

RIVERSIDE COUNTY
WORKFORCE DEVELOPMENT BOARD



AUDIT REQUIREMENTS
POLICY & PROCEDURES

Date: November 24, 2015

Number: 10-04

PURPOSE: To provide Riverside County Economic Development Agency (EDAWDD) Workforce Development Division service providers and staff with guidance on the audit process for non-Federal entities expending Federal awards.

EFFECTIVE DATE: December 26, 2013

REFERENCES: Office of Management and Budget (OMB)
2 CFR Chapter I, and Chapter II, Part 200, et al.; Subpart F
Uniform Administrative Requirements, Cost Principles, and Audit
Requirements for Federal Awards; Final Rule. Vol. 78, No. 248
December 26, 2013
[The above final guidance supersedes and streamlines
requirements from OMB Circulars A-21, A-87, A-110, and A-122
(which have been placed in OMB guidance); Circulars A-89,
A-102, and A-133; and the guidance in Circular A-50 on Single
Audit Act follow-up.]
Workforce Innovation and Opportunity Act (WIOA), P.L. 113-128,
20 CFR §683.420(a)
[WIOA supersedes requirements from the following: 20 CFR
§667.220 and §667.500; 29 CFR §95.26, §96.53, and §97.26.]

LOCALLY IMPOSED REQUIREMENTS: Locally imposed requirements are indicated in ***bold, italic*** type.

BACKGROUND:
In July of 2014, the Congress of the United States enacted the Workforce Innovation and Opportunity Act (WIOA). The purpose of WIOA is to amend the Workforce Investment Act of 1998 to strengthen the United States workforce development system through innovation in alignment and improvement of employment, training, and education programs in the United States, with a purpose to promote individual and national economic growth, and for other purposes.

Entities receiving award of Workforce Innovation and Opportunity Act (WIOA) Funds must meet the audit requirements of Office of Management Budget (OMB) 2 CFR Chapter I, and Chapter II, Part 200, et al.; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule. The Standards set forth in Subpart F–Audit Requirements of this Part and any other standards which apply directly to Federal agencies will be effective December 26, 2013 and will apply to audits for fiscal years beginning on or after December 26, 2014.

A non-Federal entity that expends \$750,000 or more during its fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of above mentioned guidance.

When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted.

These regulations require the establishment of procedures for audit resolution.

POLICY:

I. Subrecipient (Auditee) Standards:

- a. Complete an annual audit specific to their agency, if they expend \$750,000 or more during the fiscal year in Federal awards.
- b. Allow access to records and financial statements in order to comply with requirements OMB 2 CFR Chapter I, and Chapter II, Part 200, et al.
- c. Audit reports as they become available, should be immediately sent to Economic Development Agency (EDA/WDD)/Workforce Development Division (WDD)/Operations Unit, 1325 Spruce Street, #110, Riverside, CA 92507.

II. The Pass through Entity (EDA/WDD) Standards:

- a. Ensure that subrecipient's meet all audit responsibilities in accordance with federal and State Audit requirements.
- b. Review the audit report within six months after receipt of the report and take appropriate and timely corrective action.
- c. Incorporate Audit requirements into subrecipient agreements.
- d. Send a certified letter to each Subrecipient (Auditee) requesting a copy of the last annual audit report; **Subrecipient Annual Audit Request Letter – (Attachment A)**.
- e. Keep the process and results of each audit report on an Audit Resolution Control Log to document the disposition of reported questioned costs and corrective actions taken for all findings in an audit report.
- f. Document correction of any unresolved administrative findings. EDA/WDD will determine the status of the unresolved administrative findings through its monitoring process and determine that appropriate corrective action has been taken. A copy of the monitoring report substantiating the implementation of the appropriate corrective action must be filed with the audit report.
- g. Document the audit resolution review using a three-part process that includes the Initial determination, informal resolution period, and the final determination.

PROCEDURES:

Initial Determination by EDA/WDD

First level of review will include issuance of an **Initial Determination Management Decision Letter – (Attachment B)**, based on the following:

- a. A list of questioned costs.

- b. Whether the costs are allowed or disallowed, including the reasons with appropriate citations for such actions.
- c. Acceptance or rejection of any corrective action taken to date, including corrective action on administrative findings.
- d. A list of possible sanctions to include an administrative hold on payments for failure to correct.
- e. If there are no audit findings, EDA/WDD will notify the Auditee that no further action will be taken regarding the audit.

