



POLICIES AND PROCEDURES

POLICY TYPE:	Finance Policy #6, Audit Resolution System – Monitoring, Corrective Actions, and Audit Resolution for federal or state granted dollars
EFFECTIVE:	August 26, 2022
REVISED:	July 1, 2024

PURPOSE

This policy provides guidance concerning the procedures for the resolution of audit findings and disallowed costs. Non-Federal entities receiving awards of federal funds of \$750,000 or more from all federal sources combined during its fiscal year must have a single audit conducted in accordance with the Scope of Audit requirements described at 2 C.F.R Part 200.514.

Definitions

- a. Auditee: Any Non-Federal entity that expends Federal awards which must be audited under Subpart F—Audit Requirements of the Uniform Grant Guidance 2 C.F.R. Part 200.514.
- b. Awarding agency: with respect to a sub-grant or contract, the party that awarded the sub-grant or contract.
- c. Contract/Contractor: Legal instrument/entity which a non-Federal entity purchases property, or services needed to carry out the project or program under a Federal award. The term(s) as used in this part do not include a legal instrument, even if the non-Federal entity considers it a contract when the substance of the transaction meets the definition of a Federal award or sub-award.
- d. Federal award: Federal financial assistance and federal cost-reimbursement contracts. It includes federal awards made directly by federal awarding agencies or indirectly by pass-through entities. It does not include other contracts used to buy goods or services from a contractor.
- e. Initial determination: Awarding agency’s preliminary decision on whether to allow or disallow questioned costs and accept or reject procedures developed to resolve any non-monetary findings.
- f. Final Determination: Awarding agency’s final decision to disallow the cost and reject the procedures developed to resolve any non-monetary findings.
- g. Non-monetary finding: Administrative finding.
- h. Sub-recipient: A Non-Federal entity that receives a sub-award from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A sub-recipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

REFERENCES

- Workforce Innovation and Opportunity Act (Public Law 113-128)
- Code of Federal Regulations Title 2 Grants and Agreements
- Code of Federal Regulations Title 2 Part 2900 Department of Labor
- Higher Education Coordinating Commission Office of Workforce Investments Policy: Financial Management and Administrative Standards (3/27/2024) Revised Policy
- Higher Education Coordinating Commission Office of Workforce Investments Policy: Monitoring, Corrective Actions, and Sanctions (08/18/2022)

POLICY

It is the policy of Lane Workforce Partnership (LWP) to comply with all federal and state issuances regarding the audit of programs and services conducted or where oversight and management is provided.

PROCEDURES

1. LWP will review the audit reports of sub-recipients to ensure compliance with federal and state requirements.
 - a. LWP Contract Managers will ensure that all sub-recipients are audited in compliance with their subcontract provisions and audit reports are submitted annually.
 - b. LWP Finance will track the audit requirements for each subcontractor, receiving and logging each audit report.
2. LWP will establish an audit resolution file to document the disposition of reported questioned costs and corrective actions taken for any findings.
 - a. For all Questioned Costs or Findings which involve funding provided by LWP, LWP Finance will record the disposition of the reported questioned costs and corrective actions taken.
 - b. For Questioned Costs or Findings which involve other funding sources, LWP Finance will research, and follow-up as needed.
3. LWP will maintain and complete annual monitoring reports which include audit review. The report 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 administration findings.
4. For all federal funding, the audit review included with the annual monitoring will be sent to the sub-recipient and contain:
 - a. A list of all questioned costs.
 - b. Whether the costs are allowed or disallowed, including the reasons with the appropriate citations for cost 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.

- f. During informal resolution, the sub-recipient may provide documentation to support allowability of costs and proposed corrective action of administrative findings. Informal resolution discussions may be held by telephone, 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 review file. The meeting must be documented either with a voice recording or written notes. Negotiations for repayments can be initiated at this time.
 - g. If informal resolution is requested by the sub-recipient, LWP will 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, in accordance with LWP Finance Policy #2 Debt Collection and Sanctions
 - Rights to a hearing
 - The status of each administrative finding
5. The monitoring process will be completed annually for each sub-recipient. LWP will ensure that the sub-recipient takes appropriate and timely corrective action.
 6. If necessary, the annual monitoring file must be assembled for ease of reference in the event of future action. The file should include the following:
 1. Final Determination and proof of receipt by the sub-recipient, if applicable.
 2. Additional documentation submitted as part of the informal resolution process including but not limited to notes related to the informal resolution and sign-in sheets from any informal resolution meetings.
 3. Initial Determination and proof of receipt by the sub-recipient.
 4. Response to the final audit report.
 5. Final audit report.

LWP has established procedures for contested proceedings. These procedures will be used unless waived by sub-recipients. LWP reserves the right to overturn a hearing officer's decision when it determines that noncompliance with the applicable act or its regulations still exists.

State Level Process – Higher Education Coordinating Commission (HECC), Office of Workforce Investments Audit Resolution

- A. If there are no audit findings, HECC will notify the sub-recipient that no further action will be taken regarding the audit.
- B. If the audit identifies an administrative finding, questioned costs, or cost recommended for disallowance, HECC will:

1. Establish an audit resolution file to document the disposition of each finding and the corrective action taken to resolve each finding.
 2. Issue a written notice of Initial Determination after the audit is reviewed.
 3. Provide the sub-recipient 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.
 4. Issue a written notice of Final Determination.
- C. HECC Hearings
- All appeals to HECC of an awarding agency audit determination, including amendments and withdrawals, shall be in writing. Sub-recipients must request a hearing within 30 days from the date of the Final Determination by the awarding agency. HECC 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 argument, examine records and documents relevant to the issue(s), and be represented. HECC will prepare a proposed decision and submit to the Commissioner of designee. HECC reserves the right to overturn the decision of the awarding agency. There is no administrative appeal beyond this level.

STAND-IN COSTS

During the audit resolution process, the sub-recipient 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 costs that were reported as uncharged program costs, included within the scope of the audit, and accounted for in the sub-recipient financial system during the same time period. The stand-in 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. Any cash match in excess of any required match may also be considered for use as stand-in costs. In-kind contributions not acceptable.

RESPONSIBILITIES

- A. This policy applies to all LWP federal grant funded activities and staff.
- B. This policy may be applied to other non-federal programs upon individual review.
- C. LWP Contract Managers are responsible for ensuring this policy is communicated to and implemented with their program operators.
- D. The Chief Operating Officer is responsible for the administration of this policy.

ISSUED

Revised Date: July 1, 2024



Tiffany Cink, Chief Operating Officer