



October 28, 2009

TO: Carmen Nazario
Assistant Secretary
Administration for Children and Families

FROM: /Joseph E. Vengrin/
Deputy Inspector General for Audit Services

SUBJECT: Administration for Children and Families Resolution of Audit Recommendations
(A-07-09-03118)

The attached final report provides the results of our review of the Administration for Children and Families (ACF) resolution of audit recommendations.

ACF is responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports. The Office of Inspector General (OIG) prepares and forwards to ACF monthly stewardship reports that show the status of these reported audit recommendations. Our review covered the audit recommendations identified in stewardship reports for fiscal years (FY) 2006 through 2008.

Our objectives were to determine whether ACF had (1) resolved audit recommendations in a timely manner during FYs 2006 through 2008 and (2) resolved all audit recommendations that were due for audit resolution by September 30, 2008.

ACF resolved 10,979 of the 14,180 audit recommendations that were outstanding during FYs 2006 through 2008. However, it did not resolve 7,531 of the 10,979 recommendations within the required 6-month period. In addition, as of September 30, 2008, ACF had not resolved 2,086 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$94.6 million.

Because ACF did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. The prompt resolution of audit recommendations will help ensure that Federal funds, including those authorized by the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5, are effectively and efficiently used to carry out the activities for which they were authorized.

We recommend that ACF (1) resolve all audit recommendations within the required 6-month audit resolution period and (2) resolve the 2,086 outstanding audit recommendations that were past due as of September 30, 2008.

In written comments on our draft report, ACF did not directly address our recommendations. ACF disagreed with the number of audits listed in the stewardship report as of September 30, 2008, but agreed that monetary recommendations that were past due for resolution totaled the \$94.6 million listed in that stewardship report. ACF also provided updates on its resolution of recommendations and stated that 2,107 recommendations were unresolved as of June 30, 2009.

We maintain that the stewardship report as of September 30, 2008, accurately reflected the status of audit recommendations, including those for which OIG had accepted ACF's audit clearance documents. We agree that ACF had 2,107 unresolved audit recommendations as of June 30, 2009—after our audit period—but note that 976 of those recommendations were past due for resolution. Moreover, ACF's submission of required documentation after our audit period does not negate the validity of our findings and recommendations as of September 30, 2008.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through email at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-07-09-03118 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ADMINISTRATION FOR CHILDREN
AND FAMILIES RESOLUTION OF
AUDIT RECOMMENDATIONS**



Daniel R. Levinson
Inspector General

October 2009
A-07-09-03118

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

The Department of Health and Human Services (HHS), Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through internal activities and through grants and contracts to State, county, city, and tribal governments, as well as public and private local agencies. The fiscal year (FY) 2009 President's budget request for ACF was \$45.6 billion.

Pursuant to Office of Management and Budget Circular A-50, section 8a(2), and other authorities, ACF is also responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports. The Office of Inspector General (OIG) prepares and forwards to ACF monthly stewardship reports that show the status of these reported audit recommendations. Our review covered 14,180 audit recommendations identified in stewardship reports for FYs 2006 through 2008.

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provided additional funding in excess of \$10 billion to ACF for FYs 2009–2011 for grant programs, such as Temporary Assistance for Needy Families, Head Start, and the Community Services Block Grant program. A major cornerstone of the Recovery Act is the unprecedented transparency in expenditures and accountability for the increased funding.

OBJECTIVES

Our objectives were to determine whether ACF had (1) resolved audit recommendations in a timely manner during FYs 2006 through 2008 and (2) resolved all audit recommendations that were due for audit resolution by September 30, 2008.

SUMMARY OF FINDINGS

ACF resolved 10,979 of the 14,180 audit recommendations that were outstanding during FYs 2006 through 2008. However, it did not resolve 7,531 of the 10,979 recommendations within the required 6-month period. In addition, as of September 30, 2008, ACF had not resolved 2,086 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$94.6 million.

Because ACF did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. The prompt resolution of audit recommendations will help ensure that Federal funds, including those authorized by the Recovery Act, are effectively and efficiently used to carry out the activities for which they were authorized.

