

Single Audits – What Is A Management Decision Letter?

Overview

A “pass through” entity such as the Texas Water Development Board (TWDB) must meet certain responsibilities as a result of receiving and then disbursing federal funding to other entities. One of these requirements is for Financial Compliance to review a Single Audit report in a timely manner. If follow up is required with the entity, Financial Compliance will issue a “Management Decision Letter” that will document needed corrective action.

Adverse audit findings included in the Single Audit are the principal items which are included in a Management Decision Letter for follow up.

Guidance

Entities that receive federal funds may be subject to certain federal requirements including those cited in Uniform Guidance. (see <https://ecfr.io/Title-2/Part-200>)

Even if a Single Audit is not required for a fiscal year, if federal funds are received, generally all federal requirements still apply (including having an internal control system that is both designed and operating effectively).

Replies to Management Decision Letters

A formal reply to a Management Decision Letter will usually follow closely and match up with the Management Responses to Single Audit findings that are part of the Single Audit Report and will address whether corrective action has been initiated.

A Corrective Action Plan must contain certain specific required elements. The corrective action plan must provide:

- a) the name(s) of the contact person(s) responsible for corrective action,
- b) the corrective action planned, and
- c) the anticipated completion date.

If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

See further detail at <https://ecfr.io/Title-2/Section-200.511>

Assistance

Your independent Certified Public Accountant is a key resource for assistance. You may also contact Financial Compliance for assistance at fmfinance@twdb.texas.gov or (512) 463-6775.