

Responding to Audit Findings

Purpose

Please consider this guidance for management's responses that are embedded in a final internal or external audit report. Management responses will be returned to the College's internal audit director for review and feedback before finalization. Internal audit is not able to write management's responses or corrective actions, but will advise when a response is inadequate or if it does not address the finding or the recommendation.

Responding to Audit Findings

All audit clients are required to provide a written response to audit findings. The response represents management's plan for correcting or improving the finding situation or conforming to the underlying requirements. Typically, responses are meant to convey agreement or disagreement, but if there is any concern about a disagreement, clients will discuss this with the auditor prior to documenting a disagreement. All responses are included in the final audit report that is distributed to leadership, the Board of Trustees, and possibly any external agencies or auditors.

Writing an audit finding response can be relatively easy if the following guidelines are used:

- Respond directly to the finding and its recommendation(s).
- Provide specific actions that management commits to take to correct the finding.
- Make your response clear and concise.
- Exclude information that is not pertinent to the finding or its corrective action plan.
- Identify specific positions, not people, if applicable, responsible for implementation.
- Provide a specific and realistic timetable for implementation of the plan or plan-to-plan.
- If the management response enhances the recommendation, proceed with agreement with the recommendation, and optionally include the enhanced action(s) in the management response.
- When you disagree with a finding, proceed with caution. If you dispute it or offer the defense that no issues have historically been reported in previous audits, you raise a red flag. And if you express disagreement, an auditor, especially a regulatory agency auditor, must respond with further explanation of the finding, essentially rebutting your statement, which may serve to strengthen the case for the finding and invite further scrutiny.
- Each finding includes a process stage that allows you to clarify or remediate it and identify the laws, regulations, standards, or best practices that your organization should better comply with. That occasion will be your chance to debate or express your opinion; in other words, your written response isn't the best place to argue the facts of a finding.

Example 1:

Finding

The department does not have written policies and procedures.

Recommendation

The department should perform the following:

- Develop and document all of its significant business processes.
- Make the policies and procedures available to all personnel.

- Communicate significant changes to all affected personnel immediately to ensure they are aware of any revisions to their daily duties and responsibilities.
- In the event that there are changes in personnel (i.e. new employees are hired, promotions granted, etc.), documented policies and procedures will facilitate training and provide guidelines for the respective positions.

Management's Response

Example 1, Agree:

We agree with the auditors' recommendations (or agree with the auditor's finding), and the following action will be taken to improve the situation. We will have each unit supervisor to document the policies and procedures for their respective business processes by the end of the first quarter of 20XX. We will then consolidate these documents into one user manual that will be available to all staff members via our website. Revisions to the users' manual will be made as needed to ensure the manual is current at all times. The staff will be advised of all revisions.

Example 2, Agree:

Management acknowledges that there have been deficiencies in processes, which will be addressed through training when the new Y policies are rolled out. Y's will be reviewed by managers in June and December. We have added approval by the director on these reviews. The accounting manager will work with accounts payable staff to revise and refine procedures for expense reimbursement transactions.

Disagree

We disagree with the auditors' recommendations because the College or department....

Response Window and Routing

In accordance with College Policy and Procedure 61005, *within ten (10) calendar days after the date of receipt of an internal audit report or an external audit report containing findings and recommendations, the addressee will direct a memorandum of response to the Internal Auditor with a copy to the Chief Compliance, Risk, and Ethics Officer.*

The response will copy the appropriate direct administrator (if not the addressee) for review and concurrence, and be marked for prompt handling.

When additional time to consider a report or individual recommendation is necessary, an extension of time should be requested of the Chief Compliance, Risk, and Ethics Officer by the appropriate administrator responsible for the audited area.