

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
COMMISSIONERBETH GATES
DIRECTOR**Corrective Action Plans
Single Audit Act Amendments of 1996
New Requirements for Local Governments**

In July of 1996, the federal government signed into law the Single Audit Act Amendments of 1996. The 1996 Amendments substantially revised the various provisions of the Single Audit Act of 1984. Both the state and federal Office of Management and Budget (OMB) revised their single audit circulars to include the single audit process in the 1996 Amendments.

All local government officials who are responsible for corrective action of audit findings should be knowledgeable of the new single audit requirements in the 1996 Amendments and the federal OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the state OMB Circular 98-07, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid. Sections 300 through 320 of OMB A-133 are especially important.

Beginning with audits for fiscal periods ending June 30, 1997, all local government units must prepare and submit a Corrective Action Plan, as part of the annual audit process, in accordance with OMB A-133 and 98-07, and this Notice. The Corrective Action Plan shall cover all findings and recommendations (including state, federal, and general or financial statement findings) in the audit report. It should be prepared by the Chief Financial Officer of the local government unit, with assistance from other officials affected by the audit recommendations and approved by the governing body of the local government unit. In addition to the Plan, the local government unit shall prepare a Summary Schedule of Prior Audit Findings when a single audit is required by OMB A-133 and OMB 98-07.

Corrective Action Plan

At the completion of the audit, the local government unit shall prepare a Corrective Action Plan to address each audit finding in the current year audit report. The plan is to include the reference numbers the auditor assigned to the audit findings, the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the local government unit does not agree with the audit findings or believes corrective action is not required, then the plan shall include an explanation and specific reasons. However, any corrective action cited in the plan must be initiated within six months after receipt of the audit report. The suggested format for the Corrective Action Plan is attached.

Director's Office
609-292-6613Local Government
Research
609-292-6110Financial Regulation
and Assistance
609-292-4806Local Finance
Board
609-292-4537Local Management
Services
609-292-7842Authority Regulation
609-984-0132Fax
609-984-7388

Summary Schedule of Prior Audit Findings

The Summary Schedule of Prior Audit Findings reports the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs. Findings should include the reference numbers assigned by the auditor and the fiscal year in which the finding initially occurred. The summary schedule should also include audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings except audit findings listed as corrected, no longer valid or not warranting further action.

When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken; or

When audit findings were not corrected or were only partially corrected, the summary schedule should describe the planned corrective action as well as any partial corrective action taken; or

When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the federal or state agency's or pass-through entity's management decision, the summary schedule should provide an explanation; or

When the local government unit believes the audit findings are no longer valid or do not warrant further action, the reasons for this position should be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

Two years have past since the audit report in which the federal or state award finding occurred was submitted to the Federal Clearinghouse or Division;

The federal or state agency or pass-through entity is not currently following up with the auditee on the audit finding; and

A management decision was not issued.

When a single audit is required by OMB A-133 and OMB 98-07, the local government unit shall prepare a separate Corrective Action Plan and a Summary Schedule of Prior Audit Findings relative to federal and state awards. The single audit plan and summary schedule are to include findings relative to the financial statements and be submitted as part of the reporting package(s). The Chief Financial Officer shall sign the data collection form which is submitted with the reporting package(s). The suggested format for the Summary Schedule of Prior Audit Findings is attached. Nevertheless, the Division's copy of the local government unit's Corrective Action Plan shall include all current year audit findings and any unresolved prior year audit findings (state, federal or financial statements).

The Corrective Action Plan (Division Copy) must be placed on file with the Clerk of the local government unit and referenced in the "synopsis" of the audit report that is published in a local newspaper. A copy of the synopsis is sent to the Division. The suggested language for the audit synopsis is attached.

Beginning with audits for fiscal periods ending June 30, 1997, all local government units will submit to the Division one copy of their annual/single audit report, Corrective Action Plan (Division Copy), and if applicable, the management letter, and two copies of the federal OMB's data collection form and reporting package(s). An additional copy(s) of the reporting package must be submitted to the Division for each federal awarding agency if the schedule of findings and questioned costs disclosed audit findings or if the summary schedule of prior audit findings reported the status of any previous findings related to funding provided directly by that agency.

For audits for fiscal periods ending on or after December 31, 1997, all local government units shall submit to the Division one copy of their annual/single audit report, Corrective Action Plan (Division Copy), and if applicable, the management letter, federal OMB's data collection form, and reporting package(s) as required by OMB A-133 and OMB 98-07. In addition, local government units who are recipients of federal awards will submit a data collection form, and reporting package(s) as required by OMB A-133, to the **Federal Audit Clearinghouse**, Bureau of the Census, 1201 East 10th Street, Jeffersonville, Indiana 47132.