II. Informal Resolution Period

The informal resolution period is (60)-sixty days from the date of the Initial Determination Management Decision Letter. During informal resolution, the Auditee may provide documentation to support allowability of costs and proposed corrective action of administrative findings.

Informal resolution discussions may be held by telephone, although in-person discussion is preferable. When meeting in-person, a sign-in sheet will be provided for all meeting attendees. The sign-in sheet must be retained as part of the Auditee's file. The meeting must be documented either with a voice recording or written notes. Negotiations of repayments can be initiated at this time.

III. Final Determination

Issuance of a ***Final Determination Management Decision Letter – (Attachment C)***, will have the following information at a minimum and may include additional facts to support final determination and necessary steps to address any issues:

- Reference to the Initial Determination letter with date and summary of review.
- Synopsis of the informal resolution meeting, if held.
- List of decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance.
- List of questioned costs that have been allowed and the basis for the allowance.
- List of establishment of a debt, if appropriate.
- Demand for repayment of the disallowed costs.
- List the deadline by which the debt must be repaid, and date when debts become delinquent.
- List whether or not interest will be charged, and the interest rate.
- List description of the debt collection process and other sanctions that may be imposed if payment is not received.
- List the status of each administrative finding.
- List any other required corrective actions and timeframes by which they will be accomplished.
- List statement of possible sanctions to include an administrative hold on payments.
- List procedures by which the subrecipient may appeal to the State a decision of the entity making the determination.

IV. Hearing Procedures for Appeal Resolution

EDA/WDD has established local level hearing procedures for resolution of appeals related to audit findings. The awarding agency reserves the right to overturn a hearing officer's decision when it determines that noncompliance with the applicable act, or its regulations still exists. The appeal hearing allows both parties the right to present either written or oral testimony, call and question witnesses in support of their position, present oral and written arguments, examine records and documents relevant to the issues, and be represented.

The local level hearing procedures for appeal resolution may include:

- The Auditee has 30 calendar days after receipt of the final determination to submit a written request for an appeal hearing. At least 10 calendar days before the hearing, a written notice of the date and site of the hearing must be provided. The Auditee may withdraw the hearing request in writing.
- The appeal hearing shall be recorded mechanically or by court reporter.
- The appeal hearing officer must issue a decision within 60 days of the request filing date.
- An Auditee has 10 days from receipt of the adverse decision to file an appeal of the local hearing officer's adverse decision to the State Review Panel.
- If a local appeal hearing is not held or the decision is not rendered in a timely manner, the Auditee has 15 days from the date on which the hearing should have been held or the decision should have been issued to file an appeal with the State Review Panel.
- If the Auditee appeals the decision of the awarding agency's hearing officer to the Employment Development Department, the awarding agency will send the Compliance Review Division (CRD) the complete audit for review by the State Review Panel. Within 30 days of receipt by the CRD of the Auditee's written appeal, the State Review Panel will be convened to review all evidence and issue a decision based on the evidence without consideration of any imposed sanctions. Note: There is no administrative appeal beyond this level.

V. Stand-In Costs

During the audit resolution process, the Auditee may propose the use of stand-in costs to substitute for the disallowed costs. To be considered, stand-in costs must be incurred for allowable WIOA costs that were reported as uncharged WIOA program costs, included within the scope of the audit, and accounted for in the Auditee's financial system. The stand-in cost must have been expended in support of the same title and program year as the costs they propose to replace, and the costs must not cause a violation of the cost limitations and requirements. Stand-in costs must be actual expenses paid with nonfederal funds. Cash match in excess of the required match may also be considered for use as stand-in costs.

VI. Records

The audit file must be assembled for ease of reference in the event of future action. The file must be tabulated with the most current documentation first.

The file should include the following:

- Copy of Final Determination letter and proof of receipt by EDA/WDD.
- Additional documentation submitted as part of the informal resolution process.
- Meeting notes related to the informal resolution.
- Sign-in sheets from any informal resolution meetings.
- Copy of Initial Determination letter and proof of receipt by EDA/WDD.
- Response to the Audit report.
- Copy of Audit report.
- If no findings, copy of Initial Determination letter stating no findings found.

