



# Spokane Area WORKFORCE DEVELOPMENT COUNCIL

## Audit Resolution and Debt Collection

Workforce Investment Act Policies and Procedures

POLICY #: 202

Date of Original Policy: March 21, 2008

Effective Date: March 21, 2008

Revised: N/A

### BACKGROUND:

**Workforce Investment Act—Public Law 105-220.** The chief elected official in a local area shall serve as the local grant recipient, and shall be liable for any misuse of the grant funds allocated to the local area under WIA sections 128 and 133. Each State, local area and provider receiving WIA funds shall comply with the appropriate uniform administrative requirements for grants and agreements applicable for the type of entity receiving the funds, according to the OMB circulars or rules [WIA Section 184(a)(3)(A)].

### Workforce Investment Act Final Regulations.

The WIA Regulations audit requirements are at Section 667.200(b). All governmental and non-profit organizations must follow the audit requirement of Circular A-133. These are found at 29 CFR 97.26 for governmental organizations and at 29 CFR 95.26 for institutions of higher education, hospital, and other non-profit organizations. Commercial organizations that are WIA Title I subrecipients must meet A-133 requirements.

Local policies, interpretations, guidelines and definitions to implement provisions of Title I of WIA should not be inconsistent with the Act and the regulations issued under the Act, Federal statutes and regulations governing One-Sop partner programs, and with State policies, WIA Regulations Section 661.120(a).

### State of Washington Audit Requirements.

State of Washington Policy is established by the office of Financial Management in the State Administrative & Accounting Manual (SAAM) Section 50.30, Compliance with Federal Single Audit Act.

Workforce Development Councils (WDCs) should ensure their entities and subrecipients comply with the requirements of A-133, federal and state laws, regulations, and state policies, including submittal of an annual audit plan, see 50.30.50 (SAAM).

### Pass-Through Entity Responsibilities—A-133\_400(d) and State of Washington Policy 50.30.50 (SAAM).

The following are requirements for pass-through entities:

1. Properly identify federal awards by informing each subrecipient of the CFDA title and number, award name and number, award year and name of the federal agency;
2. Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contract and grants agreements as well as any supplemental requirements imposed by the pass-through entity;

3. Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and that performance goals are met.
4. Require subrecipients to provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required;
5. Ensure that subrecipients expending \$500,000 or more (for fiscal years ending after December 31, 2003) in federal awards during the subrecipient's fiscal year have met the audit requirements of A-133;
6. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;
7. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records;
8. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statement as necessary to comply with A-133.

#### Pass-through entities must review subrecipient audits

To ensure that legal requirements are met, reviews of subrecipients must include processes and procedures to verify that applicable audit requirements are satisfied and audit findings are reviewed for timely corrective actions, see 50.30.55. 7. and 8. (SAAM). These include, review and follow-up on subrecipient single audits; and use checklists to document activities of review and follow-up on subrecipient audits or receipt of required reports and documents prior to closure of contracts or grant agreements.

#### Local Actions

##### Audit Plan

As required, an audit plan is prepared annually and submitted to the Washington State Employment Security Department.

Subrecipients that are public agencies are generally covered by A-133 audit procedures, are audited according to their fiscal period, and are audited by the Office of the State Auditor, State of Washington.

Subrecipients that are private non-profit agencies are audited under a contract with a local CPA firm as procured by the SAWDC.

#### Audit Procedures

Field work is conducted on site by the auditor per their schedule with the subrecipient.

#### Single Audit Act

The Department of Labor views the requirements of the Single Audit Act as consistent with the existing requirements of WIA and its implementing regulations. Compliance with the Single Audit Act will constitute compliance with WIA audit requirements.

The SAWDC interface with Single Audit Act requirements will be governed by State WIA Policy.

#### Exit

Unless there is a major finding, the SAWDC is not generally part of exits conducted by the State Auditor's Office.

Upon completion of the on-site audits conducted by our CPA firm, an exit briefing will be held with the appropriate Auditor staff, subrecipient and SAWDC staff.

The Auditor will simultaneously send a copy of the final audit report to the cognizant Federal agency as appropriate, a copy to the subrecipient, and a copy to the SAWDC. The SAWDC Director will review the final report to determine the appropriate course of actions.

If the report does not specify expenditures recommended for disallowance or questionable expenditures, or contain significant administrative findings, the SAWDC Fiscal Officer will review the audit and then return it to the Secretary for inclusion in the official audit file.

Copies of audit reports will be sent to the Washington State Employment Security Department by the State Auditor's Office or the SAWDC when a copy is received.

A report containing expenditures recommended for disallowance, questioned expenditures, or significant administrative findings will initiate the audit resolution procedure pursuant to State Policy.

#### Audit Resolution

The SAWDC will maintain a file of subrecipient audit reports and log of audits awaiting final resolution.

The final audit report will constitute the SAWDC's initial determination. The subrecipient will have an opportunity to respond and provide additional documentation or explanation. The burden of proof in providing sufficient information or documentation to explain costs recommended for disallowance or questioned costs rests with the subrecipient. The SAWDC reserves the right to make its final determination solely upon the content of the final audit report. The subrecipient will have a 30 day period for comment and informal resolution.

The SAWDC will issue a final determination within 60 days of receipt of the subrecipient's response.

The audit resolution process is to be completed within 120 days after the receipt of the final audit report by the SAWDC Director. The audit resolution process will be completed when all questioned costs have been allowed, all administrative findings resolved or when a final debt is created.

#### Debt Collection

Debt collection and appeal procedures will comply with those established in State Policy No. 3265. Specifically, a debt is due within 30 days of issuance of the final determination. Intent to appeal must be made known to the SAWDC Director within 10 days of issuance of the final determination. Appeal will be subject to the provisions of the SAWDC hearing and complaint procedures and appropriate State policy.

Enclosed are sample letters to be used for notification.

Upon establishment of a fund debt, the SAWDC's Fiscal Officer will establish accounts receivable in the SAWDC's records.

Funds received as repayment of debt will be processed per State Policy 3265 depending on if the debt resulted from fraud, malfeasance, or other serious violations or illegal acts or not. Proper follow-up with the audit resolution and monitoring unit's staff will be maintained.

#### **ATTACHMENTS:**

Letter to Subrecipient from Director (Transmittal of Audit Report Only)

Letter to Subrecipient from Director (Initial Determination)

Letter to Subrecipient from Director (Final Determination)

#### **REFERENCE:**

WIA Section 184

20 CFR Part 652

State Policies 3255 and 3265

**SUPERSEDES:**

Audit Resolution June 2004

**DIRECT INQUIRES TO:**

(As referenced in SAWDC Staff Composition Policy #100)

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