Note:

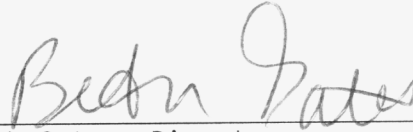
Under the 1996 Amendments, the Federal Clearinghouse is responsible for the distribution of the reporting package(s) to the applicable federal awarding agency(s). For state awards (including pass-through federal dollars received from state agencies), the auditee (or local government unit) is responsible to submit a copy of the data collection form and reporting package to each state agency that provided financial assistance.

Audit Due Dates:

Municipal and County Audits must be completed within six months from the close of their fiscal year, and the annual/single audit report, including the Corrective Action Plan, and if applicable, the management letter, data collection form and reporting package(s), is to be submitted to the Division no later than sixty days from the receipt of the audit report by the local government unit.

In all cases, a copy of the audit must be sent to the Division, and the synopsis published in a local newspaper, with a copy sent to the Division.

If you have any questions about the Notice, you may contact the financial regulation unit at (609) 292-4806.



Beth Gates, Director
Division of Local Government Services

Distribution:

Municipal and County Chief Financial Officers
Registered Municipal Accountants

**New Jersey Department of Community Affairs
Division of Local Government Services**

Sample Corrective Action Plan (State Awards)

Township of Somewhere
County of Anywhere
Audit report Year: June 30, 1998

Department of Roads and Bridges
Joe Somebody

State Department of Transportation
Division of Highways
Acct #4200-100-043-4300-6210
Grant Agreement #98-00001

Finding/Condition #1:

Billings to request grant reimbursement were not submitted timely. Generally, the municipal engineer submits the information to the state at the end of the grant period. Also, the grant did not appear on the prior year's Schedule of expenditures of State Financial Assistance.

Recommendation:

Billing procedures should be coordinated between the municipal engineer and the finance office to ensure timely submission and monthly reimbursement of program expenditures.

Explanation and Corrective Action:

The Municipal Engineer lacked direct knowledge in the billing of project expenditures and neither the Department of Roads and Bridges or the Finance Office was able to reassign staff until the beginning of March 1999 to resolve this issue. The Finance Office has assigned a bookkeeper to assist the Municipal Engineer in the billing of program expenditures on a monthly basis.

Implementation Date: 4/30/99

**New Jersey Department of Community Affairs
Division of Local Government Services**

Sample Corrective Action Plan (Federal Awards)

Township of Somewhere
County of Anywhere
Audit report Year: June 30, 1998

Department of Human Resources
Joe Somebody

Federal Department of Health and Human Services
Division of Human Resources
Grant #6-33-1134 (CFDA #12.010)

Finding/Condition #1:

Program expenditures exceeded the federal award which provided assistance to applicants relocating to urban areas.

Recommendation:

A monthly projection report should be prepared by the grant unit. This will provide management with a tool to monitor program expenditures.

Explanation and Corrective Action:

The Township had difficulty finding a replacement for the senior budget analyst who retired in September of 1997. A college graduate was hired in October of 1998 and trained for the budget position. Projection reports are being prepared for the 1999 grant award.

Implementation Date: 11/30/98

**New Jersey Department of Community Affairs
Division of Local Government Services**

Sample Summary Schedule of Prior Audit Findings (Federal and State Awards)

Township of Somewhere
County of Anywhere
Audit report Year: June 30, 1998

Federal Department of Transportation
Division of Aeronautics
Grant #5-22-0062 (CFDA #17.104)

1997 Finding/Condition #1:

Expenditure information was not submitted timely to the grantor for reimbursement.

Status:

Corrective Action was taken on 3/1/98.

State Department of Transportation
Division of Highways
Acct #4200-100-043-4300-6210
Grant Agreement #97-00001

1997 Finding/Condition #2:

Billings to request grant reimbursement were not submitted timely. Generally, the municipal engineer submits the information to the state at the end of the grant period. Also, the grant did not appear on the prior year's Schedule of expenditures of State Financial Assistance.

Status:

Corrective Action was taken on 3/1/98.

**New Jersey Department of Community Affairs
Division of Local Government Services**

**Suggested Audit Synopsis Language for
Corrective Action Plans**

A Corrective Action Plan, which outlines actions the (insert name of local government) will take to correct the findings listed above, will be prepared in accordance with Federal and State requirements. A copy of it will be placed on file and made available for public inspection in the Office of the Municipal (or County) Clerk.