

COUNTY OF HUMBOLDT  
COMMUNITY DEVELOPMENT SERVICES DEPARTMENT  
ECONOMIC DEVELOPMENT DIVISION

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**I. PURPOSE**

The purpose of this procedure is to provide policy and guidelines to ensure compliance with Office of Management and Budget (OMB) Circular A-133 resolve audit finding and disallowed costs within Workforce Investment Act (WIA) contracted services.

**II. SCOPE**

Scope of policy applicability includes all subcontractors with the County of Humboldt that deliver WIA services.

**III. DEFINITIONS**

*Auditee*- as defined in OMB circular, is a nonfederal entity that expends federal awards that must be audited under the circular.

*Awarding Agency*- (1) with respect to a grant, Department of Labor, and (2) with respect to a subgrant or contract, the party that awarded the subgrant or contract.

*Federal Award*- 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 procurements contracts, under grants or contracts, used to by buy goods or services from vendors. Federal financial assistance means assistance received or administered to carry out a program.

*Initial Determination*- preliminary decision on whether to allow or disallow questioned cost and resolve non-monetary findings.

*Final Determination*- the awarding agency's final decision to disallow the cost and the status of the non-monetary findings.

*Non-monetary finding*- administrative finding.

*Subrecipient*- in this policy refers to local areas, lower-tier subrecipients, and subgrantees.

**IV. REFERENCES**

- WIA Directive WIAD05-17
- Title 20 Code of Federal Regulations (CFR) Sections 667.200(b) and 667.500(a)
- Title 29 CFR Section 95.26, 96.53 and 97.26
- Office of Management and Budget (OMB) Circular a-133, Subject: Audits of States, Local governments and Non-Profit Organizations

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**V. POLICY**

All subcontractors with the HC-WIB will comply with the requirements of the Workforce Investment Act (WIA), Department of Labor (DOL) Regulations, State Employment Development Department (EDD) Directives, and Community Development Services/Economic Development Division (CDS-EcDD) Policies.

**VI. PROCEDURE**

HC-WIB will ensure a County of Humboldt single audit is sent to the state controller's office at the following address:

Attn: Single Audit Reports  
Division of Audits  
State Controllers Office  
P.O. Box 942850  
Sacramento, Ca 94250-0001

HC-WIB is responsible for collecting audits from its subrecipients with annual federal expenditures of \$500,000 or more. HC-WIB will annually send out a formal written request for the single audit performed for the prior fiscal year. This request will allow sufficient time after the end of the year allow for the audit to occur, but request delivery of the audit as soon as possible (preferably within 30 days of the formal request)

**A. Subrecipient Standards**

1. Once the audit has been received by the HC-WIB administrative office, HC-WIB must:
  - a. Review the audit report of their sub recipients to ensure compliance with the requirements of OMB Circular A-133.
  - b. Fill out the HC-WIB subcontractor Audit checklist.
  - c. Establish an audit resolution file to document the disposition of reported questioned costs and corrective actions taken for all findings.
  - d. Complete the HC-WIA control log.
  - e. Issue a letter of Initial Determination based on the audit review. The Initial Determination letter includes:
    - A list of all questioned costs.
    - Whether the costs are allowed or disallowed, including the reasons with appropriate citations for such actions.
    - Acceptance or rejection of any corrective action taken to date, including corrective action on administrative findings.
    - Possible sanctions.

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- The opportunity for informal resolution of no more than 60 days from the date of Initial Determination.
- f. During informal resolution, the auditee 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. The sign-in sheet must be retained as part of the audit file. The meeting must be documented either with a voice recording or written notes. Negotiations of repayments can be initiated at this time.
  - g. Issue a written Final Determination. The Final Determination includes:
    - Reference to the Initial Determination.
    - Summation of the informal resolution meeting, if held.
    - Decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance.
    - Questioned costs that have been allowed by the awarding agency and the basis for the allowance.
    - Demand for repayment of the disallowed costs.
    - Description of the debt collection process and other sanctions that may be imposed if payment is not received.
    - Rights to a hearing.
    - The status of each administrative finding.
2. The audit resolution process must be completed within six months after receipt of the subrecipient's audit report and must ensure that the subrecipient takes appropriate and timely corrective action.
  3. An audit file will be assembled with all documentation and correspondence; with the most recent documents on top. The file should include the following (if applicable):
    - a. Final Determination and proof of receipt by the subrecipient.
    - b. Additional documentation submitted as part of the informal resolution process.
      - Notes related to the informal resolution.
      - Sign-in sheets from any informal resolution meetings.
    - c. Initial Determination and proof of receipt by the subrecipient.
    - d. Response to the final audit report.
    - e. Final audit report.

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4. Subrecipients must establish local-level hearing procedures. The awarding agency must reserve the right to overturn a hearing officer's decision when it determines that noncompliance with the applicable act or its regulations still exists. The hearing allows both parties the right to present either written or oral testimony, call and question witnesses in support of their position, present oral and written arguments, examine records and documents relevant to the issues, and be represented. The hearing shall be recorded mechanically or by court reporter. 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, written notice of the date and site of the hearing must be provided to the auditee. The 10-day notice may be shortened with written consent of both parties. The auditee may withdraw the hearing request; the withdrawal request must be submitted in writing. The hearing officer must issue a decision within 60 days of the request filing date. An auditee has 10 days from receipt of the adverse decision to file an appeal of the local hearing officer's adverse decision to the State Review Panel. 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.
5. If the auditee appeals the decision of the awarding agency's hearing officer to the State, the awarding agency will send Compliance Review Division (CRD) the complete audit for review by the State Review Panel. Within 30 days of receipt by the CRD 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.
6. The awarding agency shall ensure correction of any unresolved administrative findings. The awarding agency should determine the status of the unresolved administrative findings through its monitoring process and determine that appropriate corrective 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.

**B. State Audit Resolution**

1. If there are no audit findings, the CRD will notify the auditee that no further action will be taken regarding the audit.
2. If the audit identifies an administrative finding, questioned costs, or cost recommended for disallowance, the CRD will:
  - a. Establish an audit resolution file to document the disposition of each finding and the corrective action taken to resolve each finding.

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- b. Issue a written notice of Initial Determination after the audit is reviewed.
- c. Provide the auditee an opportunity for informal resolution and submission of additional documents within 60 days from the date of the notice of Initial Determination to resolve questioned costs and/or administrative findings.
- d. Issue a written notice of Final Determination.

**C. State Hearings**

All appeals of State audit determinations, including amendments and withdrawals, shall be in writing. Requests for hearings must be made within 30 days from the date of the Final Determination. The State hearing officer will provide written notice to the concerned parties of the date, time, and place of the hearing at least 10 calendar days before the scheduled hearing. Both parties will have the opportunity to present oral and written testimony, call and question witnesses in support of their position, present oral and written arguments, examine records and documents relevant to the issue(s), and be represented. The State hearing officer will prepare a proposed decision and submit it to the Employment Development Department (EDD) Director or designee. The EDD reserves the right to overturn the decision of the hearing officer. There is no administrative appeal beyond this level.

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

**VII. FORMS**

- Audit check list
- Audit resolution log

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