ATTACHMENT(S):

- A – Subrecipient Annual Audit Request Letter
- B – Initial Determination Management Decision Letter
- C – Final Determination Management Decision Letter

REVISION HISTORY:

Revision Dates: 10/27/15, 05/21/15, 09/04/14, 04/06/05, 05/12/15

Original Policy Date: 04/10/03



Loren Sims, Administration Manager

ATTACHMENT A

Subrecipient Audit Request Letter

DATE

Name of Signatory for Organization
Title of Signatory
Name of Organization
Street Address
City, State, Zip

Dear Mr./Ms. Last Name:

The Riverside County Economic Development Agency Workforce Development Division (EDA/WDD), in accordance with the Office of Management Budget (OMB) 2 CFR Chapter I and Chapter II, Part 200; Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, has the responsibility to insure that an independent audit is completed for a “non-federal entity that expends \$750,000 or more in the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year.” Audit reports must be submitted to the Federal Audit Clearinghouse (FAC) in accordance with OMB requirements.

Please submit a copy of your 20XX-20XX audit to Riverside County EDA/WDD within 30 days of your receipt, or no later than six months after the end of the organization’s fiscal year. The status of any corrective actions taken to resolve audit issues should be included with the report.

Thank you for your cooperation in this matter. Should you have any questions or require additional information, please contact Staff Name, at (XXX) XXX-XXXX.

Sincerely,

EDA/WDD Staff Name
EDA/WDD Staff Title

xx (staff routing initials)

cc: Auditor Name & Address
Name and Title of Organization’s Program Representative
File

DATE

Name of Signatory for Organization
 Title of Signatory
 Name of Organization
 Street Address
 City, State, Zip

Dear Mr./Ms. Last Name:

NOTICE OF INITIAL DETERMINATION

The Riverside County Economic Development Agency/Workforce Development Division (EDA/WDD) has completed the review of the audit reporting package for **(NAME OF ORGANIZATION)** for fiscal year ending **(DATE)**. The audit was performed by **(NAME OF AUDITOR)** and issued on **(DATE AUDIT ISSUED)**. **(NAME OF ORGANIZATION)**'s Single Audit Report, *Schedule of Findings and Questioned Costs*, contain the following finding(s):

Finding No. **XX**: **(DESCRIPTION OF FINDING)**

- Type: Administrative and/or Questioned Cost
- EDA/WDD Determination: Questioned Cost allowed or disallowed with reason; Corrective Action Plan (CAP) accepted?

NOTE: If EDA/WDD is not the pass through entity of the funds being questioned the Determination should read:

The questioned costs are not identified as funds passed through by Riverside County EDA/WDD. Therefore, the right to determine cost allowance or disallowance; acceptance of the corrective action plan (CAP); and monitoring of CAP implementation is reserved by the Federal Agency or pass-through entity providing the funds specific to this finding.

In accordance with Office of Management and Budget (OMB)'s Uniform Administrative Requirements audit requirements for Federal Awards, all findings must be resolved within six months of receipt of the audit by the grantor. We received your audit on **(DATE)**. Therefore, the finding must be resolved by **(DATE = 6 months from date audit received)**. In order to issue a final determination, please provide documentation by **(DATE = 30 days from date of letter)** that the CAP(s) noted on the *Schedule of Findings and Questioned Costs* has been implemented and will resolve the finding to the satisfaction of your auditor, or is being applied and provide the date of anticipated completion. All findings remain open until your auditor verifies that the corrective action(s) has been implemented.

You may also request an informal resolution hearing no more than 60 days from the date of this letter. During this time you may provide documentation to support allowance of costs and proposed corrective action of administrative findings. Negotiations of repayments, if necessary,

DATE

Name of Signatory for Organization
Title of Signatory
Name of Organization
Street Address
City, State, Zip

Dear Mr./Ms. Last Name:

NOTICE OF FINAL DETERMINATION

The Riverside County Economic Development Agency Workforce Development Division (EDA/WDD) has completed the review of **(NAME OF ORGANIZATION)** annual audit for fiscal year ending **(DATE)**, performed in accordance with Office of Management and Budget (OMB)'s Uniform Administrative Requirements audit requirements for Federal Awards. No findings were reported by the auditor, **(NAME OF AUDITOR)**. Therefore, no further action is required.

Should you have any questions or require additional information, please contact **(EDA/WDD STAFF NAME)** at (951) **XXX-XXXX**.

Sincerely,

EDA/WDD Staff Name
EDA/WDD Staff Title

xx (staff routing initials)

cc: EDA/WDD Fiscal Staff Name
Name and Title of Person Responsible for Response and/or Program (if any)
File