



Statewide Accounting Operational Procedure

Subject File Reference:

Corrective Action Plans_2009_OP001

**Authoritative
References:**

See Authority
Section Below

Effective Date: 06/24/2009

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Audit Finding Corrective Action Plans

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Background and Scope:

The U. S. Office of Management and Budget has set forth standards to ensure consistency and uniformity in the audits of states, local governments, and non-profit organizations expending Federal awards. The preparation and issuance of the Single Audit Report represents a cooperative effort between the auditor and auditee. Among the auditee responsibilities is the requirement to follow up and take corrective action on audit findings, including the preparation of a corrective action plan. Further, according to the Government Accountability Office's Internal Control Standards, monitoring of internal controls should include policies and procedures for ensuring that findings of audits and other reviews are promptly resolved.

Authority:

- Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
- Government Accountability Office, Standards for Internal Control in the Federal Government
- Official Code of Georgia Annotated (OCGA) 50-5B-3, Duties of the state accounting officer; recommendations for improving cash management practices; implementing policies

Applicability:

This procedural policy applies to all agencies, departments, commissions, courts, councils, boards, universities, colleges, retirement funds, authorities, associations, foundations, and other organizations for which financial information is reported in the State of Georgia Comprehensive Annual Financial Report (CAFR) and/or for which expenditures of Federal awards are reported in the State's Single Audit Report.

Operational Procedures:

At the completion of an audit, organizational units of the State of Georgia must develop corrective action plans to address each finding reported by the auditors.

Management of each state organization should closely monitor the status of corrective action plans to ensure that all audit findings are resolved in a timely manner. State organizations must report to the State Accounting Office quarterly on the status of their corrective action plans.

Corrective Action Plans – Within fifteen (15) working days of the date of the auditor’s report/letter containing audit findings, each state organization must submit a corrective action plan to both the State Accounting Office and the Department of Audits and Accounts for review. Information on how and where to submit the corrective action plan will be included in the auditor’s communication of findings. Required elements of a corrective action plan are as follows:

- Reference to finding control number (number assigned by auditor to finding)
- Statement of concurrence or non-concurrence
- Corrective action planned, including specific deliverables and anticipated completion date(s), or reason that corrective action is unnecessary
- Name and contact information of responsible official

Status of Corrective Action Plans – On or about the fifteenth day prior to the end of the calendar quarter, the State Accounting Office will send a communication and worksheet to all organizations with unresolved findings as of the last reporting period. On the fifteenth day of each month following the end of a calendar quarter, each state organization must report to the State Accounting Office (CAP_Status@sao.ga.gov) on the status of all audit findings until they are corrected or resolved. Status reports should contain the following information:

- Reference to finding control number (number assigned by auditor to finding)
- Indication of status of audit finding
 - Corrected – Previously reported corrective action implemented
 - Corrected – Significantly different corrective action implemented (provide explanation)
 - Partially Resolved* – Describe partial corrective action taken as well as planned corrective action
 - Unresolved*
 - Further Action Not Warranted - For a Federal award finding, a finding not warranting further action is one for which all of the following have occurred:
 - Two years have passed since the audit report in which the finding occurred as submitted to the Federal clearinghouse;
 - The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and
 - A management decision was not issued.

* Indicate whether or not the organization is on schedule to meet the anticipated completion date(s), or submit revised anticipated completion date(s) with appropriate explanation.

Definitions –

Audit finding – Deficiency which the auditor is required to report in the schedule of findings and questioned costs.

Corrective action – Action taken by the auditee that:

- Corrects identified deficiencies,
- Produces recommended improvements, or
- Demonstrates that audit findings are either invalid or do not warrant auditee action.

