



Audit Corrective Action Plan Guide Sheet

Financial Policies and Procedures

What is an audit corrective action plan?

An audit corrective action plan is a document prepared in response to an auditor's findings. The corrective action plan provides the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date of the corrective action.

How does a grantee know when it needs an audit corrective action plan?

The auditor will give the grantee a report which includes the items listed below. The list of findings will note if there are systems or compliance issues the auditor believes will require a corrective action plan.

- ◆ An opinion about whether the financial statements meet accounting standards and if the information accurately reflects the grantee's financial situation
- ◆ A statement about the grantee's internal controls
- ◆ A summary about how well each audited program complies with federal rules and regulations
- ◆ A list of findings and/or questioned costs comprising:
 - ◆ A summary of the auditor's results
 - ◆ Problems with the financial statements
 - ◆ Questioned costs

What types of auditor's findings require a corrective action plan?

- ◆ Problems with internal controls
- ◆ Not complying with the regulations, terms, and conditions of a federal award
- ◆ Expenditures greater than \$25,000 questioned by the auditor as "allowable"
- ◆ Activities the auditor identifies as "fraud"
- ◆ Follow-up actions from previous audit findings which have not been completed as reported in a previous audit correction action plan

What types of system issues require a corrective action plan?

- ◆ Time and effort documentation not meeting standards (examples might be time is reported based on a projection and not actual hours worked or both the employee and the supervisor did not sign off the time and effort record)

- ◆ General ledger activities are not recorded so that the audit trail can identify separate grant expenditures
- ◆ Costs claimed are not supported with adequate documentation
- ◆ Inventory records do not reconcile with procurement records
- ◆ No policies are in place to ensure adequate financial management system standards
- ◆ Financial management procedures do not follow policies
- ◆ Segregation of duties is not adequate
- ◆ Financial statements are not prepared according to accounting standards

What types of grant compliance issues require a corrective action plan?

- ◆ Unallowable activities
- ◆ Unallowable costs
- ◆ Inadequate cash management
- ◆ Eligibility of program participants not appropriate
- ◆ Inadequate equipment management
- ◆ Matching funds not provided or accounted for properly (also called “level of effort”)
- ◆ Activities outside the period of performance (or availability) of the federal funds
- ◆ Vendors being suspended or debarred
- ◆ Program income not accounted for properly
- ◆ Subrecipient monitoring not documented

What to do if your auditor presents a report with findings requiring a corrective action plan?

An audit corrective action plan is an opportunity to improve the quality of your system. It can be helpful to gather a team including leadership, administration, financial, and program staff to review and develop a response to audit findings. This group can review the auditor’s findings and make sure they clearly understand each one. If not, the group can reach out to the auditor for more information.

When there is agreement with an audit finding, write a corrective action plan. Your funder may provide a template for a corrective action plan, no universal template is recommended. Generally, the corrective action plan will provide a full and complete description of:

- ◆ The corrective action item
- ◆ Who will be responsible for the item

- ◆ The anticipated date the item will be completed, e.g. aim for correcting sooner rather than later as this shows commitment to improvement – however, do not overpromise
- ◆ Include a statement about how you will prevent this type of finding in the future
 - ◆ For example, you may update a segregation of duties procedure or you may train staff around the issue. In the next audit, the auditor will monitor your progress on your corrective action plan, so document all activities you complete for your corrective action plan.

The corrective action plan needs to fully explain what action will be taken to:

- ◆ Correct identified deficiencies;
- ◆ produce recommended improvements; or
- ◆ demonstrate the audit does not warrant auditee action.

The federal agency – and your auditor – will follow up later to ensure the corrective action plan has been implanted and documented.

Sometimes a grantee might not agree with an auditor’s finding. If the review team believes it complied with the laws, regulations, standards, or best practices relevant to the issue, write a statement about why you believe you are in compliance. For example, the finding might be “expenditures of grant funds made outside of the period of availability for the federal funds.” But maybe the auditor noted the incorrect “period of availability” for that particular grant. You will have an opportunity to review the corrective action plan with the auditor before it is submitted to the federal government. The finding may be removed from your audit report. Write a corrective action reflecting a clear understanding of the problem and how the entity stays in compliance. When you disagree with a finding, write your corrective action plan statement for in a factual, respectful manner.

What does a response in a corrective action plan look like?

