



RIVERSIDE COUNTY
ECONOMIC DEVELOPMENT AGENCY

POLICIES & PROCEDURES

Date: April 10, 2003

Number: 10-04

- SUBJECT:** **AUDIT RESOLUTION**
- PURPOSE:** To establish and provide for the Riverside County Economic Development Agency (EDA), staff, Workforce Development Board and service providers the Policies and Procedures for the resolution of audit findings and disallowed costs.
- REFERENCES:** Office of Management and Budget (OMB) Circular A-133, Subject: Audit of States, Local Governments and Non-Profit Organizations (June 24, 1997)
- Workforce Investment Act (WIA) Sections 184 (a) (2) (A), 184 (a) (3) (A), and 185 (b) (3)
- Title 20 Code of Federal Regulations (CFR) Federal Register, Sections 667.200(b) and 667.500
- Title 20 CFR Sections 645.230(b) and 645.250
- Title 29 CFR, Parts 95.26, 96.53, and 97.26
- Title 29 CFR, Part 96.31
- Title 31 United States Code (USC) Chapter 75
- EDD Welfare-to-Work (WtW) Directive Number WD99-9, September 21, 1999
- Employment Development Department (EDD) Workforce Investment Division, Directive WIADOO-6, Audit Requirement, March 5, 2000.
- EDD Workforce Investment Division Directive WIADO1-03, Audit Resolution, July 31, 2001.
- SUPERCEDES:** Riverside County EDA Job Training Field Memorandum

DISTRIBUTION: WDB; SP; ADMIN; PPD; FISCAL; PROG.COMP.; CUST.SERV.

Number 00 -2, April 2, 2000.

**LOCALLY IMPOSED
REQUIREMENTS:**

Locally imposed requirements are indicated in ***bold, italic*** type.

EFFECTIVE DATE:

July 1, 2002

BACKGROUND:

Riverside County EDA Workforce Development Division (WDD) and all subrecipients of Workforce Investment Act (WIA) and/or Welfare-to-Work (WtW) funds are required to meet the audit requirements specified in OMB Circular A-133 and all regulations cited above. Federal agencies must apply the circular requirements to nonfederal entities that expend a total amount of federal awards equal to or in excess of \$300,000 in any fiscal year and shall have either a single or program specific audit. Nonfederal entities that expend less than \$300,000 a year in federal awards are exempt from federal audit requirements for that year, except as noted in Subpart B Audits, §-.215(a), but records must be available for review or audit by appropriate officials of the federal agency, pass-through entity, and General Accounting Office (GAO). Commercial organizations that are subrecipients under WtW and/or WIA Title I that expend more than the \$300,000 threshold of OMB Circular A-133 must conduct either an organization-wide or a program-specific audit.

EDA, as the awarding agency, is required to issue management decision on audit findings within six months after receipt of the subrecipients audit report and ensure that the subrecipient takes appropriate and timely corrective action. The regulations also require each subrecipient to permit the awarding agency and auditors to have access to records and financial statements as necessary in order to comply with this requirement. Further, activities of subrecipients must be monitored to ensure federal monies are used in accordance with the laws, regulations, and provisions of contracts or grants. Based on the listed federal mandated requirements, the following policy is established.

POLICY:

The Riverside County EDA Workforce Development Division (WDD) adopts the state's systemic method to ensure compliance with laws and regulations and will ensure, (through an audit tracking system), that audits, if required, are conducted and submitted for review. EDA shall actively comply with all fiscal and compliance regulations as mandated by requiring all service providers who expend a total equal to or in excess of \$300,000 to complete an audit specific to their agency. Nonfederal entities that expend awards under more than one federal program must have a single audit, regardless of the amount of federal funds expended. Audits must be submitted within 30 days after completion of the audit report but no longer than nine months following the end of the organization's audit period.

