



STATE OF CONNECTICUT OFFICE OF POLICY AND MANAGEMENT

***** AUDIT RISK ALERT *****

July 23, 2018 (replaces the June 2017 and September 2017 Audit Risk Alerts)

Filing of the Audit Report Package

The Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) requires the financial audit reports of municipalities and a number of other local governments to be filed with the Office of Policy and Management (OPM). In addition, the State Single Audit Act (C.G.S. 4-230 to 4-236) requires State Single Audit reports to be filed with the cognizant state agency. OPM is the cognizant state agency for municipalities, nonprofit entities and a number of other local governments under the State Single Audit Act.

Any financial audit report or State Single Audit report required to be submitted to OPM to comply with the Municipal Auditing Act or State Single Audit Act must be submitted by paper copy and also must be filed electronically on OPM's Electronic Audit Reporting System (EARS) at the mailing address and web address indicated below to comply with the audit filing requirements for submission of the reports to OPM. Independent auditors are to electronically file the audit report packages of their clients on EARS.

Web address: <https://www.appsvcs.opm.ct.gov/Auditing/Home.aspx>

Mailing Address: Office of Policy and Management
450 Capitol Avenue, MS# 54MFS
Hartford, CT 06106-1379

Corrective Action Plan and Summary Schedule of Prior Audit Findings

Under the State Single Audit Act, a corrective action plan is required to be prepared by the auditee for both financial statement findings and findings regarding state financial assistance programs identified in the current year State Single Audit report. In addition, if financial statement findings or state award findings were reported in the auditee's prior year State Single Audit report, the auditee is responsible for preparing a summary schedule of prior audit findings. The corrective action plan and the summary schedule of prior audit findings should be prepared by the auditee in time to be submitted as part of the audit report package. *The audit reporting package to be submitted to OPM both electronically and by hardcopy, will not be considered complete without the corrective action plan and summary schedule of prior audit findings, unless these items are not applicable.*

Although some elements of the corrective action plan are frequently summarized within the State Single Audit report and reported as "management's response" or "views of responsible officials" to an audit finding, a fully detailed corrective action plan is required to be reported in a document separate from the auditor's findings. Therefore, the corrective action plan should not be included in the Schedule of Findings and Questioned Cost but must be included in the audit reporting package submitted to OPM as the cognizant state agency. If an auditee submits to OPM a corrective action plan in paper copy only it is still considered incomplete with its filing requirements under the State Single Audit Act unless the corrective action plan is also filed electronically on EARS.

OPM's Electronic Audit Reporting System allows for the separate electronic filing of the corrective action plan by the independent auditor under circumstances where the corrective action plan is not available to be filed with the audit report package. The corrective action plan should be electronically filed on EARS by the independent auditor as soon as it is available in order for the audit report package previously uploaded on EARS to be considered complete.

State Single Audit – Small Town Economic Assistance Program (STEAP)

Various state agencies may award or administer STEAP grants to municipalities and other local governments. There have been a number of municipalities that have incorrectly reported STEAP expenditures in their State Single Audit Reports. Incorrect reporting often includes the following:

- The grantor state agency for STEAP expenditures is incorrectly identified on the Schedule of Expenditures of State Financial Assistance. STEAP grants can be awarded by several different state agencies; therefore, municipalities and their independent auditors should ensure that the correct grantor agency (agencies) is listed for the STEAP expenditures being reported. Expenditures of STEAP awards from more than one state grantor agency should not be combined on the Schedule.
- The amount of STEAP expenditures reported on the Schedule of Expenditures of State Financial Assistance is incorrect or the STEAP expenditures were not reported. It is common for expenditures of a STEAP award provided by a state agency to span over more than one fiscal year; therefore, the STEAP grant recipient should ensure that it is maintaining adequate records to correctly track and report STEAP expenditures incurred for each fiscal year.
- The Schedule of Findings and Questioned Costs combined STEAP expenditures awarded by several different state agencies and identified the combined expenditures as one major state program. State programs are identified by their Core-CT coding, which is normally an 18-digit code (or longer) representing the fund, state department, and special id for the program. STEAP state awards from different state agencies would not have the same Core-CT coding; therefore, it would be incorrect to determine a major state program by combining STEAP expenditures awarded from different state agencies.

Incorrect reporting regarding the above or similar incorrect reporting may require that the State Single Audit report be reissued to comply with the requirements of the State Single Audit Act and to provide assurance to state grantor agencies that STEAP grant awards were expended appropriately.

The Payment List to Municipalities and Other Local Governments located at <http://www.ct.gov/opm/cwp/view.asp?a=2984&q=386118> and the STEAP Master Award List located at <https://data.ct.gov/Government/Small-Town-Economic-Assistance-Program-STEAP-Maste/chzq-5cez> may be of assistance to independent auditors in ensuring the correct reporting of STEAP expenditures.

Schedule of Expenditures of State Financial Assistance – Reporting of Amounts Passed Through to Sub-recipients

The Schedule of Expenditures of State Financial Assistance is required to report the total amount passed through by the grantee to its sub-recipients for each state award program. A number of state agencies have notified OPM that the Schedule of Expenditures of State Financial Assistance of several of their grantees were not reflecting the total amount of the grant award that was passed-through to sub-recipients. The omission on the Schedule of Expenditures of State Financial

Assistance of the total pass-through amount for each state award may require the State Single Audit report to be reissued.