

TULARE COUNTY WORKFORCE INVESTMENT BOARD, INC. WORKFORCE INVESTMENT ACT TITLE I ACTIVITIES	DATE: May 12, 2010
	SUBJECT: Audit Resolution

WIB DIRECTIVE

WIBD-10-03

TO: Service Providers

SUBJECT: AUDIT RESOLUTION

EXECUTIVE SUMMARY

Purpose:

This Directive transmits the policy and procedures for the resolution of audit findings and disallowed costs.

Scope:

This directive requires that all subrecipients expending WIA funds shall comply with federal and state audit resolution requirements.

Effective Date:

This directive is effective upon release.

REFERENCES:

- WIA Sections 184
- Title 20 Code of Federal Regulations (CFR), Federal Register, Section 667.200(b) and 667.500 (a).
- Title 29 CFR Part 97.26
- Title 29 CFR Part 95.26
- Title 29 CFR 96.53
- Title 31, United States Code (USC) Chapter 75
- WIB Contracts with subrecipients (Service Providers)

TULARE COUNTY WORKFORCE INVESTMENT BOARD, INC. (WIB) – IMPOSED REQUIREMENTS:

This directive contains WIB-imposed requirements. These requirements are indicated by *bold, italic type*.

FILING INSTRUCTIONS:

Retain this directive until further notice. This directive supercedes WIBD-06-02.

BACKGROUND:

The subrecipients of WIA funds are required to meet the audit requirements of OMB Circular A-133, Title 20 CFR Section 667.200 (b)(2)(ii) requires that commercial organizations that expend more than \$500,000 of federal funds have either an organization wide audit in accordance with OMB Circular A-133 or a program specific financial and compliance audit..

Audit findings must be resolved by the awarding entity. The Tulare County Workforce Investment Board, Inc., is therefore required to establish an audit resolution process. This process applies to resolution of TCWIB audits and any other TCWIB subrecipient audits, and other subrecipients that award WIB funds to local area subrecipients. Mail should be addressed to:

Tulare County Workforce Investment Board, Inc.
4025 West Noble Ave., Suite A
Visalia, CA 93277

POLICY AND PROCEDURES:

Definitions:

Auditee, as defined in OMB Circular A-133, is any nonfederal entity that expends federal awards that must be audited under the circular.

Awarding agency means (1) with respect to a grant, DOL; and (2) with respect to a subgrant or contract, the party that awarded the subgrant or contract.

Federal award means federal financial assistance and federal cost-reimbursement contracts. It includes federal awards made directly by federal awarding agencies or indirectly by recipients of federal awards or subrecipients. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Federal financial assistance means assistance received or administered to carry out a program.

Initial Determination is a preliminary decision on whether to allow or disallow questioned costs and resolve any nonmonetary findings.

Final Determination is the awarding agency's final decision to disallow the cost and the status of nonmonetary findings.

Nonmonetary finding is an administrative finding.

Subrecipient, in this Directive, refers to recipients of WIA funds through the TCWIB.

Policy:

The TCWIB and other subrecipients that award WIB funds to local area subrecipients must have written audit resolution policies and procedures. Audit resolution consists of a three-part process that includes the Initial

Determination, an informal resolution period, and the Final Determination. The process must be completed within six months of the receipt of the final audit report. Receipt of the initial and final determinations by the auditee must be documented.

Procedures:

I. Standards for TCWIB Subrecipient Audit Resolution

A. TCWIB must:

1. Review the audit report of their subrecipients to ensure compliance with the requirements of OMB Circular A-133.
2. Establish an audit resolution file to document the disposition of reported questioned costs and corrective actions taken for all findings.
3. ***Complete a control log.*** The log must contain the date of the audit, the period covered by the audit, the date of the audit was received, the auditor, the questioned costs, the administrative findings, the date or dates of the initial and Final Determinations, and documentation of decisions regarding the disallowed costs and administrative findings.
4. ***Issue a letter of initial determination based on the audit review.*** The initial determination letter includes:
 - a list of all questioned costs;
 - whether the costs are allowed or disallowed including the reasons with appropriate citations for such actions;
 - acceptance or rejection of any corrective action taken to date including corrective action on administrative findings;
 - possible sanctions; and
 - the opportunity for informal resolution of no less than 60 days from the date of initial determination.
5. 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, if necessary, but in person is preferable. When a meeting is held, provide a sheet for sign-in. The sign-in sheet should be retained as part of the audit file. The meeting should be documented either with a voice recording or written notes. Negotiation of repayments can be initiated at this time.
6. Issue a written final determination. The final determination includes:
 - reference to the initial determination;
 - summation of the informal resolution meeting if held;
 - decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance;
 - questioned costs that have been allowed by the awarding agency and the basis for the allowance;
 - demand of repayment of the disallowed costs;

- description of the debt collection process and other sanctions that may be imposed if payment is not received;
 - rights to a hearing; and
 - the status of each administrative finding.
- B. The audit resolution process must be completed within six months after receipt of the subrecipient's audit report and must ensure that the subrecipient takes appropriate and timely corrective action.
- C. 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:
- final determination and proof of receipt by the subrecipient;
 - additional documentation submitted as part of the informal resolution process;
 - notes related to the informal resolution;
 - sign-in sheets for any informal resolution meetings;
 - initial determination and proof of receipt by the subrecipient;
 - response to the final audit report; and
 - final audit report.
- D. The TCWIB must establish local level hearing procedures. Local hearing procedures should explicitly recognize and provide for awarding agency concurrence. The TCWIB should reserve the right to overturn a hearing officer's decision where it determines that noncompliance with the WIA or Regulations still exists.

The hearing shall be conducted in an informal manner without strict rules of evidence. The hearing is informal with both parties having the right to present either written or oral testimony; the right to call and question witnesses in support of their position; the right to present oral and written arguments; the right to examine records and documents relevant to the issues; and the right to be represented. The hearing shall be recorded mechanically or by court reporter.

The auditee has 30 calendar days after the final determination is issued to submit a written request for a hearing. A ten (10) calendar day written notice of the date and site of the hearing must be provided to the auditee. The ten-day notice may be shortened with the written consent of both parties. The auditee may withdraw the hearing request; the withdrawal request must be submitted in writing.

A decision must be issued by the hearing officer 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 hearing is not held or the decision is not rendered timely, 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.

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 WIA costs that were reported as uncharged WIA 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.

- E. If the auditee appeals the decision of the awarding agency's hearing officer to the state, the TCWIB will send the appropriate State agency the case file for review of the case.
- F. *A follow-up tracking system must be established to ensure correction of any unresolved administrative findings.* The auditee should report periodically to the awarding agency regarding the unresolved administrative findings.

ACTION:

Bring this directive to the attention of all affected staff and all TCWIB subrecipients.

INQUIRIES:

Please direct inquiries about this directive to the Workforce Investment Department, at (559) 713-5200, or 1-800 367-8742.

Adam Peck
Executive Director

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