PROCEDURES:

Tracking System

EDA staff will develop an audit tracking system to track and record submission of audits for review. The tracking system will consist of:

1. An Audit Control Log, (Attached) which must contain;
 - The date of the audit
 - The period covered by the audit
 - The date the audit was received
 - The auditor
 - The questioned costs
 - The administrative findings
 - Dates of the Initial and Final Determinations and
 - Documentation of decisions regarding disallowed costs and administrative findings
2. The Audit Report, which must:
 - Be received in a timely manner as required by this policy
 - Be appropriate for the service provider's agency type
 - Be reviewed for any necessary corrections or resolutions determined by the auditor and corrections made to date and
3. The Audit Resolution File, which must contain:
 - A letter or Initial Determination based on review of the audit
 - Documentation in support of allowability of costs
 - Proposed corrective action of administrative findings

Audit Review

Once received, EDA staff will make an initial determination based on the review of the audit. If corrective action is required, an Initial Determination letter will be submitted to the service provider. The Initial Determination Letter will:

1. List all questioned costs
2. Provide reasons why, with appropriate citations, costs are allowed or disallowed
3. Accept or reject any corrective action taken to date
4. List possible sanctions for failure to correct
5. Advise of the opportunity for an informal resolution of no more than 60 days from the date of the Initial Determination Letter

Informal Resolution

During the Informal Resolution, the service provider may provide documentation to support cost allowance and proposed corrective action of administrative findings. Informal resolution discussions may be held by telephone, if necessary, but in person is preferable. The meeting must be documented and notes or minutes retained as part of

the audit file. Review of all supporting documentation and discussions held during the Informal Resolution shall result in a written Final Determination.

Final Determination

Once the initial review and/or informal resolution meeting is concluded EDA staff will submit a written Final Determination of actions required by the service provider. The Final Determination letter will:

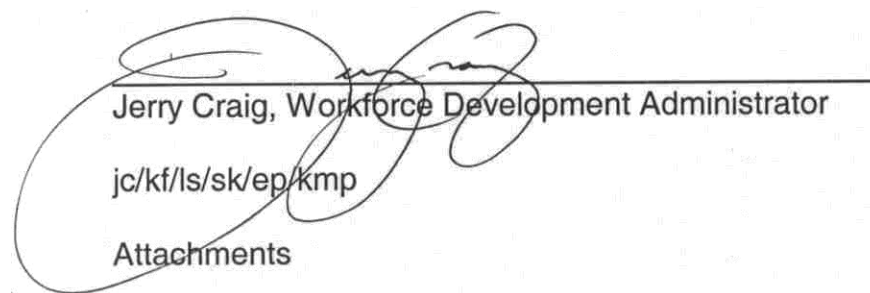
1. Reference the Initial Determination Letter
2. Summarize the Informal Resolution Meeting, if held
3. List and provide decisions on disallowed costs, noting reasons for allowance or disallowance
4. Require status of each administrative finding
5. Provide basis for allowance by EDA WDD of previously questioned costs
6. Demand repayment of disallowed costs if applicable
7. Provide service provider with EDA WDD debt collection policy and other sanctions which may be imposed if payment is not received
8. Provide information on rights to a hearing

Completion of Audit Resolution

EDA staff must ensure the service provider takes appropriate and timely corrective action to complete the audit resolution process within six months after receipt. Additionally, a copy of the monitoring report substantiating the implementation of the appropriate corrective action must be filed with the audit report as follow-up to the audit resolution process.

The subrecipient, or auditee, has the right to appeal, and the Riverside County EDA WDD will utilize the established appeals process as identified in the State Employment Development Division Directives WIAD01-03 and WD99-9 which may be obtained at the California Employment Development Department home page at <http://www.edd.ca.gov> under Workforce Community.

Please refer any questions concerning this Policy and Procedures to the Workforce Development Division's Program Compliance Unit.



Jerry Craig, Workforce Development Administrator

jc/kf/l/sk/ep/kmp

Attachments