



FY 2021 USCG Audit Coordination and Audit Support

Presented by

Danilo “Dan” Mendoza

CPA, CDFM-A, CGFM, DFMCP3

Chief, Office of Financial Reporting, Policy, Property and Audit Coordination (CG-84)

And

Tal Seaman

MBA, MPA, MASP, PMP, CGFM, CISA, CICA

Chief, Office of Internal Controls (CG-85)



Auditability Background

- United States Coast Guard (USCG), one of nine financial reporting components, contributes to Department of Homeland Security (DHS) consolidated financial statements and received its **eighth consecutive clean audit opinion in Fiscal Year 2020**
- These audits as required by the Chief Financial Officer Act of 1990 and as amended by the DHS Financial Accountability Act (FAA) of 2004 mandates **USCG/DHS to have an audit opinion on internal control over financial reporting** in addition to the **financial statement audit opinion**
- In FY-2020, USCG contributed to the adverse audit opinion on internal control over financial reporting in two specific material weakness areas:
 - a. Information Technology Controls and Information Systems
 - b. Financial Reporting
- USCG recognizes that clean audit opinions still present opportunities to identify areas of financial management and process improvements, develop and monitor corrective actions, and perform independent validation and verification through testing of design and testing of effectiveness of internal controls over financial reporting



Key Audit Activities

Pre-Audit
Planning &
Preparations

Audit
Execution

Post Audit
Activities



Recurring Annual Oversight

- Internal Controls Governance
 - ❖ Multiple components to the Coast Guard's Internal Control Ecosystem work together to support the Coast Guard's internal controls environment
 - ❖ Each governance body has their own specific roles and responsibilities to enhance oversight, accountability, and collaboration of the financial oversight program. These responsibilities help to make the USCG "audit-ready"
- Internal Controls Oversight
 - ❖ The Coast Guard Chief Financial Officer was granted the authority to establish a program to comply with the following key guidance:
 - *Federal Manager's Financial Integrity Act (FMFIA)*
 - Office of Management and Budget (OMB) Circular A-123
 - *Government Accountability Office (GAO) "Green Book"*
 - ❖ The Office of Internal Controls serves as the primary financial oversight mechanism, working with management to continuously evaluate and evolve financial operations. Responsibilities include periodic review of:
 - Comprehensive management control program
 - Component management oversight bodies
 - The efficacy of the annual assessment cycle
 - The accuracy of the annual statement of assurance



PRE-Audit Planning & Preparations

- Audit Training
 - ❖ Invites go to all Audit Distribution Lists and key audit personnel
 - ❖ Training held in person and virtual
 - ❖ Discuss the entire audit process
 - ❖ Discuss SharePoint updates
- Update Training Materials
 - ❖ Audit Coordination Team (ACT) Standard Operating Procedures
 - ❖ SharePoint Desk Guidance
 - ❖ Financial Audit Desk Reference
 - ❖ Quick Reference Guidance
 - ❖ PII Documentation
 - ❖ All accessible via SharePoint
- **Provided By Client (PBC)** requests from prior year are reviewed to help ensure proper audit POCs are updated and documents requested for current year audit are staged
- Update audit notification escalation matrix POC listing