Federal award – Federal financial assistance and Federal cost-reimbursement contracts that non-Federal organizations receive directly from Federal awarding agencies or indirectly from pass-through organizations. The term does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accounting Treatment:

Not Applicable

Forms and Attachments:

Corrective Action Plan Instructions and Samples (Exhibit A)

Quarterly Status Report Instructions and Sample (Exhibit B)

Contact Information:

CAP_Status@sao.ga.gov

Corrective Action Plan Instructions and Samples

A corrective action plan should clearly describe measures that have been taken or will be taken to effectively resolve each audit finding. These corrective action plans will be published in the *Single Audit Report* of the State of Georgia, so great care should be taken in their preparation. To assist in this preparation, the following instructions and guidelines have been developed. Each corrective action plan will be reviewed by both the Department of Audits and Accounts and the State Accounting Office for adequacy. Should a plan fail to comply with these guidelines, notification of appropriate revisions will be communicated. Information on how and where to submit the corrective action plan will be included in the auditor's communication of findings.

Findings Requiring a Corrective Action Plan:

Corrective action plans are required for those findings disclosed in the *Schedule of Findings and Questioned Costs* as indicated by assignment of a Finding Control Number.

Required Elements:

Certain elements are required for each corrective action plan related to an audit finding. Corrective action plans without the required elements will be rejected. Required elements are listed below:

- Reference to Finding Control Number - Each plan should be referenced to the Finding Control Number assigned to that audit finding.
- Statement of Concurrence or Nonconcurrence - Each organizational unit should provide a statement of concurrence or nonconcurrence with the findings and recommendations. If your organization does not agree with a finding, specific information should be provided by your organization to support its position.
- Corrective Action - The plan should provide pertinent comments on the detailed action taken or planned to correct the deficiencies in the audit findings, or a statement, as appropriate, which describes the reason(s) that corrective action is unnecessary. For planned actions, specific deliverables and projected completion dates should be included.
- Contact Person - Officials responsible for completing the proposed actions should also be identified. Please indicate the name, title, telephone number, fax number, and e-mail address of the responsible official.

Other Elements of a Corrective Action Plan:

Other elements of a corrective action plan may be necessary depending upon the circumstances:

- If a finding appears as both a financial statement finding and a federal awards finding, you need only to respond to the federal awards finding and reference the financial statement finding to it.
- If your organization believes a questioned cost is an allowable cost, a statement providing reasons for that position should be included.
- If the cost is questioned because your organization failed to provide the auditors with documentation supporting the allowability of questioned costs, and the documentation subsequently becomes available, describe how the records document the allowability of the costs.
- If your organization determines that the questioned costs are unallowable or that the charges cannot be supported, a statement to that effect should be provided.
- If your organization has documents, correspondence, or other supporting documentation on file which is pertinent to your organization's response, make specific reference to such items in the response.

Corrective Action Plan Instructions and Samples

Things Not to Include in Corrective Action Plans:

Certain items should not be included in your plan, as indicated below:

- No excuses - Excuses or reasons why the finding occurred should not be included in your response, except as it is necessary to facilitate an adequate explanation of planned corrective action.
- No attachments - Do not include any referenced material as an attachment to the response. Due to the volume of information in the *Single Audit Report*, only your organization’s response will be incorporated into the report.

Also, do not retype the text of the audit finding in your plan. Only include a reference to the assigned finding control number as indicated in the required elements above.

Examples:

Financial Statement Findings and Questioned Costs - Finding

Finding Control Number: **FS-640-08-01**

CAPITAL ASSETS

Inadequate Capital Asset Records

Condition: Our examination of the accounting records of the Department disclosed the following deficiencies:

- (1) Land owned by the Department is reported in the capital asset inventory at \$1,234,567.89. Buildings owned by the Department are reported in the capital asset inventory at \$98,765,432.10, net of accumulated depreciation of \$12,193,876.75. The Department failed to provide an audit trail leading to documentation supporting the reported amounts.
- (2) The vehicle portion of machinery and equipment owned by the Department are reported in the capital asset inventory at \$45,678,910.12. The Department failed to provide an audit trail leading to the documentation accurately supporting the depreciation of the vehicle portion of machinery and equipment.

