



**Agency Policies and Procedures**

**Issue Date: April 17, 2001**

**Policy Number: FMR-1C-02**

**Revised Date:**

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**Communicating Agency Progress on  
Implementing Prior Audit Recommendations**

**Policy Objectives:**

This policy is intended to:

- Fulfill the obligation to communicate the implementation status of audit recommendations to the Department of Minnesota Management and Budget (MMB), Office of the Legislative Auditor (OLA), and Office of the Governor,
- Keep Admin's Audit Committee apprised of management's implementation status of prior audit recommendations,
- Ensure implementation efforts fully resolve audit issues or findings on a timely basis, and
- Assign Admin's internal audit director with the authority and responsibility to follow up and report on agency progress towards implementing all prior audit recommendations, through coordination with appropriate division management.

**Background Information:**

Governors for the State of Minnesota have held a strong position that it is important for state agencies to continue to improve accountability, management, and operations. Each governor has directed the MMB commissioner to review findings of the OLA's Financial Audit Division, and to follow up with agencies on their efforts to implement the OLA's prior audit recommendations.

The MMB commissioner has focused its monitoring efforts primarily on the OLA's single audit, statewide financial audit, and special review issues. Quarterly, the MMB commissioner requests progress reports on issues identified in management letters. If these issues are not resolved at the end of a quarter, continued status reports are required at 90-day intervals until implementation.

In August 2000 Admin's Audit Committee was established. Among its responsibilities, Admin's Audit Committee has the authority to oversee auditing activities conducted by internal and external auditors. The Audit Committee is interested in the status of past audit issues, especially whether management has taken corrective action on significant recommendations and implemented changes that resolve the audit issues.

At the Audit Committee's January 11, 2000 meeting, it was agreed that Admin's internal audit director will coordinate the agency's response, under the Admin commissioner's signature, that is submitted to MMB. Admin's internal audit director will review management's progress reports from an auditor's perspective, identify areas where additional improvements are necessary, and assess the implementation status. This document reflects the process that Admin's Audit Committee approved for following-up on efforts to fully resolve audit issues and communicating agency progress to interested third parties.

### Authority:

- **Minnesota Statute**  
[M.S. § 16A.055 \*Some of the Commissioner's Duties\*](https://www.revisor.leg.state.mn.us/statutes/?id=16A.055) – This statute authorizes the DOF commissioner to manage the state's financial affairs, and monitor financial activities to ensure that agencies comply with statutes and administrative requirements. (<https://www.revisor.leg.state.mn.us/statutes/?id=16A.055>)
- **Admin Financial Policy and Procedures FMR-1C-01 - *External Auditing***  
This policy requires that Admin's financial management director monitor progress towards implementing external auditors' recommendations and to ensure division personnel take necessary corrective action on a timely basis.  
(<http://www.admin.state.mn.us/fmr/documents/Policies%20&%20Procedures/Financial%20Management/FMR-1C-01%20External%20Auditing.pdf>)
- **Audit Committee Charter**  
The Audit Committee charter, a formal document establishing Admin's Audit Committee, defines the committee's oversight duties and responsibilities. The Audit Committee serves to safeguard Admin by exercising its authority to question management regarding the way financial reporting, operational, and compliance activities are handled and to make sure corrective actions are taken when problems are identified.

### Business Risks:

- Failure to communicate agency progress on implementing prior audit recommendations will impair the Audit Committee's and the MMB commissioner's ability to effectively monitor agency progress toward improving financial, operational, and compliance activities.
- Errors or irregularities will persist without employees taking timely corrective action to remedy problems identified by external auditors.
- Failure to fully satisfy an audit issue on a timely basis will result in a repeat audit report comment. These comments increase the likelihood that Admin's executive management will be required to explain to the Legislative Audit Commission reasons why the audit issue is not fully satisfied.

### Policies and Procedures:

1. Responsibility of Admin Employees Relative to Implementing Prior Audit Recommendations - Admin employees are responsible for taking timely corrective action to implement the audit recommendations made by internal and external auditors.
2. Responsibility of Admin's Management Relative to Implementing Prior Audit Recommendations:
  - A. Admin's management is responsible for communicating to Admin's internal audit director, on a timely basis, progress made to resolve audit issues.
  - B. Admin's management shall provide Admin's internal audit director with sufficient documentation to prove fully implemented audit recommendations.
3. Responsibilities of Admin's Internal Audit Director Relative to Communicating Agency Progress on Implementing Prior Audit Recommendations - Admin's internal audit director is responsible for the following duties:
  - A. Contacting persons responsible to request information and/or proof on the implementation status of prior audit recommendations, and allowing at least two weeks lead time for management to provide the information.
  - B. Examining the documentation received and assessing management's progress to determine the implementation status to be one of the following conditions:
    1. Implemented,
    2. Partially implemented,
    3. Not implemented, or
    4. Deferred or audit issue/finding is no longer valid.

- C. Reviewing the implementation status with management to ensure that all facts are taken into consideration and no misunderstanding exists of progress efforts made.
- D. Drafting a letter communicating the implementation status of the OLA's recommendations that:
  - 1. Is addressed to the MMB commissioner,
  - 2. States the action taken to resolve the audit issue,
  - 3. Identifies the status of each prior audit recommendation,
  - 4. Provides any additional information to explain agency progress or lack thereof,
  - 5. Provides an estimated date for full implementation of each prior audit recommendation, and the name and phone number of a contact person responsible for action,
  - 6. Is signed by the commissioner of Admin,
  - 7. Provides courtesy copies (cc) to all of the parties identified below:
    - a. The chief of staff for the Office of the Governor,
    - b. The deputy legislative auditor, Financial Audit Division for the OLA,
    - c. The deputy commissioner for Admin, and
    - d. The internal audit director for Admin.
  - 8. Includes copies of all documentation that prove full implementation of prior audit recommendations.
- E. Repeating the process – steps 3.A through 3.D – every 90 days until all prior audit issues or findings are satisfactorily resolved.
- F. Periodically communicating, in writing, the agency implementation status of internal and external auditors' recommendations to all members of Admin's Audit Committee for their review, discussion, and possible further action.

**See Also:**

Audit Committee Charter

FMR-1C-01, [External Auditing](#)

Refer to the [Glossary](#) for definitions of the key terms listed below:

Audit Committee  
audit findings  
external auditor  
follow up  
internal auditor  
OLA  
single audit  
special reviews  
statewide financial audit