

## **Audits and Management Decisions**

June 2003

As mentioned during the entitlement conference last year, this office is fortunate that very few of the single audit reports performed for our Wisconsin communities come through with audit findings. However, when findings are indicated, we must deal with them and issue management decisions in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and instructions from the CPD Comptroller's Office. A "management decision" is our evaluation of the finding(s) and your response as contained in the audit, which typically indicates corrective actions taken or planned, and the issuance of a written decision as to the corrective action we consider necessary or appropriate, or whether the action already taken is adequate.

We have the responsibility for making management decisions on all CPD-specific findings and crosscutting findings, where CPD has the lead role, within six months of receipt of the audit. Even if the audit report contains a corrective action plan and a timetable for correcting the finding(s), we must still go through the formal management decision-making process in order to clear the finding(s).

All management decisions will be formally addressed to the grantee stating the following: whether or not CPD sustains the finding(s); the reason(s) for the decision to sustain or not sustain the finding(s); the expected grantee action to repay disallowed costs, to make financial adjustments, or take other corrective action, as appropriate; and a timetable for CPD follow-up if you have not completed the corrective action.

You are reminded that findings cannot be closed based on assurances. For example: If you say you are going to monitor a sub-recipient, we must have documentation to support that this has been done, and any questionable areas were reviewed. If you assure us that internal controls will be developed, we need copies of the new control procedures and must be satisfied with them before the finding can be closed. If you say you are going to centralize an activity to clear a finding, documentation must be submitted to show the centralization has actually occurred and is satisfactory. If a spreadsheet is submitted that shows when a review is going to occur, the finding cannot be closed until the actual review takes place and we have a copy of the review document.

As you can see, the work necessary to clear audit findings can be tedious and time consuming for your office and ours. The best we can hope for is that we have none or very few findings to deal with and that we work together to clear them. If you have any questions, please contact Judy Pringle, Financial Analyst, at (414) 297-3214, ext. 8113.