors.

(c) Advises the community of audit organizations of any noteworthy or important factual trends related to the quality of audits, stemming from quality control reviews.

(6) Coordinates, to the extent practicable, audits or reviews made by or for federal agencies, in addition to the audit required by Part 200, Subpart F of Title 2, CFR, so the additional audits or reviews build upon, rather than duplicate, audits performed in accordance with Part 200, Subpart F of Title 2, CFR.

(7) Provides advice to DoD Components on resolution responsibility for audit findings and recommendations that affect DoD programs.

(8) Provides assistance, as needed, to ensure coordination of audit work and reporting responsibilities among independent public accountants, State auditors, and federal auditors to achieve the most cost-effective audit.

(9) Provides advice to auditees regarding changes in fiscal years.

(10) Provides advice on annual updates to the OMB Compliance Supplement.

c. Performs the following when DoD is the oversight agency for audit of States, local governments, Indian tribes, institutions of higher education and non-profit organizations, as determined in accordance with Subpart 200.513(b) of Title 2, CFR:

(1) Provides technical audit advice to States, local governments, Indian tribes, non-profit organizations, and auditor organizations.

(2) Assumes all or some of the cognizant agency responsibilities as identified in Paragraph 2.1.b.

2.2. UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS (USD(AT&L)). The USD(AT&L):

a. Provides OMB with the name of a single audit accountable official from among senior policy officials. The DoD single audit accountable official is:

(1) Responsible for ensuring DoD fulfills the requirements of Subpart 200.513(c) of Title 2, CFR, and effectively uses the single audit process to reduce improper payments and improve federal program outcomes.

(2) Held accountable to improve the effectiveness of the use of single audits based upon metrics as described in Paragraph 2.2.b.(7).

(3) Responsible for designating a DoD key management single audit liaison.

b. Provides OMB with the name of the key management single audit liaison who must:

(1) Serve as the DoD management point of contact for the single audit process both within and outside the Federal Government.

(2) Promote interagency coordination, consistency, and sharing in areas such as: coordinating audit follow-up, identifying higher-risk award recipients, providing input on single audit and follow-up policy, enhancing the use of the Federal Audit Clearinghouse, and studying ways to use single audit results to improve federal award accountability and best practices.

(3) Oversee training for appropriate DoD personnel related to the single audit process.

(4) Promote DoD use of cooperative audit resolution mechanisms as explained in Subpart 200.25 of Title 2, CFR.

(5) Coordinate DoD activities to ensure appropriate and timely follow-up and corrective action on audit findings.

(6) Organize, when DoD is the cognizant agency for audit, the follow-up on cross-cutting audit findings that affect the programs of more than one federal agency or more than one DoD awarding office. This responsibility may also be assumed when DoD is the oversight agency for audit.

(7) Develop a baseline, metrics, and targets to track the effectiveness of the DoD Component's process to follow-up on audit findings and on the effectiveness of single audits in improving award recipient accountability and the DoD Component's use of single audits in making award decisions.

(8) Provide OMB annual updates to the compliance supplement and work with OMB to ensure that the compliance supplement focuses the auditor to test the compliance requirements most likely to result in improper payments, fraud, waste, abuse, or audit findings for which DoD will take sanctions.

(9) Support the mission of the single audit accountable official.

2.3. DOD COMPONENT HEADS. The DoD Component heads:

a. Designate a management official to coordinate with the key management single audit liaison and the IG DoD on matters dealing with audits of awards that the DoD Components provided to States, local governments, Indian tribes, institutions of higher education and non-profit organizations. Provide names, titles, and contact information of designated management officials to the key management single audit liaison and the IG DoD.

b. Ensure award data for federal awards is accurately reported in the appropriate DoD or government-wide management information system, and records are maintained in accordance with Component records management issuances.

c. Inform recipients of DoD awards of the Catalog of Federal Domestic Assistance title and number, if applicable; award name and number; award year; whether the award is for research and development, and other information pursuant to Subpart 200.210(a) of Title 2, CFR.

d. Advise award recipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements.

e. Ensure, for award recipients receiving direct DoD funding, that audits required by Subpart 200.501 of Title 2, CFR, are completed and reports are submitted to the Federal Audit Clearinghouse in a timely manner and in accordance with the requirements of Subpart 200.512 of Title 2, CFR.

f. Provide technical program advice to auditees and auditors, as requested.

g. Inform other affected federal agencies and appropriate law enforcement officials of any reported illegal acts or irregularities when DoD is the cognizant agency for audit or as warranted by the circumstances. DoD Instruction 5505.02 provides guidance on referrals to law enforcement officials.

h. Establish and implement procedures to obtain and review single audit reports submitted to the Federal Audit Clearinghouse and to follow-up on those audit findings impacting DoD awards that were reported in single audits performed in accordance with Part 200, Subpart F of Title 2, CFR.

i. Follow-up on audit findings to ensure the recipients take appropriate and timely corrective action. As part of audit follow-up, the DoD Component heads will:

(1) Issue a management decision within 6 months of the date the audit report is accepted by the Federal Audit Clearinghouse, pursuant to Subpart 200.521 of Title 2, CFR.