RECOMMENDATIONS

We recommend that ACF:

- resolve all audit recommendations within the required 6-month audit resolution period and
- resolve the 2,086 outstanding audit recommendations that were past due as of September 30, 2008.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In written comments on our draft report, ACF did not directly address our recommendations. ACF disagreed with the number of audits listed in the stewardship report as of September 30, 2008, but agreed that monetary recommendations that were past due for resolution totaled the \$94.6 million listed in that stewardship report. ACF also provided updates on its resolution of recommendations and stated that 2,107 recommendations were unresolved as of June 30, 2009. ACF's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the stewardship report as of September 30, 2008, accurately reflected the status of audit recommendations, including those for which OIG had accepted ACF's audit clearance documents. We agree that ACF had 2,107 unresolved audit recommendations as of June 30, 2009—after our audit period—but note that 976 of those recommendations were past due for resolution. Moreover, ACF's submission of required documentation after our audit period does not negate the validity of our findings and recommendations as of September 30, 2008.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Federal Audits.....	1
Non-Federal Audits.....	1
Audit Resolution.....	2
Stewardship Reports	2
American Recovery and Reinvestment Act of 2009.....	3
OBJECTIVES, SCOPE, AND METHODOLOGY	3
Objectives	3
Scope.....	3
Methodology.....	3
FINDINGS AND RECOMMENDATIONS	4
FEDERAL REQUIREMENTS	4
AUDIT RECOMMENDATIONS RESOLVED BUT NOT IN A TIMELY MANNER	5
AUDIT RECOMMENDATIONS NOT RESOLVED	5
LACK OF REASONABLE ASSURANCE OF PROPER STEWARDSHIP OVER FEDERAL DOLLARS	6
RECOMMENDATIONS	7
ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS	7
OFFICE OF INSPECTOR GENERAL RESPONSE	7
APPENDIX	
ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS	

INTRODUCTION

BACKGROUND

The Department of Health and Human Services (HHS), Administration for Children and Families (ACF), is responsible for promoting the economic and social well-being of children, families, and communities. ACF carries out this responsibility through internal activities and through grants and contracts to State, county, city, and tribal governments, as well as public and private local agencies. The fiscal year (FY) 2009 President's budget request for ACF was \$45.6 billion.

ACF is also responsible for resolving Federal and non-Federal audit report recommendations related to its activities, grantees, and contractors within 6 months after formal receipt of the reports.¹

Federal Audits

Pursuant to the Inspector General Act of 1978, 5 U.S.C. App., the Office of Inspector General (OIG) conducts audits of internal ACF activities, as well as activities performed by ACF grantees and contractors. These audits are intended to provide independent assessments of ACF programs and operations and to help promote economy and efficiency. OIG uses its own resources to conduct audits in accordance with generally accepted government auditing standards and oversees audit work done by certified public accounting firms.

Non-Federal Audits

Office of Management and Budget (OMB) Circular A-133 requires that non-Federal entities that expend \$300,000 (\$500,000 for FYs ending after December 31, 2003) or more in Federal awards in a year have a single or program-specific audit conducted for that year pursuant to the provisions of subpart B, §____.200.² Commercial entities meeting the financial thresholds may elect to have either an audit pursuant to the provisions of OMB Circular A-133 or a "financial-related audit" as specified in 45 CFR § 74.26(d)(1)(i). Non-Federal audits are usually conducted by certified public accounting firms.

OMB Circular A-133 states that the Federal awarding agency is responsible for issuing a management decision within 6 months after formal receipt of the audit report for recommendations that relate to its awards. A management decision comprises the evaluation of audit recommendations and the proposed corrective action plan, as well as the issuance of a written decision on what corrective action is necessary. OMB Circular A-133, subpart D, §____.405(a), states: "The management decision shall clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay

¹Throughout this report, we use the term "recommendations" to refer to both audit findings and recommendations.

²Some State and local governments that are required by constitution or statute in effect on January 1, 1987, to be audited less frequently than annually are permitted to undergo audits biennially. Nonprofit organizations also are allowed to have biennial audits under certain conditions.

disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given.”

OIG’s National External Audit Review Center (NEAR) reviews single audit reports for compliance with OMB Circular A-133 and for conformance with professional standards. NEAR transmits each ACF-related report to the ACF Audit Liaison Office and to the regional ACF offices. When appropriate, NEAR also issues audit alert memorandums to inform ACF of significant audit recommendations. After resolving the recommendations, ACF issues a management decision to the grantee or contractor and an audit clearance document to the OIG audit resolution group.

