



**DEPARTMENT OF  
WORKFORCE INVESTMENT**

**Operational Procedure  
For**

**Audit Requirements and  
Resolution Procedures**

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Equal Opportunity Employer

As a condition of receiving Workforce Innovation and Opportunity Act (WIOA) funds, the independent auditor or monitor of the Merced County Workforce Development Board (WDB), the Employment Development Department's (EDD) auditors, investigators, monitors, or their representatives shall have access to the records and financial statements as may be necessary to ensure compliance to the WIOA law, regulations and directives.

**Audit Requirements:**

Each subrecipient of WIOA funds through the WDB, expending \$500,000 or more in federal funds in a year, must obtain an audit in accordance with Section 184 of WIOA, Title 20 CFR Federal Register Section 683.200, Title 2 CFR Federal Register Part 215, and Title 31 USC Chapter 75. Links to these sections are listed below.

Governmental entities will submit copies of their Single Audit Reports to the State Controller. Copies of Non-Profit Organizations Single Audit Reports are to be submitted to EDD as follows:

Audit & Evaluation Division, MIC 78  
Employment Development Department  
PO Box 826880  
Sacramento, CA 94280-0001

A copy of the Single Audit Report must be submitted, within 9 months of the end of the reporting period to the representative of the WDB as follows:

Deputy Director  
Merced County Department of Workforce Investment  
1205 West 18<sup>th</sup> Street  
Merced, CA 95340

**Audit Resolution:**

- A. The representative of the WDB will:
1. Review the audit report to ensure compliance with the requirement of 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.
  3. Complete a control log. (The log must contain the date of the audit, the period covered by the audit, the date that the audit was received, the auditor, the questioned costs, the administrative findings, the date or

dates of the Initial and Final Determinations, and documentation of decisions regarding the disallowed costs and administrative findings.

4. Issue a letter of Initial Determination based on the audit review. The Initial Determination letter includes:
    - a. A list of all questioned costs;
    - b. Whether the costs are allowed or disallowed, including the reasons with appropriate citations for such actions;
    - c. Acceptance or rejection of any corrective action taken to date, including corrective action on administrative findings;
    - d. Possible sanctions;
    - e. The opportunity for informal resolution of no more than 60 days from the date of Initial Determination.
  5. 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.
  6. Issue a written Final Determination. The Final Determination includes:
    - a. Reference to the Initial Determination;
    - b. Summation of the informal resolution meeting, if held;
    - c. Decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance;
    - d. Questioned costs that have been allowed by the awarding agency and the basis for the allowance;
    - e. Demand for repayment of the disallowed costs;
    - f. Description of the debt collection process and other sanctions that may be imposed if payment is not received;
    - g. Rights to a hearing;
    - h. The status of each administrative finding.
- B. 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.
- C. The audit file must be assembled for ease of reference in the event of future action. The file must be tabulated with the most current document 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;
  3. Notes related to the informal resolution;
  4. Sign-in sheets from any informal resolution meetings;
  5. Initial Determination and proof of receipt by the subrecipient;
  6. Response to the final audit report;

7. Final audit report.

- D. Merced County established hearing procedures will be followed. The awarding agency reserves 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 a 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 which must be submitted in writing.

A decision must be issued by the hearing officer 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.

- E. If the Auditee appeals the decision of Merced County's hearing officer to the State, Merced County 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 any evidence and issue a decision based on the evidence without consideration of any imposed sanctions.

There is no administrative appeal beyond this level.

- F. Merced County 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 the 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.

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.

**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 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.

### **Debt Collection:**

Local Workforce Development Board (LWDB) is responsible for its' subrecipient audit resolution and aggressive debt collection action. At the State level, audit resolution and debt collection are the responsibility of the Employment Development Department's (EDD) Compliance Review Division (CRD).

Merced County will notify the subrecipients of the establishment of the debt, their appeal rights, the date that the debt will be considered delinquent, the sanctions (which may include but are not limited to debarment) if the debt is not repaid and the interest rate charged. A letter will be sent to the subrecipient within 5 working days of the Final Determination. If payment is not made within 30 days of the first letter, a second letter will be sent to the subrecipient. If payment is not received within 30 days of the second letter, a third letter will be sent advising that the matter will be turned over to Merced County Revenue and Reimbursement, a division of the Merced County Counsel, who will proceed with legal action to collect. At that time the Auditor Controller's Office will include the outstanding debt in the outstanding debt category in the County's accounts receivable system.

Non payment of the debt within 90 days of the Final Determination will result in termination of the contract with the subrecipient.

All debt collection cases will be included in Merced County Department of Workforce Investment database for audit resolution, which is a permanent record for audit resolution, debt collection and status of the aforementioned areas.

Section 184 of WIOA

<https://www.congress.gov/113/bills/hr803/BILLS-113hr803enr.pdf>

Title 20 CFR Part 683.200

<https://www.gpo.gov/fdsys/pkg/FR-2015-04-16/pdf/2015-05530.pdf>

Title 2 CFR Part 215 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations (OMB Circular 110)

<https://www.gpo.gov/fdsys/pkg/CFR-2012-title2-vol1/pdf/CFR-2012-title2-vol1-part215.pdf>

Title 31 USC Chapter 75 -

[http://www.law.cornell.edu/uscode/html/uscode31/usc\\_sup\\_01\\_31\\_08\\_V\\_10\\_75.html](http://www.law.cornell.edu/uscode/html/uscode31/usc_sup_01_31_08_V_10_75.html)

**Responsible Official:** Deputy Director

**Reviewed Date:** March 20, 2016

**Revised Date:** March 20, 2016