

<b>Workforce Connections Administrative Policies Audit Process</b>	<b>Admin-010-09</b>
Supersedes Policy 2.12 dated 09-13-2006	Revision No. 4 – Effective 07-01-2021
<b>Policy Approved By: WC Executive Director Policy Adopted on: 04-21-2016</b>	

**Purpose**

This policy sets forth standards with respect to audit requirements, audit resolution, and debt collection.

**Background**

Audit Requirements are a key component of a larger Federal effort to more effectively focus Federal resources on improving performance and outcomes while ensuring the financial integrity of Federal funds. The final guidance right-sizes the footprint of oversight and single audit requirements to strengthen oversight and focus audits where there is a greatest risk of waste, fraud, and abuse of Federal funds. The final guidance further improves transparency and accountability by encouraging recipients of Federal funds to take a more cooperative approach to audit resolution processes in order to more conclusively resolve underlying weaknesses in internal control systems and in order to reduce repeated audit findings. The new guidance plays an important role in fostering the integrity of the financial management of Federal funds and strengthens requirements for internal controls.

**Policy**

Workforce Connections (WC) and its sub-recipients shall comply with established audit requirements such as having a timely audit conducted consistent with provisions found at 2 CFR Part 200 Subpart F “Audit Requirements”.

All recipients of WIA/WIOA Title I funds that expend \$750,000 or more in Federal awards during the non-Federal entity’s fiscal year must have a single or program-specific audit conducted for that year in accordance with the provisions of 2 CFR part 200, subpart F. This requirement is for fiscal years starting on or after December 26, 2014. The audit must be conducted in compliance with generally accepted government auditing standards (GAGAS) and must cover the entire operations of the auditee.

Recipients that received Federal funds in fiscal years starting prior to December 26, 2014 may continue to comply with the provisions as outlined in their sub-award documents, including audit requirements of OMB Circular A-133.

**References**

Public Law (P.L.) 113-128 WIOA Secs. 107, 183, and 184; 2 CFR Part 200 Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards - Subpart F Audits Requirements; 20 CFR §683.400, §683.410, §683.420, §683.430, §683.440; 20 CFR §667.200, §667.500, §667.510; One-Stop Comprehensive Financial Management Technical Assistance Guide Part II; State Compliance Policy (SCP) 3.2

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## **I. Audit Requirements General Provisions**

### **A. Required Audit:**

A non-Federal entity that expends \$750,000 or more in Federal awards during the non-Federal entity's fiscal year must have a single audit conducted for that year in accordance with provisions stipulated in 2 CFR Part 200 Subpart F.

### **B. Single Audit**

A non-Federal entity that expends \$750,000 or more in Federal awards during the non-Federal entity's fiscal year must have a single audit conducted in accordance with requirements addressed in 2 CFR Part 200.514 "Scope of Audit" except when it is elected to have a program-specific audit in compliance with established requirements.

## **II. Audit Resolution**

### **Procedure for the resolution of findings**

WC shall perform an initial review of its sub-recipients' audit reports to identify findings related to WIA/WIOA Title I funds, as appropriate, and if necessary initiate resolution.

#### **A. Initial Determination**

WC will issue an initial determination, if necessary, in writing upon review of the audit report. The initial determination, when necessary, may include:

1. Relevant administrative and WIOA findings;
2. All costs questioned;
3. Expected sub-recipient actions to accurately and timely resolve the audit findings;
4. Acceptance or rejection of any corrective action taken to date, including corrective action on administrative findings if applicable;
5. Possible sanctions; and
6. An offer of informal resolution of no more than 60 days from the date of the initial determination.

#### **B. Informal Resolution Period**

1. During this period, the sub-recipient has the opportunity to present new evidence, documentation, and additional explanation to modify the decision made by WC.
2. The sub-recipient will have the opportunity to present and implement corrective actions before WC initiates sanctions or remedial actions.
3. The sub-recipient will also have the opportunity to present documents regarding stand-in costs used to offset any disallowed costs.

#### **C. Final Determination**

WC will issue a final determination in writing. The final determination may include:

1. References to the initial determination as necessary and appropriate;
2. Decisions regarding disallowed costs, and noting the reasons for each disallowance;
3. Questioned costs determined to be allowed and the basis for the allowance;
4. Acceptance of corrective action on findings, with reasons for any changes from the initial determination;
5. Establishment of a debt, when appropriate and necessary;
6. Time by which debt must be repaid, and when debt becomes delinquent;
7. Whether or not interest will be charged and the interest rate;
8. Description of the debt collection process;
9. Sanctions that may be imposed in the event payments are not received as provided;
10. Statement of sanctions if any; and
11. Appeal procedure by which a sub-recipient may appeal a decision of the entity making a determination.

#### **D. Debt Collection**

1. Each sub-recipient shall be liable to repay with non-Federal funds amounts found to have been expended not in accordance with WIOA Title I and its associated regulations and have been disallowed through the audit resolution process.
2. If WC requires a sub-recipient to repay funds as a result of a determination of disallowed costs, and a sub-recipient or contractor's liability is established as a result of an audit, monitoring finding or other means, WC will notify such entity in writing of the following:
  - a) The amount of liability;
  - b) WC's reason for the establishment of a debt;
  - c) What additional sanctions may be imposed if the debt is not resolved or a satisfactory alternative repayment plan has not been negotiated within thirty (30) days and becomes delinquent; and
  - d) Opportunity to appeal.