Audit Resolution

In resolving Federal and non-Federal audit recommendations, ACF must comply with OMB Circular A-50, section 8a(2), which requires “. . . prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible.”

The HHS “Grants Administration Manual,” section 1-105, sets forth departmental policies and procedures for resolving recommendations pertaining to grants, contracts, and cooperative agreements. According to section 1-105-30(B)(1) of the manual, action officials must resolve audit recommendations within 6 months of the end of the month in which OIG issued or released the audit report. Resolution is normally deemed to occur when:

- action officials have reached a final decision on the amount of any monetary recovery;
- action officials have established a satisfactory plan of action, including time schedules, to correct all deficiencies; and
- OIG has cleared the report from its tracking system after receiving and accepting the audit clearance document(s) from action officials.

Stewardship Reports

The OIG audit resolution group prepares monthly stewardship reports on the status of audit recommendations reported in Federal and non-Federal audits and forwards the stewardship reports to the applicable HHS agency. We reviewed the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for ACF. These reports identify all audit reports and corresponding recommendations issued for the selected period and provide the action taken (management’s decision) and the date of that action or indicate that no action has been taken.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (Recovery Act), P.L. No. 111-5, enacted February 17, 2009, provided additional funding in excess of \$10 billion to ACF for FYs 2009–2011 for grant programs. These programs included Temporary Assistance for Needy Families, the Child Care and Development Block Grant, Early Head Start, Head Start, the Community Services Block Grant, and the New Nonprofit Community-Based Organizations Initiative. A major cornerstone of the Recovery Act is the unprecedented transparency in expenditures and accountability for the increased funding.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether ACF had (1) resolved audit recommendations in a timely manner during FYs 2006 through 2008 and (2) resolved all audit recommendations that were due for audit resolution by September 30, 2008.

Scope

We determined the resolution of audit recommendations identified in the “Outstanding Audits and Actions Taken by Cognizance” stewardship reports for FYs 2006 through 2008. These stewardship reports identified 3,317 audit reports and 14,180 corresponding recommendations.

Our objectives did not require an understanding or assessment of ACF’s overall internal control structure. We limited our review to gaining an understanding of controls over ACF’s audit resolution process.

We performed our review from December 2008 to March 2009 and conducted fieldwork at ACF’s office in the District of Columbia.

Methodology

To accomplish our objectives, we:

- reviewed applicable sections of OMB Circulars A-50 and A-133, the HHS “Grants Administration Manual,” and other Federal requirements;
- reviewed ACF policies and procedures for resolving audit recommendations;
- interviewed ACF staff and reviewed documentation provided by ACF officials;
- determined whether ACF had resolved in accordance with Federal requirements the 14,180 audit recommendations identified in the FYs 2006 through 2008 stewardship reports;

- reviewed working papers associated with previously issued OIG audits that tested the accuracy of information contained in the stewardship reports; and
- determined the dollar amounts associated with any unresolved recommendations that were beyond the required resolution period as of September 30, 2008.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

ACF resolved 10,979 of the 14,180 audit recommendations that were outstanding during FYs 2006 through 2008. However, it did not resolve 7,531 of the 10,979 recommendations within the required 6-month period. In addition, as of September 30, 2008, ACF had not resolved 2,086 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$94.6 million.

Because ACF did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. The prompt resolution of audit recommendations will help ensure that Federal funds, including those authorized by the Recovery Act, are effectively and efficiently used to carry out the activities for which they were authorized.

FEDERAL REQUIREMENTS

OMB Circular A-50, section 8a(2), requires “. . . prompt resolution and corrective actions on audit recommendations. Resolution shall be made within a maximum of six months after issuance of a final report or, in the case of audits performed by non-Federal auditors, six months after receipt of the report by the Federal Government. Corrective action should proceed as rapidly as possible.”

OMB Circular A-133, §____.405(d), states: “The entity responsible for making the management decision shall do so within six months of receipt of the [non-Federal] audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible.”

According to the HHS “Grants Administration Manual,” section 1-105-30(B)(1), action officials must resolve audit recommendations pertaining to grants, contracts, and cooperative agreements within 6 months of the end of the month in which OIG issued or released the audit report.

