

Corrective Action Plans and Trends

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Corrective Action Plans



IC 5-11-5-1.5(a)



- “As used in this section, “audited entity” includes only the following:
 - (1) A state agency (as defined in IC 4-13-1-1)
 - (2) A public hospital
 - (3) A municipality
 - (4) A body corporate and politic
 - (5) A state educational institution
 - (6) A entity to the extent that the entity is required to be examined under IC 5-11-19 or another law.”

IC 5-11-5-1.5(b)



“If an examination report of the audited entity contains a finding that an audited entity failed to observe a uniform compliance guideline established under IC 5-11-1-24(a) or to comply with a specific law, the audited entity shall take action to address the audit finding.”

IC 5-11-5-1.5(c)



“If a subsequent examination report of the audited entity contains a finding that is the same as or substantially similar to the finding contained in the previous examination report described in subsection (b), the public officer of the audited entity shall file a corrective action plan as a written response to the report under section 1(b) of this chapter.”

IC 5-11-5-1.5(d)



“The state board of accounts shall create guidelines for use by an audited entity to establish a corrective action plan described in subsection (c). The guidelines must include a requirement that the issue that is the subject of a finding described in subsection (c) must be corrected not later than six (6) months after the date on which the corrective action plan is filed.”

IC 5-11-5-1.5(e)



“After successful completion of a corrective action plan by an audited entity that was required to file a corrective action plan under subsection (c), the audited entity shall notify the state board of accounts. The state board of accounts shall review each corrective action plan. If a corrective action plan is not implemented or the issue that is the subject of the finding is not corrected within (6) months, the state board of accounts shall prepare a memorandum summarizing:

- (1) the examination report finding;
- (2) the corrective action plan;
- (3) the manner by which the examination report finding was or was not addressed; and
- (4) a recommended course of action

IC 5-11-5-1.5 (f)



“The state board of accounts shall present to the audit committee established by IC 2-5-1.1-6.3 a memorandum described in subsection (e). If the audit committee determines that further action should be taken, the audit committee may do any of the following:

IC 5-11-5-1.5(f)
(Continued)



- (1) Request a written statement from the public officer of the audited entity.
- (2) Request the personal attendance of the public officer of the audited entity at the next audit committee meeting.
- (3) Request that the public officer of the audited entity take corrective action.

IC 5-11-5-1.5(f)
(Continued)



(4) Notify the:

(A) office of management and budget; or

(B) officer or chief executive officer, legislative body, and fiscal body of the audited entity and the department of local government finance;

That the audited entity refused to correct the audited entity's failure to observe a uniform compliance guideline established under IC 5-11-1-24(a), or refused to comply with a specific law, with notice of the recommendation described in subsection (e)(4) published on the general assembly's Internet web site.

IC 5-11-5-1.5(f)
(Continued)



(5) Refer the facts drawn from the examination and the actions taken under this section for investigation and prosecution of a violation of IC 5-11-1-10 or IC 5-11-1-21 to the:

(A) inspector general, in the case of an audited entity is a state agency, body corporate and politic, or a state educational institution; or

(B) prosecuting attorney of the county in which a violation of IC 5-11-1-10 or IC 5-11-1-21 may have been committed in the case of any other audited entity;

With notice of the referral published on the general assembly's Internet web site. Notice of a referral described in clause (B) must be sent to the officer or chief executive office, legislative body, and fiscal body of the audited entity.

IC 5-11-5-1.5(f)
(Continued)



- (6) Recommend that legislation be introduced in the general assembly to amend any statute under which the audited entity if found to be noncompliant

- (7) Recommend that the state board of accounts examine the audited entity within the calendar year following the year in which the audited entity was required to file a corrective action plan under subsection (c).”

