



COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF SOCIAL SERVICES
WORKFORCE DEVELOPMENT BOARD

3433 South Higuera Street, P.O. Box 8119, San Luis Obispo, CA 93403-8119
(P) 1-805-781-1908

DIRECTIVE NO: 23-19
TO: Service Providers
EFFECTIVE: January 01, 2020
SUBJECT: Audit Resolution

REFERENCES:

- State Directive WIAD05-17, "Audit Resolution"
- Title 2 Code of Federal Regulations (CFR) Part 200 et.al, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
- SLO 11-08 (Directive for Audit Requirements)

PURPOSE:

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

This policy is based on SLOWDB's interpretation of WIOA law, regulations and policies and federal, state and local laws, regulations and policies. This policy will be reviewed and updated based on any additional federal or state guidance.

BACKGROUND:

Entities receiving awards of Workforce Innovation and Opportunity Act (WIOA) funds must meet the audit requirements of Uniform Guidance as articulated in SLO 11-08. Additionally, audit requirement 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 or other oversight/monitoring entities that may or may not be supported by accounting records, but which are contradictory to law, regulation, contract, and authority under the funding award that are determined unallowable.

Federal financial assistance means assistance received directly from a Federal awarding agencies or indirectly from a pass through entity awarding an amount 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. Depending on the circumstances, this might be at the DSS, State EDD, or Federal DOL (including Federal DOL-OIG) level.

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 that are not properly supported by accounting records, or are related to a violation of law (including not authorized by statutory language), regulation(s) or contract, or that can be demonstrated as 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 must consist of a three-part process that includes the Initial Determination, Informal Resolution (including timeframes), and a 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 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 Uniform Guidance 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, the control agency must issue a letter of Initial Determination based on the 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 conclusions.
 - Acceptance or rejection of any corrective action taken to date, including corrective actions 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 including stand in costs that might replace unallowable costs initially claimed. Informal resolution discussions generally are held in person, but may be held by telephone when necessary. Negotiations of repayments, if any, should be initiated during the Informal Resolution meetings.
 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. Any and all delays must be documented and approved by DSS.

- C. The audit file must be assembled 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 procedure for resolution of appeals related to audit and monitoring findings. The State Employment Development Department (EDD) maintains the right to overturn a hearing officer's decision when it determines noncompliance with the applicable Act or Regulation exists.
- E. EDD must provide the hearing within 30 days of the filing date and a decision must be issued by their 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:

DSS WDB staff and 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:

Any questions regarding this policy may be directed to the DSS WIOA Program Manager at 805-781-1838.

Workforce Development Board (WDB) Approval Required? Yes No X

Initial approval date: _____

WDB revision approval date: _____