AUDIT RECOMMENDATIONS RESOLVED BUT NOT IN A TIMELY MANNER

Of the 10,979 audit recommendations that ACF resolved during FYs 2006 through 2008, 7,531 (68.6 percent) were not resolved within the required resolution period. Table 1 below shows the timeframes for resolving these recommendations.

Table 1: Timeliness of Audit Recommendations Resolved in FYs 2006 Through 2008

Timeframe To Resolve Recommendation	Number of Resolved Recommendations	Percent of Total
Within 6-month resolution period	3,448	31.4%
Beyond 6-month resolution period		
1 year or less	3,153	28.7%
1+ year to 2 years	1,467	13.4%
2+ years to 3 years	694	6.3%
3+ years to 4 years	640	5.8%
4+ years to 5 years	500	4.6%
5+ years	1,077	9.8%
Subtotal	7,531	
Total	10,979	100%

AUDIT RECOMMENDATIONS NOT RESOLVED

As of September 30, 2008, ACF had not resolved 2,086 audit recommendations that were past due for resolution. The dollar amounts associated with these recommendations totaled \$94.6 million. Table 2 on the next page presents information on the timeframes for these unresolved recommendations. Table 3 presents additional information on the dollar amounts associated with these recommendations, categorized by recommended action.

**Table 2: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2008**

Timeframe Beyond Required Resolution Date	Number of Recommendations	Percent of Total Recommendations	Average Days Beyond Required Resolution Date	Dollar Amounts Beyond Required Resolution Date (in millions)	Percent of Dollar Amounts Beyond Required Resolution Date
1 year or less	1,024	49.1%	218.0	\$76.9	81.2%
1+ year to 2 years	427	20.5%	547.2	15.4	16.4%
2+ years to 3 years	257	12.3%	914.1	0.0	0.0%
3+ years to 4 years	102	4.9%	1,285.9	0.0	0.0%
4+ years to 5 years	98	4.7%	1,647.2	0.0	0.0%
5+ years	178	8.5%	3,161.4	2.3	2.4%
Total	2,086	100.0%		\$94.6	100.0%

**Table 3: Unresolved Audit Recommendations Past Due for Resolution
as of September 30, 2008—
Dollar Amounts by Recommended Action**

Recommended Action	Dollar Amounts of Unresolved Recommendations Beyond Required Resolution Date (in millions)
Monetary recommendations	
Questioned costs	\$29.7
Funds put to better use	13.2
Subtotal	\$42.9
Unable to express an opinion (set aside)	\$51.7
Total	\$94.6

**LACK OF REASONABLE ASSURANCE OF PROPER
STEWARDSHIP OVER FEDERAL DOLLARS**

Because ACF did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. It will be particularly important for ACF to have such assurance with respect to stewardship over

Recovery Act funds, which are critical to restoring our economy and are subject to heightened scrutiny outside ACF.

RECOMMENDATIONS

We recommend that ACF:

- resolve all audit recommendations within the required 6-month audit resolution period and
- resolve the 2,086 outstanding audit recommendations that were past due as of September 30, 2008.

ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS

In written comments on our draft report, ACF did not directly address our recommendations. ACF disagreed with the number of audits listed in the stewardship report as of September 30, 2008, but agreed that monetary recommendations that were past due for resolution totaled the \$94.6 million listed in that stewardship report. ACF also provided updates on its resolution of recommendations and stated that 2,107 recommendations were unresolved as of June 30, 2009. ACF's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

We maintain that the stewardship report as of September 30, 2008, was accurate. The HHS "Grants Administration Manual," section 1-105-100(B), states that ". . . audit reports are cleared in the Office of Audit's [monitoring] system by submission **and acceptance** of Audit Clearance Documents" (emphasis added). Upon acceptance of an audit clearance document, the OIG audit resolution group updates its monitoring system and communicates the audit resolution information to the HHS operating division via the monthly stewardship report.

We agree that ACF had 2,107 unresolved audit recommendations as of June 30, 2009—after our audit period—but note that 976 of those recommendations were past due for resolution. Moreover, ACF's submission of required documentation after our audit period does not negate the validity of our findings and recommendations as of September 30, 2008.

