



APPROVAL DATE: 3/23/10
APPROVED BY: Betty Baker, WIB Chair

**COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF SOCIAL SERVICES**

DIRECTIVE NO: 12-08 **Revision Date:** May 19, 2010
TO: Service Providers
FROM: Department of Social Services
EFFECTIVE: July 1, 2009
SUBJECT: Audit Resolution

REFERENCES:

- Title 20 Code of Federal Regulations (CFR) 667.200(b), 667.500(a)
- Title 29 CFR 95.26
- Title 29 CFR 96.53
- Title 29 CFR 97.26
- Office of Management and Budget (OMB) Circular A-133, Subject: Audits of States, Local Governments and Non-Profit Organizations (June 24, 1997)
- State Directive WIAD05-17, "Audit Resolution"

PURPOSE:

This policy provides guidance regarding policy and procedures for the resolution of audit findings and disallowed costs.

BACKGROUND:

Entities receiving awards of Workforce Investment Act (WIA) funds must meet the audit requirements of OMB Circular A-133. 20 CFR 667.200(b)(2)(ii) requires that service providers expending more than \$500,000 of federal funds have either an organization-wide single audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit. In addition, these regulations require that the service provider have established procedures for the resolution of any audit findings.

DEFINITIONS:

Costs Recommended for Disallowance are costs identified by auditors that are supported by accounting records but are a violation of law, regulation or contract, or are determined unreasonable by the auditor.

Federal financial assistance means assistance received directly by Federal awarding agencies or indirectly by recipients to carry out a program. It does not include procurement contracts used to buy goods or services from vendors.

Final Determination is the awarding agency's final decision regarding disallowed cost and the status of non-monetary findings.

Initial Determination is a preliminary decision on whether to allow or disallow questioned costs and resolve non-monetary findings.

Non-monetary finding is an audit conclusion concerning deficiencies in the service provider's management, program compliance, or weaknesses in internal controls. A non-monetary finding is an administrative finding.

Questioned Costs are costs questioned by auditors that are not properly supported by accounting records, are related to a violation of law, regulation or contract, or appear unreasonable. Questioned costs may become disallowed costs.

POLICY:

The Department of Social Services (DSS) and its lower-tier service providers shall have written audit resolution policies and procedures. Audit resolution consists of a three-part process that includes the Initial Determination, informal resolution period, and the Final Determination. Receipt of the Initial and Final Determinations by the service provider must be documented by the DSS.

The DSS will ensure that audits of its service providers containing findings pertaining to, administrative, internal controls, questioned costs, or disallowed costs, are resolved satisfactorily and in a timely manner.

PROCEDURE:

A. The DSS shall:

1. Review the audit reports of its service providers to ensure compliance with the requirements of OMB Circular A-133 and government standards for audit.
2. Establish an audit resolution file to document the disposition of reported questioned costs and corrective actions taken for all findings.
3. Maintain a control log, which 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 disallowed costs and administrative findings.

4. If findings are identified, 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 non-monetary findings.
 - Possible sanctions.
 - The opportunity for informal resolution of no more than 60 day from the date of Initial Determination.
5. During informal resolution, the service provider may provide documentation to support the questioned or disallowed costs and proposed corrective action of non-monetary findings. Informal resolution discussions may be held by telephone, if necessary, but in person is preferable. Negotiations of repayments, if any, should be initiated at this time.
6. Informal resolution meetings, either telephonic or in person, must be documented. Meetings in person must be documented with a sign-in sheet that is to be retained as part of the audit file and either with a voice recording or written notes.
7. Issue a written Final Determination. The Final Determination will include:
 - Reference to the Initial Determination.
 - Summation of the informal resolution meeting(s), if held.
 - Decisions regarding the disallowed costs, a listing of each disallowed cost with a notation as to the reason for the 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.
- B. The audit resolution process must be completed within six months after receipt of the service provider's audit report and must ensure that the entity takes appropriate and timely corrective action.
- C. The audit file must be assembled for ease of reference in the event of future action and retained for a minimum of 5 years. The file must be tabulated with the most current documentation first. The file should include the following:

- Final Determination and proof of receipt by the service provider
- Additional documentation submitted as part of the informal resolution process
 - Notes related to the informal resolution
 - Sign-in sheet from any informal resolution meetings
- Initial Determination and proof of receipt by the service provider
- Response to the final audit report
- Final Audit report

D. The DSS will establish a local-level hearing procedures for resolution of appeals related to audit and monitoring findings. The Employment Development Department (EDD) reserves the right to overturn a hearing officer's decision when it determines that noncompliance with the applicable Act or its regulation still exists.

E. A hearing must be provided within 30 days of the filing date and a decision must be issued by the hearing officer within 60 days of the filing date.

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.

At least 10 calendar days before the hearing, written notice of the date and site of the hearing must be provided to the service provider. The 10-day notice may be shortened with written consent of both parties. The service provider may withdraw the hearing request; the withdrawal request must be submitted in writing.

A service provider has 10 days from receipt of an unsatisfactory decision to appeal to the State Review Panel. If a local hearing is not held or the decision is not rendered timely, the service provider 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.

If the service provider appeals the decision of the DSS's hearing officer to the State, the DSS will send the EDD Compliance Review Division (CRD) the complete audit for review by the State Review Panel. Within 30 days of receipt by the CRD of the service provider'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.

F. The DSS shall ensure correction of any unresolved non-monetary findings. The DSS will determine the status of the unresolved non-monetary 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.

ACTION:

The Administrative Entity for the WIB and its service providers shall follow this policy. This policy will remain in effect from the date of issuance until such time that a revision is required.

INQUIRIES:

Inquiries should be addressed to WIB Admin at wibadmin@co.slo.ca.us.

REVISION HISTORY:

<i>DATE</i>	<i>DETAILS</i>
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