

CHAPTER 4. IMPLEMENTING CORRECTIVE ACTIONS

1840.1 Rev-3

- 4-1. **Purpose.** This chapter prescribes policy for properly identifying, planning, and implementing corrective actions to improve management controls.
- 4-2. **Policy.** Management is responsible for the timely identification of corrective actions required to improve management controls. Priority is given to corrective actions needed to resolve material weaknesses.
- 4-3. **Identifying Corrective Actions.**
- A. Corrective actions may be necessitated by:
 - 1. Risk assessments;
 - 2. Management control evaluations (MCRs and/or AMCRs);
 - 3. OIG or GAO audits; or
 - 4. Other management reviews.
 - B. If the initial identification of the weakness does not provide adequate information to develop effective corrective actions, then additional research, review, MCRs or AMCRs may be conducted to develop needed corrective actions.
 - C. Where recommendations are cited in OIG or GAO audits, managers must develop specific corrective actions which address the identified weakness. Resolution standards and timeframes for corrective actions developed in response to audits are specified in HUD Handbook 2000.6, Audits Management System.
- 4-4. **Planning Corrective Actions.** POHs are responsible for developing corrective actions to implement recommendations made in management control evaluations.
- A. The development of corrective action plans to correct weaknesses will involve staff from the program or functional area, the MCC, and the CFO's office. Concurrence from these offices will be necessary to ensure that the action plan will correct the identified weakness. In cases of dispute, the CFO will review the issue.
 - B. For material weaknesses, corrective action plans are to be submitted to the Chief Financial Officer within 60 calendar days of the final determination of the weakness. Where the material weakness was identified as a result of an OIG audit or Special Risk Management Review, the CFO will request the development of such a plan upon notification of such a weakness. Submission of the corrective action plan to the CFO should coincide with the response due from the program office to the OIG, i.e., the submission of the 60-day status report required subsequent to the issuance of the audit report.
 - C. Disputes regarding the materiality of weaknesses are resolved by the Deputy Secretary.

- D. For weaknesses not deemed material, but significant, and requiring corrective actions, plans should be submitted to the Chief Financial Officer within 60 days from identification of the weakness. Significant weaknesses are defined as those which could result in a considerable loss of assets (e.g., \$300,000 or more); involve a program or legal violation or personnel misconduct; require solution at a higher managerial level and, if not corrected, could adversely affect the satisfactory accomplishment of program objectives.
- E. Other weaknesses are those of a technical nature whose correction is confined to one organizational unit and which can be corrected with a minimum resource commitment. MCCs ensure that correction of these weaknesses is tracked.
- F. In developing corrective actions, consideration must be given to the cost-effectiveness of the proposed action. Solutions which cross functional elements and/or programs should be coordinated with the impacted organization(s).

4-5. **Reporting on Progress.** A status report will be included in the Secretary's annual FMFIA Report to the President and Congress. It will be maintained and updated by the CFO based on input from the POHs.

4-6. **Responsibilities.**

- A. The Chief Financial Officer is responsible for summarizing and providing POHs with the status of corrective actions as contained in the Department's Accountability Report.
- B. POHs are responsible for promptly ensuring that corrective actions are identified, implemented, and monitored.
- C. MCCs are responsible for their POH's input into the Department's Accountability Report and for ensuring that the correction of all weaknesses, are tracked.
- D. Managers are responsible for providing prompt reporting data to their MCC for report criteria within their span of control.