#### **III. Remedies for non-compliance**

- A.** If a sub-recipient fails to comply with established Federal, State, and local regulations, policies and/or procedures, WC may take one or more of the following actions as appropriate and necessary:
  1. Temporarily withhold current cash payments pending correction of the deficiency;
  2. Wholly or partially suspend or terminate the sub-award;
  3. Initiate suspension or debarment proceedings as authorized under 2 CFR Part 180 and Federal regulations;
  4. Withhold further awards for the project or program; and
  5. Take other remedies that may be legally available and in compliance with WC policy for sanctions and resolutions for non-compliance.
  
- B.** WC's sanctioning process has been established to ensure that WIOA Title I funds are administered within the boundaries of acceptable practices that have been established by Federal statutes, regulations, State and local policies.

#### **IV. Additional Provisions**

##### **A. WC is responsible for:**

1. Ensuring that its sub-recipients will resolve findings that arise from monitoring reviews, investigations, other Federal or State monitoring reviews, and audits of WIOA Title I awarded funds.
2. Submitting to the State a letter of engagement from an independent audit firm within one (1) month after the end of its fiscal year. Such letter must include an audit start date and anticipated audit completion date.
3. In the event the final report contains findings, WC will have thirty (30) days after receipt of the final report to submit a corrective action plan to the State.
4. Debts established through the internal and external monitoring process, as well as the audit, may be dealt with in accordance with established Federal regulations, SCP 5.6 and sections VI and VII of SCP 3.2.
5. Ensuring that sub-recipient audits are completed and reports are received in a timely manner and in accordance with this policy.
6. Conducting follow-up on audit findings to ensure its sub-recipients take appropriate and timely corrective action through initiating and completing the audit resolution process.
7. Providing technical assistance to its sub-recipients as requested or necessary.

## **B. The Sub-recipient**

1. Shall upload its audit report(s) onto the **Federal Audit Clearinghouse (FAC)** website **within the earlier of 30 calendar days after receipt of the audit report(s), or no later than nine (9) months after its accounting year end, whichever is earlier.**  
FAC website: <https://harvester.census.gov/facweb/>
2. All sub-recipients shall provide a copy of its audit report(s) to WC within 30 days of the report date or no later than nine (9) months after its accounting year-end, whichever is earlier. For For-Profit entities, WC will submit the audit report(s) by mail to the US Department of Labor on the sub-recipient's behalf. All other sub-recipients shall upload its audit report(s) onto the Federal Audit Clearinghouse (FAC) website within thirty (30) calendar days after the date of the audit report(s), or no later than nine (9) months after its accounting year-end, whichever is earlier.
3. Shall pay to WC within 30 days of demand by WC the full amount of the sub-recipient's liability, if any, to the State and/or Federal government resulting from any audit exceptions, to the extent such are attributable to the sub-recipient's failure to perform properly any of its obligations listed on their sub-award agreement.
4. Shall timely and accurately comply with the audit resolution process initiated by WC.

## **V. Record Requirements**

- A.** Sub-recipients must keep and maintain, under generally accepted accounting principles (GAAP) full, true and complete records, agreements, books, and documents as are necessary to fully disclose to the United States Government, State, WC, or their authorized representatives, upon audits or reviews, sufficient information to determine compliance with all Federal, State, and local regulations, statutes, and policies. Sub-recipients must ensure that reporting packages do not include protected personally identifiable information.
- B.** Sub-recipient must keep and maintain relevant books and records (written, electronic, computer related or otherwise), including, but no limited to, relevant accounting procedures and practices of the sub-recipient, financial statements and supporting documentation. All documentation related to the work product shall be subject, at any time, to inspection, examination, review, audit, and copying at any location where such records may be found, with or without notice by Federal agency, State auditors/staff, WC staff, or any of their authorized representatives.
- C.** Established regulations provide that all books, records, reports, and statements must be retained for a minimum of five (5) years subsequent to the date of submission of final grant expenditure report. Established regulations also provide that if any litigation, claim, or audit has started before the expiration of the five (5) years period, records must be retained until all litigations, claims, or audit findings involving the records have been resolved and final action/resolution is taken. Access to audit documentation includes the right of WC to obtain copies of audit documentation, as is reasonable and necessary.

## **VI. Appeal Process**

- A.** A sub-recipient who is dissatisfied with a WC determination to impose a sanction(s) or corrective action(s) may file a written appeal as indicated in this section.
- B.** The appeal must be submitted in writing within 15 days of receipt of WC determination and must be directed to WC Chief Financial Officer for review and consideration.

- C.** Grounds for appeals:
  - 1. Findings of non-compliance involved in the resolution process; and
  - 2. Disallowed costs.
  
- D.** Any sub-recipient interested in filing an appeal must exhaust the remedies provided in this policy prior to seeking additional relief at a different venue.
  
- E.** A sub-recipient who fails to exhaust the administrative remedies provided in this policy waives its rights to file an appeal.
  
- F.** Appeals made under this section, with respect to findings of non-compliance, shall be made no later than 30 business days after receipt of final determination.
  
- G.** Appeals made under this section, with respect to disallowed costs, shall be made no later than 10 business days after receipt of final disallowed costs letter from WC.
  
- H.** The written appeal shall state, with accuracy/precision the following:
  - 1. Sub-recipient name, address, contact information;
  - 2. The imposed sanction(s) that constitute the basis for the appeal;
  - 3. Support documentation to support and/or validate the basis of the appeal; and
  - 4. Form of relief requested.
  
- I.** WC will issue a determination no later than 30 business days after receipt of the appeal.