Key Audit Activities

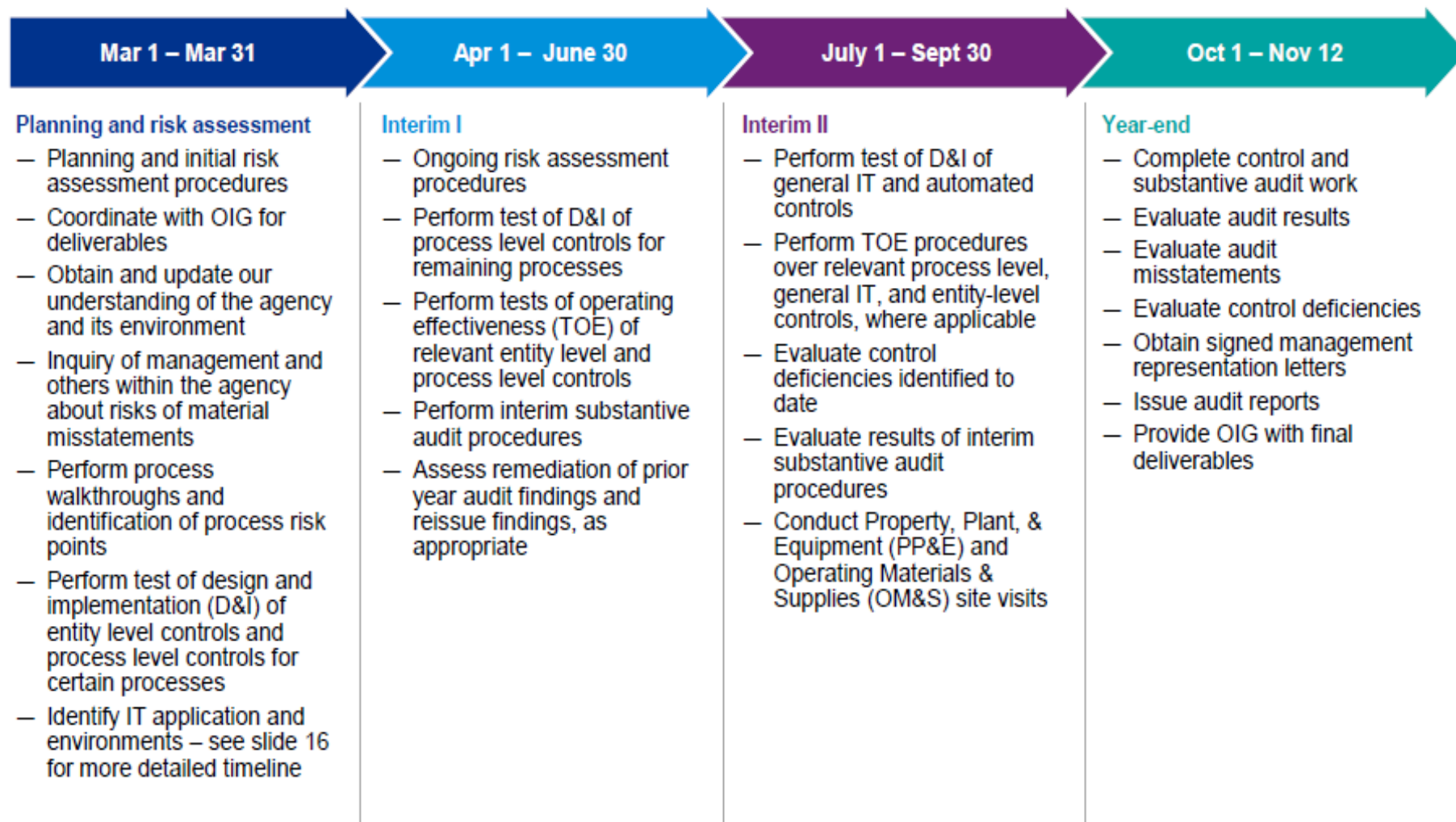
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FY21 External Auditor Timeline