(2) Monitor award recipient to ensure that the recipient takes appropriate and timely corrective action.

(3) Use cooperative audit resolution mechanisms, as prescribed in Subpart 200.25 of Title 2, CFR, to improve federal program outcomes through better audit resolution, follow-up, and corrective action.

j. Coordinate the management decision for cross-cutting audit findings affecting programs of more than one federal agency or more than one DoD awarding office with the key management single audit liaison, when DoD is the cognizant agency for audit. Coordination responsibility may also be assumed when DoD is the oversight agency for audit.

k. Assign a person responsible, as necessary, to provide the key management single audit liaison with annual updates to the OMB Compliance Supplement and to work with the key management single audit liaison to ensure that the OMB Compliance Supplement focuses auditors to test the compliance requirements most likely to cause improper payments, fraud, waste, abuse, or an audit finding for which the DoD Component will take sanctions.

GLOSSARY

G.1. ACRONYMS.

CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulation
IG DoD	Inspector General of the Department of Defense
OMB	Office of Management and Budget
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

G.2. DEFINITIONS. These terms and their definitions are for the purpose of this issuance.

Catalog of Federal Domestic Assistance. A government-wide listing of federal programs, projects, services, and activities that provide assistance or benefits to the American public. It contains financial and nonfinancial assistance programs administered by departments and establishments of the Federal Government.

cognizant agency for audit. The federal agency that provides the predominant amount of direct funding to the award recipient when the recipient expends more than \$50 million a year in federal funds.

cross-cutting audit finding. An audit finding where the same underlying condition or issue impacts federal awards of more than one federal awarding agency, awarding office within DoD, or pass-through entity.

desk review. A review of a single audit reporting package to determine whether the report meets the reporting requirements of Part 200, Subpart F of Title 2, CFR; and to identify any quality issues that may warrant follow-up audit work or revisions to the audit report. The review is performed using a guide published by the Council of Inspectors General on Integrity and Efficiency.

Defense Federal Acquisition Regulation Supplement. A regulation that provides for the DoD implementation and supplementation of the FAR and contains requirements of law, DoD-wide policies, delegation of FAR authorities, deviations from FAR requirements, and policies and procedures.

Federal Audit Clearinghouse. The clearinghouse designated by OMB as the repository of record where States, local governments, Indian tribes, institutions of higher education, and non-profit organizations are required to transmit the reporting packages required by Part 200, Subpart F of Title 2, CFR. The mailing address is Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132, and the web address is: <http://harvester.census.gov/sac/>.

federal award. Federal cost-reimbursement contracts under FAR and federal financial assistance that States, local governments, Indian tribes, institutions of higher education, and non-profit organizations including federally funded research and development centers that are administered by a non-federal entity, receive directly from federal awarding agencies or indirectly from pass-through entities.

quality control review. A review of a single audit to determine whether the audit was conducted in accordance with applicable standards, which include Generally Accepted Government Auditing Standards, Generally Accepted Auditing Standards, and the requirements of Part 200, Subpart F of Title 2, CFR. The review is performed using a guide published by the Council of Inspectors General on Integrity and Efficiency.

OMB Compliance Supplement. A guide created by OMB to assist auditors in performing the audits required by Part 200, Subpart F of Title 2, CFR, by identifying the compliance requirements that the Federal Government expects to be considered as part of the audit. The supplement provides a source of information for auditors to facilitate understanding the federal program's objectives, procedures, and compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements. The compliance supplement is available on the OMB website.

oversight agency for audit. The federal agency that provides the predominant amount of funding directly to an award recipient not assigned a cognizant agency for audit.

recipient. A State, local government, Indian tribe, institution of higher education, or non-profit organization that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program.

single audit. An audit that includes both the recipient's financial statements and federal awards as described in Subpart 200.514 of Title 2, CFR.

REFERENCES

Code of Federal Regulations, Title 2
Code of Federal Regulations, Title 32
Defense Federal Acquisition Regulation Supplement, current edition
DoD Directive 5106.01, “Inspector General of the Department of Defense (IG DoD),” April 20, 2012, as amended
DoD Instruction 5505.02, “Criminal Investigations of Fraud Offenses,” August 29, 2013
DoD Manual 8910.01, Volume 1, “DoD Information Collections Manual: Procedures for DoD Internal Information Collections,” June 30, 2014
Federal Acquisition Regulation, current edition
Office of Management and Budget Compliance Supplement, current edition
United States Code, Title 31, Chapter 75