



Monterey County Workforce Investment Board (WIB)
LOCAL POLICY BULLETIN #2007-04

Effective Date: July 1, 2014
Initial Release Date: December 5, 2007; Revised: June 4, 2014
Full WIB Adopted: June 4, 2014

TO: All Monterey County Providers of Workforce Investment Act (WIA) Title I Services

SUBJECT: Local Workforce Investment Area Audit Resolution Policy

PURPOSE: The purpose of this policy is to set forth written procedures, as indicated in the WIA regulations, for the Monterey County Workforce Investment Board (WIB) staff and its subrecipients to follow regarding the requirements for audit resolution. This policy requires that all subrecipients expending WIA funds shall comply with federal and state audit resolution requirements.

Entities receiving awards of WIA funds must meet the audit requirements of Office of Management and Budget (OMB) Circular A-133. The revised circular has increased the expenditure level for the single audit requirement to \$500,000 or more in total federal funding. Those entities who expend \$500,000 or more in federal funds may have either an organization-wide audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit in accordance with Generally Accepted Government Auditing Standards. This latter requirement also applies to commercial organizations as described in Title 20 Code of Federal Regulations (CFR) Section 667.200(b)(2)(ii) of the WIA.

The regulations also require the establishment of procedures for audit resolution. The procedures apply to WIB resolution of subrecipient audits and to subrecipient resolution of lower-tier subrecipient audits. In addition, the WIB may use these procedures in resolving the findings from other reviews, such as monitoring, incident and investigation reports.

REFERENCE: Title 20 Code of Federal Regulations (CFR) Sections 667.200(b) and 667.500(a), Title 29 CFR Section 95.26, Title 29 CFR Section 96.53, Section 96.105, Section 97.26, OMB Circular A-133, Subject: Audits of States, Local Governments and Non-Profit Organizations (June 27, 2003), State Compliance Policy, Section 3.2, "Audit Process".

POLICY: The WIB and subrecipients shall follow this policy on the effective date described above. This policy will remain in effect from the date of issuance until such time that a revision is required.

The following shall apply to all WIB programs and activities for those service providers that meet the definition of a subrecipient described below:

1. Audit Resolution Process:

WIB and its subrecipients that award WIA funds to lower-tier subrecipients must have written audit resolution policies and procedures that, at a minimum, follow the guidelines described in this policy.

The WIB and subrecipients must:

1. Review the audit report of their subrecipients to ensure compliance with the requirements of the 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 in an audit report.
3. The audit resolution process must be completed within six months after receipt of the subrecipients audit report and must ensure that the subrecipient takes appropriate and timely corrective action.

2. Definitions:

1. Auditee – as defined in OMB Circular A-133 is a non-federal entity that expends federal awards that must be audited under the circular.
2. Awarding agency – with respect to a grant it means the Department of Labor. With respect to a subgrant or contract, it relates to the party that awarded the subgrant or contract.



3. 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.
4. Initial Determination – is a preliminary decision on whether to allow or disallow questioned costs and resolve any non-monetary findings.
5. Final Determination – is the awarding agency's final decision to disallow the cost and the status of non-monetary findings.
6. Non-monetary finding – is an administrative finding.
7. Subrecipient – is a non-federal entity that expends federal awards received from a pass-through entity to carry out a federal program but does not include an individual who is a beneficiary of such a program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency. Guidance on distinguishing between a subrecipient and a vendor is provided in 29 CFR 96.210.
8. Vendor – is a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the federal program.

3. Initial Determination:

Issuance of a letter of Initial Determination is based on the audit review, which includes:

- A list of all questioned costs.
- Whether the costs are allowed or disallowed, with the reasons and appropriate citations included for such actions.
- Acceptance or rejection of any corrective action taken to date, including corrective action on administrative findings.
- List possible sanctions for failure to correct.
- The opportunity for informal resolution of no more than 60 days from the date of Initial Determination.

4. Informal Resolution:

During informal resolution, the subrecipient 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 sign-in sheet that must be retained as documentation of its occurrence. Negotiations of repayments can be initiated at this time.

5. Final Determination:

Upon conclusion of the initial review and/or informal resolution meeting, the WIB Staff will submit a written Final Determination of actions required by the subrecipient. The Final Determination letter shall include:

- Reference of the Initial Determination letter.
- Summation 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 by the awarding agency and the basis for the allowance.
- List the establishment of a debt, if appropriate.
- 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.
- List procedures by which the subrecipient may appeal to the State a decision of the entity making the determination.



The WIB and its subrecipients shall ensure corrective action of any unresolved administrative findings identified in audit reports. The WIB and its subrecipients shall validate corrective action through a monitoring process to determine that appropriate 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.

6. Hearing Procedures for Resolution of Appeals:

Regional subgrant recipients must establish local level hearing procedures for resolution of appeals related to audit and monitoring finds.

The local level hearing procedures for resolution include:

- The auditee has 30 calendar days after receipt of the final determination to submit a written request for a hearing. At least 10 calendar days before the hearing, a written notice of the date and site of the hearing must be provided. A withdrawal must be done in writing.
- A hearing shall be recorded mechanically or by court reporter.
- The hearing officer must issue a decision within 60 days of the filing date. The subcontractor has 10 days from receipt of an adverse decision to file an appeal with the State Review Panel.
- If a local hearing is not held or the decision is not rendered timely, the subrecipients has 15 days from the date on which the date should be held or the decision should have been issued to file an appeal with the State Review Panel.
- The appeal to the State must be submitted to the Grievance Officer.
- If the subrecipient appeals the decision of the WIB's hearing officer to the state, the WIB will send EDD's Compliance Review Office (CRO) the complete audit for the State Review Panel. Within thirty (30) days of receipt by the CRO of the subrecipients written appeal the State Review Panel will convene to review all evidence and issue a decision without consideration of any imposed sanctions. There is no administrative appeal beyond this level.

INQUIRIES: For questions or assistance related to this policy, please contact the Monterey County Workforce Investment Board staff at (831) 796-6434.

This policy is posted on the WIB website located at: www.montereycountywib.org/policies/