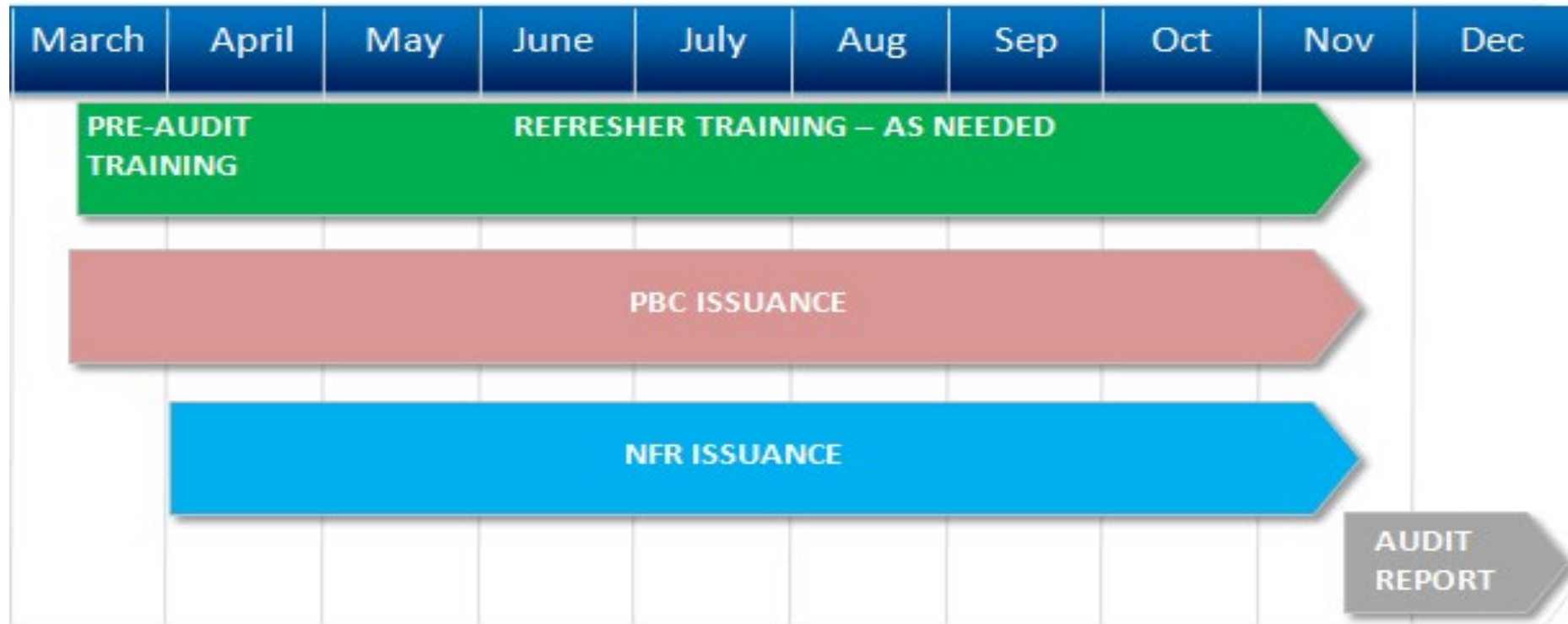


November 5: Component reporting date – Issue interoffice letter to consolidated audit team

November 12: Issue audit reports on consolidated financial statements and internal control over financial reporting.



FY21 Audit Execution Timeline



- Audit takes place March thru early to mid November 2021
- Entrance conference (official audit kick-off, nothing can be requested by auditors until after the entrance conference)
- PBC issuance begins immediately
- NFR issuance is expected to begin in August (re-issuances). Additional Audit training will be provided for NFRs sometime in August.
- “Pencil’s Down” will be advised by the external auditors



Audit Execution

- Audit POCs, Key Process Owners, Program Managers **must:**
 - ❖ Review audit requests promptly (1 business day)
 - ❖ ACT follows up if not confirmed within 24 hours
 - ❖ Notify ACT of all POC changes to ensure auditor requests are routed to the correct person

- Business Processes Walkthroughs
 - ❖ ACT calls in 10 minutes early to ensure proper functioning dial in code
 - ❖ ACT takes attendance at the start of the meeting and documents attendees along with external auditors key talking points
 - ❖ ACT confirms at the end of the meeting whether the request has been satisfied and arranges for follow ups as needed.
 - ❖ Government staff must be present throughout all business process walkthroughs



Audit Execution Cont.

- Primary audit POC for all communication with the auditors is Audit Coordination Team (ACT).
- Process is in place to assist delivery of PBCs when SharePoint is down, size of file prohibits downloading, or hurricane
- Communication
 - ❖ PBC due dates; two days before auditor deadline per CG-84 request and one day before auditor deadline when turnaround is short.
 - ACT reviews every submission for PII before moving files to external auditor's delivery folder and the ACT back-up file.
 - ACT can request due dates and clarification when needed.
 - ACT continuously reminds POCs extensions are not extended during busy months at end of audit.
 - ACT standardized Distribution Groups so no one is inadvertently left off email correspondence



Audit Execution Cont.