Audit - Exit Conference



- Information on CAPs should be provided at the exit conference.
- Template
 - <https://www.in.gov/sboa/files/CAP.pdf>
- Guidelines
 - <https://www.in.gov/sboa/files/1031-Guidelines.pdf>
- Instructions
 - <https://www.in.gov/sboa/files/CAP-Instructions.pdf>

Overview ▾

Corrective Action Plan (CAP) - Repeat Findings ▾

Effective July 1, 2017, IC 5-11-5-1.5 (House Bill 1031) went into effect that requires entities audited by the SBOA to submit a Corrective Action Plan for any noncompliance issues that have been repeated from prior reports.

We have created the following guidelines and FAQs in regards to this: [1031 Guidelines](#)

If you need to submit a CAP, please [click here](#).

[CAP Template](#) - This is a template of the CAP for your reference, but please remember, you have to submit it online via the link above. For any modifications that are requested by the SBOA, we will contact the submitter via email.

[CAP Instructions](#)

Please submit any questions you have related to this process to CAP@sboa.in.gov.

CORRECTIVE ACTION PLAN FOR

Report period:	
Title of result and comment:	
Contact person Responsible for Corrective Action:	
Contact's Phone Number:	
Contact's Email Address:	
Views of Responsible Official:	
Description of Corrective Action Plan:	
Anticipated Completion Date:	
If applicable: Document reason issue will NOT be corrected within 6 months:	

Three core sections.
Be detailed!

View(s) of Responsible Official



- Two Options:

1. “We Agree”

Or,

2. “We do not agree because...”

Description of Correction Action Plan



- Clearly describe the steps necessary to correct the repeat finding; note which items have already been corrected and those which are still planned for action

Correction Action Plan Approach



- Identify the root cause
 - What happened to create the noncompliance?
 - Why does the audited entity continue to have this issue?

Corrective Action Plan Approach



- Prepare a detailed plan:
 - Describe in detail the resources which will be allocated to correct the issue.
 - Provide detail of system changes to be enacted, changes to processes or changes to personnel duties.
 - Evaluate whether corrective action items are suitably designed to remedy the conditions described in the examination report.
 - State if some corrective action items have already occurred.

Anticipation Completion Date



- IC 5-11-5-1.5(e) requires that the issue that is subject to the finding be corrected within six months.
 - 6 month corrective window does not start until we “accept” the CAP.
 - If applicable, Document reason issue will **NOT** be corrected within 6 months. Include detailed reasons for the extended period of time needed to correct the issue.
 - Each step in the corrective action plan should have an anticipated completion date.

