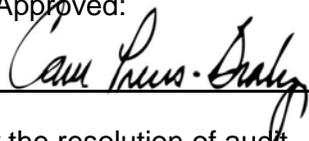


<b>Department of Community College and Workforce Development</b>	Number: 589-40.5
	Revised: 07/01/07
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SUBJECT: Workforce Investment Act Title IB Audit Resolution	Approved: 

Purpose: This policy provides guidance concerning the procedures for the resolution of audit findings and disallowed costs.

References: Title 20 CFR Section 667.200(b) and 667.500(a)  
Title 29 CFR Part 96 Audit Requirements for Grants, Contracts and Other Agreements  
Title 29 CFR Part 99 Audits of States, Local Governments and Non-Profit Organizations  
Title 29 CFR Part 95.26  
Title 29 CFR Part 96.53  
Title 29 CFR Part 97.26  
OMB Circular A133 Audits of States, Local Government and Non-Profit Organizations, revised June 27, 2003  
OMB Circular A-50 Audit follow-up  
Comprehensive Financial Management Technical Assistance Guide Chapter II-12

Definitions: Auditee: As defined in OMB circular A-133, is a nonfederal entity that expends federal awards that must be audited under the circular.

Awarding agency: With respect to a subgrant or contract, the party that awarded the subgrant or contract.

Federal award: Federal financial assistance and federal cost-reimbursement contracts including federal awards made directly by federal awarding agencies or indirectly by pass-through entities. 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.

Final Determination: The awarding agency' s final decision to disallow the cost and reject the procedures developed to resolve any nonmonetary findings.

Initial Determination: The awarding agency' s preliminary decision on whether to allow or disallow questioned costs and accept or reject procedures developed to resolve any nonmonetary findings.

Nonmonetary Finding: An administrative finding.

Pass-Through Entity: A non-federal entity that provides a federal award to a subrecipient to carry out a federal program.

Subrecipient: Refers to local workforce areas, lower-tier subrecipients, and subgrantees.

Policy: Subrecipients that award WIA funds to lower-tier subrecipients must have written audit resolution policies and procedures. For subrecipients, audit resolution consists of a three-part process that includes the Initial Determination, Informal resolution period, and the Final Determination. Receipt of the Initial and Final Determinations by the auditees must be documented by the awarding agency.

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Procedures: I. Subrecipient Standards

A. Subrecipients 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 that the audit was received, the auditor's name, 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. A list of all questioned costs
  - b. Whether the costs are allowed or disallowed, including the reasons with the appropriate citations for cost actions
  - c. Acceptance or rejection of any corrective action taken to date, including corrective action on administrative nonmonetary findings
  - d. Possible sanctions
  - e. The opportunity for informal resolution of no more 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 nonmonetary findings. Informal resolution discussions may be held by telephone, but in person is preferable. When a meeting is held, provide a sign-in sheet. The sign-in sheet must be retained as part of the audit file. The meeting must be documented either with a voice recording or written notes. Negotiations of repayments can be initiated at this time.
6. Issue a written Final Determination. The Final Determination includes:
  - a. Reference to the Initial Determination
  - b. Summation of the informal resolution meeting, if held
  - c. Decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance
  - d. Questioned costs that have been allowed by the awarding agency and the basis for the allowance
  - e. Demand for repayment of the disallowed costs
  - f. Description of the debt collection process and other sanctions that may be imposed if payment is not received
  - g. Rights to a hearing

- h. The status of each administrative finding
    - i. Identified areas of disagreement between the parties  
(29 CFR 96.53 (c) (2))
- 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:
  - 1. Final Determination and proof of receipt by the subrecipient
  - 2. Additional documentation submitted as part of the informal resolution process including but not limited to notes related to the informal resolution and sign-in sheets from any informal resolution meetings
  - 3. Initial Determination and proof of receipt by the subrecipient
  - 4. Response to the final audit report
  - 5. Final audit report
- D. Subrecipients and auditees must exhaust established local-level hearing procedures. The awarding agency must reserve the right to overturn a hearing officer' s decision when it determines that noncompliance with the applicable act or its regulations still exists.

The hearing allows both subrecipient-level 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 hearing shall be recorded mechanically or by court reporter.

The auditee has 30 calendar days after the subrecipient' s Final Determination is issued to submit a written request for a hearing. At least 10 calendar days before the state-level hearing, written notice of the date and site of the hearing must be provided to the auditee. The 10-day notice may be shortened with written consent of both parties. The auditee may withdraw the hearing request, and the withdrawal request must be submitted in writing.

A decision must be issued by the subrecipient-level hearing officer within 60 days of the requested 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 Community Colleges and Workforce Development (CCWD) 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 CCWD review panel.

- E. If the auditee appeals the decision of the awarding agency's hearing officer to CCWD, the awarding agency will send CCWD the complete audit for review. Within 30 days of receipt by CCWD of the auditee's written appeal, the CCWD review panel will be convened to review all evidence and issue a decision based on the evidence without consideration of any imposed sanctions.

There is no administrative appeal beyond this level.

- F. The awarding agency shall ensure correction of any unresolved administrative findings. The awarding agency should 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.

## II. CCWD Audit Resolution

- A. If there are no audit findings, CCWD will notify the auditee that no further action will be taken regarding the audit.
- B. If the audit report identifies an administrative finding, questioned costs, or cost recommended for disallowance, CCWD will:
1. Establish an audit resolution file to document the disposition of each finding and the corrective action taken to resolve each finding
  2. Issue written notice of Final Determination

## III. CCWD Hearings

All appeals to CCWD of an awarding agency audit determinations, including amendments and withdraws, shall be in writing. Auditees must request a hearing within 30 days from the date of the Final Determination by the awarding agency.

CCWD will provide written notice to the concerned parties of the date, time, and place of the hearing at least 10 calendar days before the scheduled hearing. Both parties will have the opportunity to present oral and written testimony, call and question witnesses in support of their position, present oral and written arguments, examine records and documents relevant to the issue(s), and be represented. CCWD will prepare a proposed decision and submit to the Commissioner or designee. CCWD reserves the right to overturn the decision of the awarding agency.

There is no administrative appeal beyond this level.

## IV. 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 have not been charged as WIA program costs,

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included within the scope of the audit, and accounted for in the auditee' s financial system. The stand-in 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. Any cash match in excess of any required match may also be considered for use as stand-in costs. To be accepted, stand-in costs must come from the same year as the costs that they are proposed to replace.

Responsibility

Action

Subrecipients

1. Establish and maintain an audit review and resolution system that assures compliance with the prescribed rules and regulations.
2. Train all affected staff and lower-tier subrecipients on the requirements of this policy.

CCWD

Monitor the subrecipient for compliance with this policy.