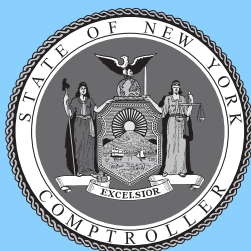




OFFICE OF THE STATE COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY

**Responding  
to an OSC  
Audit Report:**

**Audit Responses  
and Corrective  
Action Plans**



**Thomas P. DiNapoli**  
State Comptroller

*June 2011*

## Audit Responses and Corrective Audit Plans

The Office of the State Comptroller's (OSC) audits often identify opportunities for improving operations and governance. They can also identify strategies to reduce costs and strengthen controls intended to safeguard assets. These varying scopes and objectives will therefore present many different types of findings and recommendations. It is our goal that every audit have a positive result and that audit findings and recommendations present local officials with the opportunity to take positive action and to document their efforts to improve operations.

When local officials promptly focus on findings and recommendations contained in audit reports, and put into writing their response to these reports, audits will serve as the effective management tools they should be.

As officials responding to an audit, you will be asked to prepare two documents at the end of the audit process – a written audit response to our draft audit report and a corrective action plan (CAP) in response to the final audit report. These are two different documents with different purposes. Your audit response tells us what you think about our draft findings and recommendations. It is also your opportunity to provide information to allow us to correct any inaccuracies in our report before it is finalized. Your CAP tells us how you plan to correct the findings and implement the recommendations in our finalized audit report. Many local officials ask if these two things can be covered in one document. Under certain circumstances, outlined below, your written audit response might also qualify as your CAP.

This brochure contains additional information and guidelines about the written audit response and the CAP and the differences between these two documents.

## Written Response to the Draft Audit Report

Your written response to our audit summarizes your local government's position concerning our draft findings and recommendations. Our draft report (or draft letter report) tells you what we found and what we recommend you do to improve. Your response communicates what you think about those findings and recommendations. It is your reaction to the report, including whether you are in agreement with the report findings. Because we include your audit response in an appendix to the audit report, it also adds balance to the report as readers will be informed of your perspective on our findings and recommendations.

At this point, the written response to the draft audit report is not intended to be a formalized CAP. We are not asking for details on specific corrective actions taken or planned in response to the findings and recommendations contained in this draft report. We recognize that a formalized, well-thought out CAP can take some time for officials to develop. That is not to say you cannot provide those specifics if they are known at the time the audit response letter is prepared; it is just not our expectation that you do so in the audit response letter.

## WHAT IS THE PROCESS?

Near the end of the audit, OSC will provide local officials with a copy of the draft audit report. OSC staff will also, as a general rule, schedule a discussion with appropriate officials to go over the tentative findings and recommendations contained in that draft audit report. You will have **30 days** from the date the draft audit report is provided to you to respond, although we encourage a shorter response time whenever possible. Submitting your response to our audit in writing within 30 days helps to ensure timely processing of the report.

We accept **only one** response from your local government. The response should:

- √ Be signed by the chairman of the governing board or the chief executive officer or someone acting on his or her behalf
- √ Be on official local government or school district stationery
- √ Tell us your position concerning the audit findings – do you agree or disagree with what we reported?

There is one exception to the one response rule: if our audit report has findings relating to a separately elected official's office or department (like a town clerk or highway superintendent), then that separately elected official may also respond on his or her own behalf.

## **WHERE DOES THE AUDIT RESPONSE LETTER GET SENT?**

Generally, audit responses are sent to the attention of the Chief Examiner of the OSC regional or statewide office which conducted the audit. The addresses of the OSC offices can be found at the end of this brochure. Members of the audit team will provide you with the particular OSC address for submitting your written audit response.

## **WHAT HAPPENS AFTER WE RECEIVE YOUR RESPONSE?**

Once we receive your response letter, we will evaluate the response to see if it causes us to remove or modify a finding or recommendation. We will also send you a letter confirming that we received your written response.

The general content of your response letter (whether you agreed with our findings or not) will be summarized in the audit report's executive summary and the entire response letter will be included as an appendix to the final published audit report. However, we do not include voluminous attachments to responses in the final audit report. Therefore we suggest that you limit the amount of attachments to your response. If you have significant documents that you think would change our report findings, you should contact the audit team and discuss the issues with them. We also recommend that you avoid including information in the audit response that is considered confidential or sensitive in nature.

## **WHAT HAPPENS IF WE DON'T RECEIVE YOUR RESPONSE?**

If you do not submit a response letter, we will release the final audit report with a statement in the executive summary that you did not submit a written response within the time required.

## Corrective Action Plans

All local governments that receive audit reports with recommendations should file a CAP with OSC. School districts and BOCES, as well as fire districts, that receive audit reports with recommendations are statutorily required to prepare and file a written CAP with OSC. School districts and BOCES must also file their plans with the New York State Commissioner of Education.

CAPs provide an opportunity for the governing board to communicate how audit findings and recommendations will be used positively to improve operations and internal controls. Although implementation plans may be designed by key officers and managers within the local government or school district, the governing board, with the audit committee (if applicable), must review and approve the entire CAP. We believe the governing board's oversight of the CAP process is important because it sends a positive message to the public and to employees about the "tone at the top" regarding the board's commitment to safeguarding assets and making government operations more effective.