APPENDIX

APPENDIX: ADMINISTRATION FOR CHILDREN AND FAMILIES COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

JUL 31 2009

TO: Daniel R. Levinson
Inspector General

FROM: David A. Hansell 
Acting Assistant Secretary
for Children and Families

SUBJECT: Office of Inspector General (OIG) Draft Report Titled, "Administration
for Children and Families Resolution of Audit Recommendations"
(A-07-09-03118)

Attached are comments of the Administration for Children and Families on the above-referenced report.

Should you have questions or need additional information, please contact Oscar Tanner, Director, Office of Financial Services, at 202-401-5704.

Attachment

**COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES
ON THE OFFICE OF INSPECTOR GENERAL DRAFT REPORT TITLED,
“ADMINISTRATION FOR CHILDREN AND FAMILIES RESOLUTION OF
AUDIT RECOMMENDATIONS” (A-07-09-03118)**

The Administration for Children and Families (ACF) appreciates the opportunity to comment on the Office of Inspector General (OIG) draft report.

OIG Recommendations

We recommend that ACF:

- resolve all audit recommendations within the required 6-month audit resolution period and
- resolve the 2,086 outstanding audit recommendations that were past due as of September 30, 2008.

ACF Comments

As you know, ACF is the second largest grant awarding agency within the Department. In FY 2008, ACF awarded over 7,000 grants in the sum of \$46 billion. From FY 2006 to FY 2008, over 4,000 grants were at the OMB Circular A-133 threshold of \$500,000 or more. With funds of this magnitude, ACF is highly cognizant of the importance of safeguarding Federal funds.

The OIG draft report indicated that ACF had not resolved 2,086 audit recommendations that were past due for resolution as of September 2008. The Stewardship Report (the Report) for that period included 735 audits that were assigned to ACF. ACF did not concur with the number of audits listed in the Report, and ACF has been working with OIG to remove those that should not have been listed.

For FY 2004 and earlier, ACF supplied a list of 88 audits that should have been removed, which included 308 recommendations.

For FY 2005 to FY 2008, ACF resubmitted 247 OIG Official Clearance Documents (OCDs) for audits that should have been closed and removed, which included 875 recommendations. (These were audits ACF had processed and closed in ACF's system, though OIG included them in the Report.)

As a result of these efforts, ACF concurs with the numbers in the Report as of June 30, 2009, which lists 455 audits with 2,107 recommendations.

To address the dollar amount of \$94,637,532 listed in the Report, ACF concurs with this amount.

The amount of \$42,865,178 represents 17 audits as shown on the Monetary Recommendations Open 6+ Months report as of September 30, 2008. Since that date, ACF has removed 9 audits and sustained \$4,077,607, concurring with only a small portion of the amount recommended. For the other 8 audits listed, ACF is either in the negotiation phase seeking further counsel on the proper resolution or in the clearance phase securing approval and signature from the appropriate official.

The remaining amount, \$51,772,354, represents 9 audits. Three have since been closed with sustained dollars of \$578,833; three are in the clearance process; and three are between 13 to 17 years old (from 1992 through 1996) and there is no documentation available for them.

ACF is diligently working to resolve all audits. ACF's Office of Grants Management (OGM) has a proactive procedure in place to ensure that audits are resolved timely. OGM conducts a monthly grants officers' meeting to discuss issues and concerns, which includes audit resolution. Standard audit determination letters are being developed to ensure that audit resolution is applied consistently across ACF. ACF utilizes an Enterprise Reporting System, which is accessible to grants officers for generating an online, real time report of all outstanding audits. A monthly report of audits received and closed is sent out to the grants officers. Through coordination with OIG, the Report has now been purged to include the correct number of audits ACF is being held accountable for. ACF will disseminate the Report every month to ACF's grants officers.

ACF would like to address OIG's statement, "Because ACF did not resolve all audit recommendations in a timely manner, it did not have reasonable assurance that it was exercising proper stewardship over Federal dollars. The prompt resolution of audit recommendations will help ensure that Federal funds, including those additional funds authorized by ARRA are effectively and efficiently used to carry out the activities for which they were authorized."

ACF is at the forefront of ARRA and maintains a "hands-on" approach with ACF grantees. ACF is working with OIG and the Government Accountability Office to discuss internal controls already in place and those that ACF will be developing to ensure that funds are being used properly and as authorized.

ACF recognizes its responsibility to oversee the large number of dollars ACF programs are allocated. ACF has proven time and again that it can manage the money and the programs.