# **Audits-Payments**

**Subject:** Identification, Review and Follow Up of Audit Findings

**Information:** Passenger Transportation Division (PTD) must identify, track, and resolve Audit Findings that:

- might result in the loss of federal or state funds,
- are in conflict with PTD's goal of providing safe and effective public transportation,
- result in a loss of public confidence in the integrity of public transit,
- require follow-up by Office of Management and Budget Circular A-133 (A-133).

CPAs review a transit agency's operations and make recommendations for improvement. Recommendations for improvements in the CPA audit are referred to as "Audit Findings." PTD follows-up on recommendations made by the auditors. All audit findings are labeled with one of three different classifications: Accounting, Operating, and FFC (meaning "for further consideration"). Accounting and Operating Citations will require follow-up by your Project Manager. Your Project Manager will decide whether follow-up is needed on FFC citations. Once an Audit Finding has been labeled either Accounting, Operating, or FFC, it is now referred to as an "Audit Citation."

The Accounting or Operating citations are labeled as needing either a corrective action plan (if it relates to a federal award) or a resolution memorandum (if it does not relate to a federal award). Corrective action plans, required by OMB-Circular A-133, lists whatever corrective action a transit agency will take in order to correct the audit finding cited in the CPA audit. Although the corrective action plan does not need to be submitted with the annual CPA audit, it must be submitted to your Project Manager as soon as possible thereafter. Resolution memorandum, which are the functional equivalent of a corrective action plan, must also be submitted to your Project Manager. A transit agency may develop a corrective action plan for all audit findings (not just those that relate to federal awards) if they wish and that corrective action plan can be used in placed of a resolution memorandum.

#### **Actions Needed:**

- 1. Submit your *entire* CPA audit to PTD.
  - Often times, a "CPA audit" is issued in separate reports. For example, the entire CPA audit might consist of four separate reports titled: (1) Financial Statements for Fiscal Year ending 20xx; (2) Single Audit Report for Fiscal Year ending 20xx; (3) Additional Audit Information; and (4) Memorandum on Internal Control Structure.

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### **Actions Needed:**

- 2. Your Project Manager will notify you as to which audit findings have been identified as Accounting Citations, Operating Citations, or FFC Citations and whether or not the audit citation relates to a federal award.
  - For audit citations that relate to a federal award, submit the corrective action plan developed to address each audit finding included in the current year CPA report.
    - (a) The corrective action plan must provide the name(s) of the contact person(s) responsible for the corrective action, the corrective action planned, and the anticipated completion date.
    - (b) Usually CPA audits have a "management response" section relating to each audit finding. The management response can be used as the corrective action plan provided the response is sufficient to satisfy the requirements of A-133.
  - For Accounting and Operating audit citations that do not relate to a federal award or were not included in a corrective action plan, submit a resolution memorandum.

If the transit agency does not agree with the audit findings or believes a corrective action plan/resolution memorandum is not required, then the corrective action plan/resolution memorandum must include an explanation and specific reasons.

3. Supply PTD with any requested information or documentation, including a request for auditor assurance related to the documentation

Contact:	If you have any questions on this procedure, contact your Project Manager.		
Approved:		Kim Johnson vision Administrator	10/06/2002  Date

PTD:PAS:PDU:TD