## **WHAT SHOULD BE INCLUDED IN THE CAP?**

When preparing your plan, each corrective action should be described in sufficient detail to demonstrate clearly what corrections have occurred or are planned in response to each recommendation, who within the local government or school district is responsible for implementation, and the implementation date. To be considered effective, the corrective actions must be suitably designed to remedy the conditions described in our audit report. If corrective action is not planned for certain recommendations, an explanation should be provided. If the plan indicates that a recommendation will not be implemented, but equally effective action will be taken to address the situation, the alternative action should be described in sufficient detail to allow us to assess its reasonableness. In instances where you disagree with a recommendation, your plan should provide a discussion of the nature of the disagreement and a reasonable explanation for not taking corrective action.

A CAP template has been included in this brochure to assist you with preparing your plan.

## **WHEN SHOULD THE CAP BE PREPARED?**

The optimal time for preparing your CAP is after the final audit report has been issued. Under various provisions of law, the governing board should submit its CAP to OSC no later than 90 days after the final report is released.

If we do not receive your CAP within 90 days of the release of the final audit report, we will send you a letter reminding you that you have not submitted your CAP.

The CAP should be sent within 90 days:

Electronically, as an attachment, to:

[caps@osc.state.ny.us](mailto:caps@osc.state.ny.us)

Or in paper format to:

Office of the State Comptroller  
Division of Local Government & School Accountability  
PSU – CAP Submission  
110 State Street, 12th Floor  
Albany, NY 12236.

Additionally, school districts and BOCES should submit their CAPs to the State Education Department within 90 days:

Electronically to:

[OAS@mail.nysed.gov](mailto:OAS@mail.nysed.gov)

Or in paper format to:

New York State Education Department  
Office of Audit Services, Room 524 EB  
89 Washington Avenue  
Albany, NY 12234.

## **WHAT HAPPENS AFTER WE RECEIVE YOUR CAP?**

Once we receive your CAP, we will evaluate the plan to ensure that it is responsive to each of the recommendations in the audit report and specifies who is responsible for implementing the corrective actions and when.

We will send you a letter of acknowledgement if the CAP meets those requirements. We will also notify you by letter if the CAP is not responsive to the recommendations. If that is the case, our letter will outline our concerns with your submitted CAP.

## Combining Your Audit Response Letter and Your CAP

If the governing board would like to combine its audit response letter and CAP into a single document, the board may do so if the combined document contains the information requested for each of these documents. Audit reports with numerous or detailed findings and recommendations, and other complex reports, may not be conducive to a combined response. However, if your governing board feels that a combined response is appropriate for the nature and scope of your audit report, we will accept a combined response letter and CAP as long as it is received no later than **30 days** from the date the draft audit report is provided to you.

A combined response should:

- √ Tell us your position concerning the audit findings – do you agree or disagree with what we reported?
- √ Tell us that the audit response is also serving as the CAP
- √ In detail, describe what corrections have been planned, who will implement the corrections, and the implementation dates
- √ If applicable, explain why certain recommendations will not be implemented
- √ Be on official local government or school district stationery
- √ Be approved by the governing board.

# Corrective Action Plan Template

[on official stationery]

Unit Name:

Audit Report Title:

Audit Report Number:

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

**Audit Recommendation:**

*Provide the recommendation as it appears in the audit report.*

**Implementation Plan of Action(s):**

*The implementation plan should be in sufficient detail to –*

- a. Clearly demonstrate what actions have occurred or are planned OR*
- b. Why actions are not being taken.*

**Implementation Date:**

*Provide the actual or planned implementation date of the corrective action.*

**Person Responsible for Implementation:**

*Indicate who is responsible for the actions.*

Signed:

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Name  
[Title]

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Date

## Questions to Ask Yourself Before Submitting Your CAP:

After you have completed your CAP (or response letter to be considered your CAP), take a step back and ask yourself if you can answer yes to each of these questions before you send it to us:

- √ Does the plan have governing board approval?
- √ Did the audit committee review the CAP (if applicable)?
- √ Are all of the audit recommendations adequately addressed in the CAP?
- √ Are the corrective actions communicated clearly in sufficient detail?
- √ Does the plan identify who is responsible for the actions?
- √ Does the plan indicate the intended implementation date of each corrective action?
- √ If corrective action is not taken or proposed, is an explanation provided? Is the explanation reasonable?

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Steven J. Hancox, Deputy Comptroller (518) 474-4037  
Cole H. Hickland, Director - Direct Services (518) 474-5480  
Jack Dougherty, Director - Direct Services (518) 474-5480

**Need help?**

**Assistance with your response or CAP is available at the following offices:**

**BINGHAMTON REGIONAL OFFICE – H. Todd Eames, Chief Examiner**

State Office Building, Room 1702 • 44 Hawley Street • Binghamton, New York 13901-4417  
**Tel** (607) 721-8306 • **Fax** (607) 721-8313 • **Email:** [Muni-Binghamton@osc.state.ny.us](mailto:Muni-Binghamton@osc.state.ny.us)  
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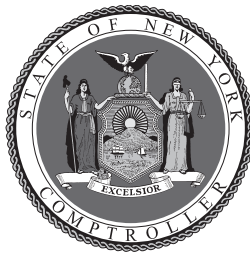
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