Criteria: The State of Georgia Capital Asset Guide requires that capital assets be reported by category at historical cost or estimated historical cost when actual records are not available. Donated assets should be reported at fair value at the time of donation. Capital assets, except for land and other inexhaustible assets, should be depreciated over their estimated useful life.

Questioned Cost: N/A

Cause: These deficiencies are a result of management’s failure to implement adequate policies and procedures to ensure that the Department’s capital assets are properly maintained.

Corrective Action Plan Instructions and Samples

Effect: The dollar value reported for land, buildings and related depreciation, and depreciation for vehicles may contain misstatements; however, the extent of these misstatements could not be determined.

Recommendation: Management should develop appropriate policies and procedures to ensure that all of the Department's capital assets and accumulated depreciation are properly accounted for and reported in accordance with the State of Georgia Capital Asset Guide.

Financial Statement Findings and Questioned Costs – Auditee Response

Finding Control Number: **FS-640-08-01**

CAPITAL ASSETS

Inadequate Capital Asset Records

We concur with this finding. The Department acknowledges that complete documentation was not available to provide an appropriate audit trail on the land and buildings. The Department was relying on tax assessment values for property and was unable to obtain an assessment from each county that property was occupied in. While most assessments have been received, some are still outstanding. We will continue to correspond with the county tax assessors' offices during this year to obtain the fair value of the land and buildings where documentation is currently missing. If we are unable to obtain this information on a timely basis, we will work with the Department of Audits and the State Accounting Office to develop an alternative method of valuation that may be acceptable.

The Department recognizes that maintaining appropriate documentation for depreciation on vehicles is a requirement that must be corrected. Machinery and equipment records are being maintained in PeopleSoft and are meeting the documentation requirements for recording depreciation. Immediate steps have been taken to develop an Excel spreadsheet which will meet the depreciation/accumulated depreciation guidelines for vehicles. A draft spreadsheet generated from the Fleet Anywhere system has been sent to the Department of Audits and has been given tentative approval. The Department will add this process to the year-end procedures.

Contact Person: John Jones, Director of Accounting and Finance

Telephone: (404) 555-1234; Fax: (404) 555-2345; E-mail: jjones@example.com

Corrective Action Plan Instructions and Samples

Federal Awards Findings and Questioned Costs - Finding

Finding Control Number: **FA-640-08-01**

ELIGIBILITY

Overpayment of Student Financial Aid

Student Financial Aid Cluster Program

Criteria: 34 CFR 668 provides general provisions for administering Student Financial Aid (SFA) programs, 34 CFR 690 provides eligibility and other related program requirements that are specific to the Federal Pell Grant Program, and Section 737 of the Public Health Service Act provides eligibility and administrative program requirements that are specific to the Scholarships for Disadvantaged Students Program.

Condition: The SFA Office improperly determined the financial need of eligible students.

Questioned Cost: \$1,000.00

Information: A sample of sixty financial aid files was selected to determine if financial aid was properly calculated and disbursed to eligible students. The items sampled contained financial aid disbursements of \$123,456.78 out of a population of \$12,345,678.90. Our examination revealed that three students received funds in excess of their eligible need totaling \$1,000.00 as shown below:

- (1) One student was disbursed Federal Pell Grant Program funds in excess of allowable limits. Federal regulations (34 CFR 668.20) state that only thirty semester hours of remedial course work may be included in a student's enrollment status and cost of attendance determination. The University's published policy states that if courses must be taken beyond 30 hours of academic credit, students must enroll at their own expense. The student in question exceeded the thirty hour limit Summer Semester 2003. This noncompliance resulted in an over-disbursement of \$500.00.
- (2) One student was not in compliance with the University's Repeat Policy Statement. The student in question was disbursed Federal Pell Grant Program funds based upon full-time enrollment status; however, the student was only eligible for funding based upon three-quarter-time enrollment status. This situation was a result of the student attempting to repeat a class that she had already taken and earned a "C". The University's policy states that once a grade above "D" is earned in a class, grades earned in any subsequent repeat of the same course will not be counted. This noncompliance resulted in an over-disbursement of \$250.00.