- Provided by Client (PBC) Reporting
 - ❖ Daily review of SharePoint for PBCs coming due ACT Team to follow up with POCs. ACT makes use of the following to view PBCs due each day:
 - ❖ Personal view created to show ACT PBCs due for the day by CG due date
 - ❖ Linked PBC report containing all PBCs entered into SharePoint to date with a tab that shows PBCs coming due in the next two days.
- PBCs processed are reported daily to external auditor. Reminders sent to external auditors if there are PBCs in their queue for processing.
- Weekly ACT Team meets with Audit Liaison to discuss PBC due within next two weeks.
- Each Friday, Two Week Report is issued to Senior Managers to inform of PBCs coming due.
- Each Friday, Audit Status update is prepared that breaks down overall PBC progress for the entire audit as well as timeliness of PBC delivery.



Audit Execution Cont.

- Walkthroughs
 - ❖ Avoid wandering, meandering, or confusing responses during the Audit Process walkthroughs. Stick to the questions being asked.
 - ❖ It is okay to have silence during walkthroughs rather than providing extraneous information just to fill the air
 - ❖ Speak only to your specific process areas to avoid additional questions from external auditors. If another meeting is needed to discuss certain topics/issues, ACT will reach out to the appropriate POC
 - ❖ At the end of every business process walkthrough, ask the Auditor if they received all expected responses to their questions
 - ❖ Support from contractors is acceptable, however, government POC must be present at all times during the encounter (CC government POC on emails)



Audit Execution Cont.

- Audit Findings/NFRs
 - ❖ Request all audit finding by external auditors will be discussed with key process owners, program managers
 - ❖ Audit issue papers issued by external auditors will be reviewed by functional owner's manager or supervisors. Issue paper responses to include fully articulated compensating controls presence to mitigate the identified findings, if any
 - ❖ External Auditor proposed (draft) Notification of Finding and Recommendation shall be reviewed for accuracy, completeness and must be actionable. Ensure that the deficiency is link to correct GAO green book principles
 - ❖ Management response on issued NFR shall be include proposed actions to remediate the findings



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Post Audit Activities

- Robust NFR remediation efforts throughout entire enterprise. Detailed corrective steps with engagement at senior management level of each of the entity, focus on addressing long-standing and repeat NFR's
- Key process owners and program managers have tied NFR's to GAO green book principles and an emphasis has been placed on remediation efforts focusing on root causes
- Repeat NFR's are reviewed by Comptroller with functional managers and process owners
- Completed NFR steps are referred to Office of Internal Control for independent verification and validation actions
- Fully remediated NFRs are reported to agency Risk Management and Assurance team
- Collect audit feedback and lessons learned from all stakeholders, develop action items to improve audit activities for the next audit season, identified audit issues are discussed with the OIG and CFO offices



Auditor Interactions

Do's

- Realize auditors may not fully understand all business processes. It is incumbent upon the auditee to provide full description of the business process
- Be prepared for meetings and walkthroughs, stay within the agenda
- Limit comments to areas where you have "first hand" knowledge
- Meet all set deadlines - deadline extension is exception "not a rule"
- Recommend alternate key supporting documents when appropriate for auditor's review – you know your business better than the auditor
- Be responsive to the auditors requests – only provide what is asked

Don'ts

- Provide extraneous, extra, or irrelevant data or documents not requested - it create confusion to the examining auditor and may result to additional audit scrutiny
- Guess or speculate or answer hypothetical questions – it is okay to say "I don't know, I will find out the answer and get back to you"
- Agree or disagree with opinions
- Sign anything on behalf of the agency



Audit Practical Hints

- Remind auditors to issue new PBC requests when asking for something outside the original requests
- Provide updates on delayed documentation which may take time to deliver to auditors
- Request a phone call or inquire the need for any unusual information requested
- Do not submit documentation until process owners management review has been completed
- Review the PBC & due date within 24 hours of receiving the request, even if it is not due for a few months
- In all examples, it's okay to request a due date extension if additional time is needed; all extension must have approval from process owner management