

NORTH CENTRAL COUNTIES CONSORTIUM

AUDIT RESOLUTION PROCEDURE

I. Purpose

To establish procedures for resolving subrecipient audit findings as related to funds received under the Workforce Innovation and Opportunity Act (WIOA) from the North Central Counties Consortium (NCCC).

II. Background

Subrecipients receiving awards of WIOA funds must meet the audit requirements of Office of Management and Budget (OMB) Uniform Guidance. The Uniform Guidance raised the threshold for required audits from \$500,000 to \$750,000 or more in federal funds.

III. References

- Workforce Innovation and Opportunity Act (WIOA) (Public Law 113-128), Section 184
- Title 2 Code of Federal Regulations (CFR) Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- Title 20 CFR Section 683.210
- WSD22-07: Debt Collection
- WSD20-03: Audit Requirements
- WSD22-06: Audit Resolution

IV. Procedure

NCCC will annually collect and review the audit reports of its recipients to ensure compliance with the requirements of OMB Uniform Guidance 2 CFR Part 200, Subpart F. If there are no concerns, a copy of the audit must be kept on file and added to the audit control log.

If any discrepancies are reported the audit resolution will include the following steps:

A. **Audit Resolution File**

Must be established to document the disposition of reported questioned costs and corrective actions taken for all findings. See F for more information.

B. **Audit Control Log**

Complete an audit control log that contains:

1. Date of the audit
2. period covered by audit
3. date audit was received
4. audit name
5. questioned costs
6. administrative findings
7. assigned audit number
8. date or dates of Initial and Final determination

This log should include the review of all audits including those that are compliant.

C. Letter of Initial Determination

Issue a letter of Initial Determination based on the audit review. Proof of receipt of the Initial Determination letter is required. The Initial Determination letter includes:

1. A list of all questioned costs.
2. Whether the costs are allowed or disallowed, including the reasons with appropriate citations for such actions.
3. Acceptance or rejection of any corrective action taken to date, including corrective action on administrative findings.
4. Possible sanctions.
5. The opportunity for informal resolution of no more than 60 days from the date of Initial Determination.

D. Informal Resolution

During Informal Resolution, the auditee may provide documentation to support allowability of costs and proposed corrective action of administrative findings. Negotiations of repayments can be initiated at this time. If a meeting is held, the meeting will be documented either with voice recording or written notes and retained, along with a sign-in sheet in the audit file.

E. Final Determination

Issue a letter of Final Determination. Proof of receipt of the Final Determination letter is required.

The Final Determination letter will include:

1. Reference to the Initial Determination.
2. Summation of the informal resolution meeting, if held.

3. Decisions regarding the disallowed costs, listing each disallowed cost and noting the reason for each disallowance.
4. Questioned costs that have been allowed by the awarding agency and the basis for the allowance.
5. Demand for repayment of the disallowed costs.
6. Description of the debt collection process and other sanctions that may be imposed if payment is not received.
7. Rights to a hearing.
8. The status of each administrative finding.
9. Identified areas of disagreement between the parties.
10. Advise the subrecipient that the determination is based on information that is currently available. IF new information becomes available, the Final Determination may be reopened at the award agency's option.

The audit resolution process must be completed within six months after receipt of the audit report.

- F. Debt Collection** (NCCC Administrative Procedure No. 13) will be initiated if disallowed costs are included in the Final Determination.

G. Audit Resolution File

The audit file must be assembled for ease of reference in the event of future action. Electronic files must be saved in a logical order (generally chronological) and contain all supporting documentation. Physical files 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:
 - a. Notes related to the informal resolution.
 - b. 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.

H. Local Level Hearing

The auditee has 30 calendar days after the Final Determination is issued 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 will be provided to the auditee (this 10-day notice may be shortened with written consent of both parties). The auditee may submit a withdrawal request in writing. Local-level hearing will include the following:

1. Both parties have the right to:
 - a. present either written or oral testimony;
 - b. call and question witnesses;
 - c. present written or oral arguments;
 - d. examine records and documents relevant to the issues;
 - e. be represented.
2. The hearing shall be recorded mechanically or by court reporter.
3. A decision by the hearing officer must be issued within 60 days of the request filing date.
4. The auditee has 10 days from receipt of the adverse decision to file any appeal to the State Review Panel.
5. 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.

I. Appeals

If the auditee appeals the decision of the awarding agency's hearing officer to the State, the awarding agency will send the complete audit for review by the State Review Panel to the following address:

Email PACBCROIncidentReports@edd.ca.gov

Mail Employment Development Department
 Compliance Review Office
 Compliance Resolution Unit
 P.O. Box 826880, MIC 22
 Sacramento, CA 94280-0001

Within 30 days of receipt by the CRO of the auditee's written appeal, the State 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.

- J. The awarding agency subrecipient shall ensure correction of any unresolved administrative findings and will determine the status of the unresolved administration finding through its monitoring process and determine that appropriate corrective action has been taken. A copy of the monitoring report substantiating the implementation of appropriate corrective action must be filed with the audit report.

K. 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 WIOA costs that were reported as uncharged WIOA program costs, included within the scope of the audit, and accounted for in the auditee's financial system. The stand-in costs 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.