



Corrective Action Plans

For Officials of Minnesota School Districts, Charter Schools, Other Required Reporting Entities and Audit Firms

The Minnesota Department of Education (MDE) is a pass-through entity of federal awards and therefore must review each audit and any corrective action plans (CAPs). As prescribed in Office of Management and Budget (OMB) Circular A-133, a pass-through entity for federal awards is required to review a sub-grantee's audit and must ensure that appropriate and timely corrective action on audit findings happen within six months after receipt of the sub-grantee's audit report.

The intent of a CAP is not to require districts to hire more staff or require additional audit assistance; the intent is to have a CAP that shows progression toward eliminating the finding or mitigating an internal control weakness. Prior year audit findings that have not been eliminated will require a revised CAP unless there is an assurance from the auditor that progression has been made.

In order for MDE to ensure that appropriate and timely corrective action will occur with relation to a reoccurring audit finding, the following will be required:

1. The district may resubmit the FY 2011 CAP(s) if the auditor states in the finding that progression toward the elimination or mitigation of the prior year finding has occurred.
2. If the assurance has not been stated in the finding, a new CAP is to be submitted for approval in the prescribed format listed on the next page.

If a conscious decision by management or those charged with governance accept the risk of a significant deficiency or material weakness due to cost or other considerations, a statement explaining that position must be included in the CAP. By including this statement in the CAP, MDE will not require a revised CAP in order to comply with OMB A-133 (see above). However; reporting entities that take this position will be included in a report issued to the various divisions within MDE that administer federal programs. This report will be used in the evaluation process to determine future fiscal monitoring site visits of the various federal programs including, but not limited to: special education, title programs, discretionary grants, food service and adult basic education.

If you receive a letter from MDE requesting more information on your CAP and submit a revised plan, you will be notified within 60 days if additional information is required. MDE will notify reporting entities if their CAP(s) have been approved or accepted and no additional information will be requested.

If you have questions, please feel free to contact me at david.day@state.mn.us or 651-582-8384.

The recommended 2011-12 format for Corrective Action Plans:

The CAP(s) **MUST** identify the following items for each finding(s):

1. **Actions planned** in response to the finding;
Describe the new action that will be implemented to eliminate or mitigate the finding. See below for further clarification and examples.

2. The name and title of the **official responsible** for ensuring corrective action;
List the person ultimately responsible for carrying out the plan.
3. The **planned completion date** for the corrective action;
“Not Applicable” is not a valid response.
Provide information on the timeline toward implementation of the plan. If immediate implementation is required provide a specific date.
4. An **explanation** of any disagreement with the findings as developed by the auditor; and
MDE generally anticipates an entity would be in agreement with the auditor’s finding.
5. A **plan to monitor** completion of corrective actions.
“Not Applicable” is not a valid response.
Enter **who** is responsible to monitor implementation and **how** the monitoring will be conducted.

From the 2012 UFARS Manual Overview Chapter:

Each audit will need to include the components listed below. MDE does review each audit and the reporting entity will be required to submit any missing components. Reporting entities failing to provide the necessary components will be included in a report of non-compliance to the fiscal monitors of federal programs and used in the risk assessment criteria for future site visits.

1. MDE requires that financial statement audits be conducted in accordance with Generally Accepted Government Auditing Standards (Yellow Book), the federal Single Audit Act and the Minnesota Legal Compliance Guide as issued by the Office of the State Auditor. In a Single Audit engagement, please refer to OMB Circular for reporting requirements.
2. Audited financial statement must also provide a statement of assurance pertaining to uniform financial accounting and reporting standards (UFARS) compliance.

If there are any state or federal audit findings, MDE requires a Correction Action Plan (CAP) for each finding. The CAP must be included within the LEA audit for MDE review. Audit findings should be numbered with the fiscal year and audit finding number (for example, 20XX-01, 20XX-02, 20XX-03).

A corrective action plan should contain the following elements for each finding(s):

- (1) An explanation of any disagreement with the findings;
- (2) Actions planned in response to the finding;
- (3) The official responsible for ensuring corrective action;
- (4) The planned completion date for the corrective action; and
- (5) A plan to monitor completion of corrective actions.

Examples of Frequent Findings:

FINANCIAL STATEMENT PREPARATION

While the district may not have adequate controls in place to eliminate this finding, the district must have an internal control policy in place to document its annual review of the financial statements.

Sample response of Actions Planned for Financial Statement Preparation

The district will continue to have the auditor prepare the financial statements; however, the district has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

AUDIT ADJUSTMENTS AND JOURNAL ENTRIES

A response indicating that the auditors will continue to prepare journal entries or perform audit adjustments will not be approved. Establish an internal control policy to document the review and approval of adjustments and journal entries.

Sample response:

Actions Planned for Audit Adjustments and Journal Entries

The district will establish an internal control policy to document the review and approval of adjustments and journal entries.

INTERNAL CONTROLS – SEGREGATION OF DUTIES

While we understand that the cost of hiring additional staff may outweigh the benefit of providing adequate segregation of duties, the action plan should address oversight controls to mitigate segregation of duty findings. The district should understand the specific area(s) that created this finding and address the oversight controls needed.

Sample responses:

Actions Planned for Approval of Journal Entries

The district was cited for lack of approval of journal entries. A policy was established to provide oversight of journal entries. As provided in the policy, the superintendent will review journal entries posted to the system on a monthly basis.

Actions Planned for Bank Reconciliation Process

The district was cited for lack of segregation in the bank reconciliation process. A policy was established to provide oversight of the bank reconciliation. As provided in the policy, the superintendent will review the bank reconciliation for unidentified variances and unusual reconciling items.