A corrective action plan is written on the grantee’s letterhead. For each audit finding a response is made which includes:

- ◆ Audit finding reference number
- ◆ Funding agency, program, CFDA #, and amount expended
- ◆ Finding
- ◆ Corrective action description/status

Sample Response:

Audit Finding Detail Sample

Grantee letterhead with
audit findings listed

Dear DOJ/OJP/OVC,

Audit Finding Reference Number: #####

Funding Agency, Program, CFDA, and amount expended

Department of Health and Human Services – Child Care Development Fund, CFDA 93.575 \$843,762

Finding

Eligibility - Documentation verifying beneficiary family income and family composition was not current and complete in all files.

Corrective Action Description/Status

The auditee concurs with this finding. A corrective action is in progress. Subrecipient monitoring revealed due to a high turnover in Tribal program staff an unsatisfactory number of client files lacked complete eligibility documentation for the 50th period tested in the past fiscal year. The Tribe's Education/Training Project Manager increased technical assistance to the Tribal sites including providing a template form to guide staff in ensuring complete eligibility documentation was included in client files, including verification of financial need and tribal enrollment of beneficiaries. On-going training in using the form is included in the regular subrecipient monitoring activities which will start 07/01/2020, then take place monthly for six months and then bi-monthly thereafter for this fiscal year.

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Where is the audit corrective action plan filed?

The audit correction action plan is part of the Form SF-SAC package which goes to the Federal Audit Clearinghouse. An example of the Form SF-SAC, Part IV: Corrective Action Plan section is provided below.

FORM SF-SAC		Report ID:	Version:
PART IV: CORRECTIVE ACTION PLAN			
1. Audit Finding Reference Number	2. Text of the Corrective Action Plan		
YYYY-###	Enter the text of the Corrective Action Plan exactly as it appears in the reporting package, excluding charts or tables. You may copy and paste this text directly from the reporting package.		
	10,000 characters		
This column is populated automatically from Part III, Item 4(e). One row is created for each unique reference number. This page cannot be used if no audit findings are reported on Part III, Item 1(c) (if "0" is entered in Part III, Item 1(c) for each award).	This column will display the text of the corrective action plan. If there are any charts or tables within the text of the CAP, "See Corrective Action Plan for chart/table" will be displayed in place of the chart or table. If the auditee qualifies as an Indian Tribe and opts not to authorize the FAC to make the reporting package publicly available, "Exemption for Indian Tribes" will be displayed in this column in place of the CAP text for each Audit Finding Reference Number.		

What types of activities can be completed as corrective actions (and prevention) for audit findings?

- ◆ Choose a **financial management system self-assessment** to help you build, strengthen, and monitor your system.
- ◆ Create and maintain a master grant file documenting:
 - ◆ Budget
 - ◆ Award agreement
 - ◆ Application
 - ◆ Grantor correspondence
 - ◆ Subrecipient monitoring
 - ◆ Financial reports
- ◆ Schedule project start-up meetings with all project partners, review program and fiscal issues, especially the reporting requirements
- ◆ Have a written expenditure review process and train staff on it, then conduct random internal monitoring to make sure the process is being followed
- ◆ Regularly monitor the budget and train staff on how to read actual-to-budget expenditure reports, how to monitor, get details, and make adjustments when necessary

References

- ◆ [The Single Audit Act, Amendments of 1996](#)
- ◆ [Single Audit Instructions, Checklists, and Forms, FY 2019-21](#)

- ◆ Title 2 - Grants and Agreements. Subtitle A - Office of Management and Budget Guidance for Grants and Agreements. Chapter II - Office Of Management And Budget Guidance. - Reserved. Part 200 - Uniform Administrative Requirements, Cost Principles, And Audit Requirements for Federal Awards. 2 CFR 200§200.500 Audit Requirements
- ◆ Federal Audit Clearinghouse

Resources

- ◆ TFMC Single Audit Guide Sheet
- ◆ TFMC Financial Management System Self-Assessment Guide Sheet
- ◆ TFMC Financial Management System Self-Assessment



The **OVC Tribal Financial Management Center (OVC TFMC)** provides **training, technical assistance, and resources** to support American Indian and Alaska Native communities as they successfully manage the financial aspects of their federal awards. OVC TFMC also offers support via our Virtual Support Center (VSC) to Office for Victims of Crime (OVC) grantees and those seeking federal funding from OVC for the first time. **Email questions or requests for grant financial management technical assistance to TFMC@OVCTFMC.org** or call **703.462.6900**. Visit OVCTFMC.org for additional resources and information.

Feedback Requested

OVC TFMC will continually work to provide resources to support grantees as they successfully manage their OVC financial awards. Your feedback assists us in creating these resources to meet your needs. To help us provide the most useful resources, we would appreciate your feedback on this guide sheet. Please send any comments or suggestions to Evaluation@OVCTFMC.org.

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