Corrective Action Plan Instructions and Samples

- (3) One student was not in compliance with the Student Financial Aid Guidelines for the Scholarships for Disadvantaged Students (SDS) Program. Section 737(d)(1)(A) of the Public Health Service Act states that students must be enrolled full-time in order to be eligible for SDS funds. The student in question received SDS funds while enrolled half-time. This noncompliance resulted in an over-disbursement of \$250.00.

Effect: SFA office was not in compliance with Federal regulations concerning the awarding of SFA funds to students. For three students, a total of \$1,000.00 was disbursed in excess of their eligibility.

A projection of these errors to the total sample population resulted in likely questioned costs in excess of \$10,000.00.

Cause: SFA office had not performed a risk assessment of its procedures to identify areas subject to nonconformity with eligibility requirements, and thus there were insufficient controls in place to assure that SFA funds were awarded in correct amounts to students based on their financial need.

Recommendation: The University should perform a risk assessment of its procedures to assure that a proper eligibility determination of a student's financial aid is made in line with regulations. Where vulnerable, the University should develop and/or modify its policies and procedures to ensure that correct amounts will be awarded to students in conformity with financial need requirements. Additionally, the University should develop and implement a monitoring process to ensure that controls are properly implemented.

Federal Awards Findings and Questioned Costs – Auditee Response

Finding Control Number: **FA-640-08-01**

ELIGIBILITY

Overpayment of Student Financial Aid

Student Financial Aid Cluster Program

We concur with this finding. The University has implemented procedures to ensure that exception reports are generated to ascertain if a student's eligibility, financial need calculation or cost of attendance budget has changed during the middle or at the end of each academic term. Students will be awarded packaged and disbursed funds in accordance with financial need requirements and adjustments will be timely made, if necessary, if a student's eligibility changes during the academic term.

Contact Person: Mary Smith, Director of Financial Aid

Telephone: (404) 555-1234; Fax: (404) 555-2345; E-mail: msmith@example.com

Quarterly Status Report Instructions and Sample

Each organization must report quarterly on the status of the corrective action plans (see Exhibit A) for all findings that remained open (unresolved or partially resolved) in the previous reporting period. From these quarterly status reports, the State Accounting Office will compile the summary schedule of prior year findings for inclusion in the *Single Audit Report* as required by OMB Circular A-133. Please take great care in preparing your response.

On or about the fifteenth day prior to the end of the calendar quarter, a worksheet template will be provided for you to complete. A separate worksheet with the finding control number, control category and specific deficiency must be completed for each finding not previously reported as resolved. These worksheets are due back to the State Accounting Office (CAP_Status@sao.ga.gov) on or before the fifteenth day of each month following the end of a calendar quarter.

In completing the worksheet, you must first check one of five status categories regarding the condition of the prior year finding. You may only check one of the following categories for each finding.

- Previously Reported Corrective Action Implemented,
- Significantly Differing Corrective Action Implemented,
- Partially Resolved,
- Unresolved, or
- Further Action Not Warranted.

Review the following table to assist you in your selection of one of the five status categories for each finding.

Status:	Criteria:
<i>Previously Reported Corrective Action Implemented</i>	The finding is fully corrected . The corrective action that was previously reported was implemented as designed.
<i>Significantly Differing Corrective Action Implemented</i>	The finding is fully corrected . The corrective action that was implemented, however, was significantly different than the corrective action originally planned and reported.
<i>Partially Resolved</i>	The finding is only partially corrected . The planned corrective action that was implemented only partially corrected the deficiency and certain aspects of the problem remain; or only partial corrective action was taken during the fiscal year to correct the stated deficiency.
<i>Unresolved</i>	The finding is not corrected . The planned corrective action was implemented but did not correct the deficiency and the stated condition remains; or no corrective action was taken to correct the problem.
<i>Further Action Not Warranted</i>	The finding is no longer valid or does not warrant further action (Financial Statement finding). A finding not warranting further action for a Federal Award finding is one where each of the following three situations has occurred: <ol style="list-style-type: none"> (1) Two years have passed since the audit report containing the finding was submitted to the Federal clearinghouse; (2) The Federal agency or pass-through agency is not currently following up on the finding; and (3) A management decision by the Federal agency was not issued within six months of receipt of the report.