Misc. CAP items



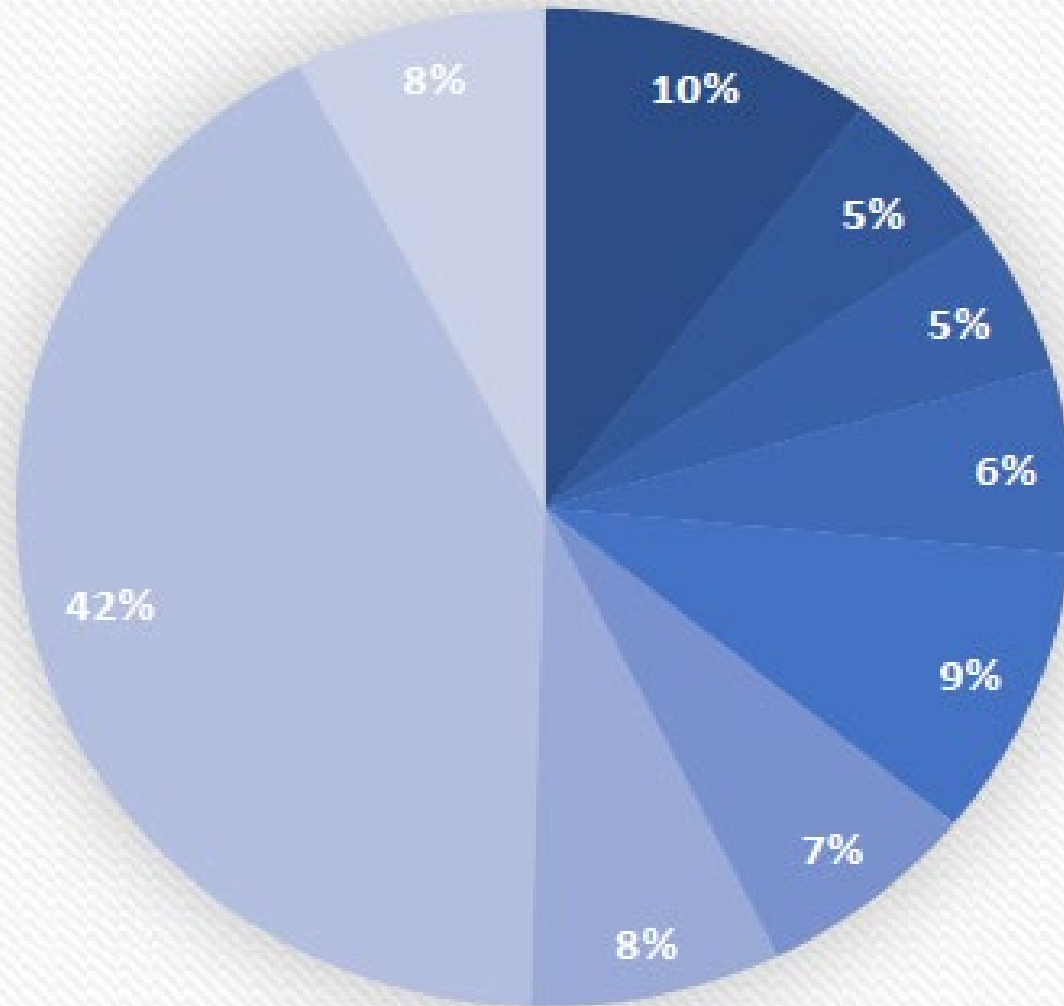
- After the exit conference, the audited entity will have ten calendar days to submit a response to the SBOA
- If you need an extension – email CAP@sboa.in.gov
- The CAP filed on our website will be a publicly disclosable document

CAP writing - an Opportunity



- This should be your plan to fix the issue.
- Take advantage of us!
- Should stand on its own

Townships



- Annual Financial Report
- Appropriations
- Bank Account Reconciliations
- Certification/Adoption/Training on IC
- Contracts
- Internal Controls Over Financial Transactions and Reporting
- Nepotism
- Other
- Township Assistance

Annual Financial Report



- Condition

- Annual Financial Report filed on the Indiana Gateway for Governmental Units did not properly reflect the financial activity of the township.

- Criteria

- Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Appropriations



- Condition

- The records presented indicated disbursements in excess of the budgeted appropriations

- Criteria

- Indiana Code 6-1.1-18-4 states in part: "... the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Bank Account Reconciliations



- Condition
 - Depository reconciliations of the fund balances to the bank account balances did not balance and were not being performed timely
- Criteria
 - Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Certification/Training/Adoption of Internal Controls



- Condition
 - Township did not adopt the minimum level of internal controls as required by statute
- Criteria
 - Indiana Code 5-11-1-27(g) states: "After June 30, 2016, the legislative body of a political subdivision shall ensure that:
 - (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
 - (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Contracts



- Condition
 - Contracts for fire protection and mowing were not presented for audit
- Criteria
 - Payments made or received for contractual services must be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Errors in Financial Transactions and Reporting



- Condition

- The annual financial report submitted on Gateway, which was the source of the financial statements, was not accurate and contained numerous errors. Errors were also identified in the township's financial ledger

- Criteria

- Indiana Code 5-11-1-4(a) states: "The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."
- When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Nepotism



- Condition
 - The township did not provide documentation that the elected officials had certified in writing that they had not violated IC 36-1-20.2
- Criteria
 - Indiana Code 36-1-20.2-16 states: "Each elected officer of the unit shall annually certify in writing, subject to the penalties for perjury, that the officer has not violated this chapter. An officer shall submit the certification to the executive of the unit not later than December 31 of each year."



Questions?