Quarterly Status Report Instructions and Sample

If the status of “Partially Resolved” or “Unresolved” is selected, indicate by checking the appropriate box whether or not the planned corrective action is on track with the anticipated completion dates included in the corrective action plan.

The comments section of the worksheet should be completed as indicated in the table below, based on the status selected.

CRITERIA:	WHAT'S REQUIRED:
Previously Reported Corrective Action Implemented - Finding Closed	No additional comments are necessary when this situation is selected.
Significantly Differing Corrective Action Implemented - Finding Closed	Describe the corrective action taken and provide an explanation as to why the corrective action taken differed from what was originally planned and reported in a corrective action plan.
Partially Resolved	Describe the partial corrective action taken. Provide comments pertinent to the detailed action taken or planned to correct the deficiencies. For planned actions, provide projected dates for completion of major tasks. If applicable, state that the previously implemented corrective action only partially resolved the deficiency and describe how and why any additional corrective action that is planned should be successful in correcting the remaining deficiencies.
Unresolved	Provide comments pertinent to the detailed action taken or planned to correct the deficiencies. For planned actions, provide projected dates for completion of major tasks. If applicable, state why the previously implemented corrective action failed to resolve the deficiency and describe how and why the new corrective action that is planned should be successful in correcting the problem. Also, if your agency did not concur with a particular finding from the prior year, specific information should be provided to support this position along with specific reason(s) why corrective action is unnecessary.
Further Action Not Warranted - Finding Closed	Describe the reasons that the finding does not warrant further action. Refer to the table above for the conditions that must occur prior to this situation being selected.

If the space provided is insufficient to fully communicate all that is required, you may provide your comments on an attached document. However, do not include any reference material as an "attachment" to the response. Since your responses will be published, only your written comments can be included within the various reports.

Quarterly Status Report Instructions and Sample

Things Not to Include in Responses:

- No Excuses - Excuses of reasons why the finding occurred should not be included in your response, except as it is necessary to facilitate an adequate explanation of planned corrective action.
- No Individual Names - Individuals should be referenced by title, only if necessary, and the name of any individual should not be included in your response.
- No Specific Listing of Information Generally Considered Confidential - There is no reason to include any specific identifying information such as social security numbers, tax payer identification numbers, case numbers, etc., within your response. This information is generally considered confidential and should not be published.
- No attachments - Do not include any referenced material as an attachment to the response. Due to the volume of information in the *Single Audit Report*, only your organization's response will be incorporated into the report.

Example:

ORGANIZATION NAME:
Period Ended 06/30/2009

Finding Control FS-640-08-01 Control Category: Capital Assets Number:
Deficiency: Inadequate Capital Asset Records

<input type="checkbox"/> Previously Reported Corrective Action Implemented <input type="checkbox"/> Significantly Differing Corrective Action Implemented <input checked="" type="checkbox"/> Partially Resolved <div style="margin-left: 40px;"> <input type="checkbox"/> On Track <input checked="" type="checkbox"/> Not On Track </div> <input type="checkbox"/> Unresolved <div style="margin-left: 40px;"> <input type="checkbox"/> On Track <input type="checkbox"/> Not On Track </div> <input type="checkbox"/> Further Action Not Warrented

Comments:

During the period ended June 30, 2009 (the anticipated completion date), the Department was able to obtain assessment value information on 95% of the properties questioned, which supports the values reported for land and buildings in the capital asset inventory system. The new target date for completion of this activity is September 30, 2009.

Documentation for the depreciation/accumulated depreciation on vehicles not included in the PeopleSoft asset management module is being maintained on an Excel spreadsheet developed for this purpose. These values are being updated and verified monthly.