**WorkforceGPS**

**SMART 3.0 Training: Audits and Audit Resolutions**

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GRACE MCCALL: Hello everyone, and welcome to today's webinar, Audits and Audit Resolutions, SMART 3.0 Training. My name is Grace McCall and I am here if you need anything technically speaking. Hopefully you won't need to hear too much from me. But if you do have any technical questions, please let us know in the chat window on the bottom left hand side of your screens.

That chat window is also where we'd like you to introduce yourself now. So please go ahead and type into that chat your name, your organization, and how many are joining you today if you're attending in a group. You may also use that chat box after we're done if there's any question you may have during the webinar.

You'll also notice, we have a copy of this presentation as well as additional files uploaded into the file share window on the bottom right hand side of your screen. You can download those at any time throughout today's webinar. Also, a copy of today's presentation, as well as the transcript, recording, and executive summary will be made available on Workforce GPS in a few business days.

Additionally, to continue to produce quality content, we'll be sending files and a survey concerning today's event. Please take a few minutes to fill that out once the webinar concludes. We will be also sending out a follow up survey in a month's time. Again, if you haven't already done so, or if you're just joining us, please introduce yourself ibn that welcome chat. We'll have that chat up throughout today's webinar, or you can type in your questions or comments at any time.

And welcome to "Audits and Audit Resolutions, SMART 3.0 Training." So without further ado, I'd like to turn things over to one of our speakers today, Nancy Taylor, senior accountant, DFMAS, United States Department of Labor, Region 5, Chicago, Illinois. Nancy?

NANCY TAYLOR: Hi, Grace, thank you. Good afternoon everyone. I'd like to announce that today we have Debbie, Deborah Strama that's stepping in for Latonya Torrence. So Debbie will be co-presenting with me this afternoon. Welcome to Audits and Audit Resolution. So we are going to get started once I can figure out how to advance my slides. I see it, I got it now.

All right. So a little bit about the SMART 3.0 training strategies, just to – if you haven't been to any of our SMART training sessions – to let you know what it stands for. And it stands for following strategies of sound grant management that comprises monitoring, accountability, risk mitigation and transparency. These are based four themes that are weaved throughout the Uniform Guidance. So we will be talking more about this throughout the presentation.

Also, I want to bring to your attention our grant management tool box, in addition to all of the SMART modules that you may have been a part of – been able to see live presentation, or through the webinars.

We have a list of other resources that are available to you where you can go and access to provide internal refresher or training for staff, and we recommend that you go take a look at our took box. There's a lot of good information that's available that you can review and your own leisure. And, it's located on our WorkforceGPS website. So be sure to check that our and have your new staff check it out. It's very good information for you.

All right. So today, again, we're going to talk about the audit requirements and resolution process. We're going to talk about who it's applicable to, the different types of audits, what the responsibilities are of the auditee and the pass through entities.

What's the report framework once the audit is being conducted? And then what's the resolution process? And we're going to reference the Uniform Guidance and some DOL processes as well. And then if there's a collection at the end of the audit, we're going to talk about that process also. So the audit requirements are applicable to the entities that basically received federal funds. and, we're going to go into a little more detail about that.

Dollar threshold. What is a threshold that requires an audit? The different types of audits that we will discuss in detail. And then, the required reports what the retention requirement is, and also the responsibilities of the auditee and the pass through entities.

So the requirement in the Uniform Guidance apply to the list of recipients on this slide. The Uniform Guidance – and because the Uniform Guidance does not provide coverage for audits of commercial for-profit entities or contractors, nor to foreign-based entities. The Department of Labor has extended the coverage through the exceptions at 2 CFR 2900.2 to the commercial for-profit entities and foreign entities that are awardees of DOL funds.

So although they are not mentioned in the Uniform Guidance, DOL has included them in their exceptions so that, for those entities funded with Department of Labor funds, the audit requirements apply to them.

The Uniform Guidance specifies that each covered no federal entity that extends $750,000 or more in federal financial assistance funds during its fiscal year – so, it's the entity's fiscal year – is required to have a single audit conducted for that year.

If a non-federal entity is exempt because it spends less than $750,000 in federal award funds, it is still required to have records available for review or audit by appropriate officials of the federal agency. And that would include the Department of Labor's office of inspector general. That would also include the pass through entity, and that would include GAO, the government accountability office. These entities may choose to conduct a program specific audit, limited scope, or an agreed upon procedures audit, or review to ensure that the federal funds were properly expended.

And so, for example, let's say if you're a first-time DOL ETA grantee and you're a part of a larger organization, with various offices and multiple sources of federal funding. How do you know whether or not you are in compliance with the audit requirements? And one way you need to find that out is by checking with your accounting or auditing department. They should be able to determine whether or not you are required to have the single audit, or whether you're exempt from that. So you want to make sure you check with them to ensure that you are meeting the audit requirements.

We're going to talk a little about this specific costs that form the basis of determining the federal awards expended. So this at Uniform Guidance at 200.502, it talks about how to determine the expenditures to meet the threshold. So you want to make sure that you pay close attention to that. It includes, of course, all accrued costs, disbursements to subrecipients and program income expended, among others. So it's funds that are expended within that year, not funds that you have just dispersed, but actual expenditures incurred. What's excluded are endowment funds, any free rent – because there's no expenditures associated with that – and there may be some others.

So it's important to take a look at that section to make that determination of the expenditures. It is also important to note that there's an auditors requirement that they must report – it specifies that they must report as findings any questioned costs greater than $25,000. So that must get reported in their report, even if it's just a questioned cost. If it's greater than $25,000, that has to be included.

We talked already a little about determining the threshold. But here's a list of specific items to consider when you're determining whether or not you meet that $750,000 threshold. And again, as I mentioned earlier, you want to refer to 2 CFR 500.502 for further discussion on the determination of federal awards expended. But this is a list of all of the activities that would be considered for meeting that dollar threshold.

So the Single Audit Act Amendments of 1996 laid out updated audit requirements for organizations and people who receive federal awards. The law aimed to streamline the auditing process so that award recipients only have to conduct a single, annual audit instead of conducting multiple audits of individual programs. And this was basically – idea was to reduce the burden on grant recipients by cutting back on the number of different auditors conducting audit reviews on the organizations books and records.

The Act and the Uniform Guidance were intended to improve – (inaudible) – of federal financial assistance programs. And the final guidance consolidates the guidance previously contained in the various OMB circulars. If you recall, there was an A1 circular that referred to audit requirements, so the Uniform Guidance consolidates the previous guidances regarding the single audit requirements in order to streamline the format.

So now it's important to note that the single audit was never intended to provide detailed in-depth review coverage of individual grant program awards, but does provide for compliance testing for all major federal awards. So it's important to understand what the requirements are and the program thresholds in order to be in compliance with those requirements.

So we're going to talk a little bit about – there are several types of audits. There's the single audit. We're going to go into a little more detail. The program specific audit. There's a limited scope audit, and agreed upon procedures audit. So what we're mainly going to cover today are the single or program specific audits that are required by the Uniform Guidance. These are the ones we're going to discuss more in detail.

And starting with the single audit, if the grant recipients federal awards came from two or more federal programs, a single audit must be conducted in accordance with the (GAGAS ?) with 2 CFR 200.514 as the scope of the audit. So if you have two or more federal programs that you're operating, you incur expenditures of $750,000 or more in a single year, in your fiscal year, you are required to have a single audit. You can refer to 2 CFR 200.514 for the scope details.

Now, this is an organization-wide audit with procedures and tests to not only conclude on the overall organizations operations, but also to conclude on the organizations compliance with specific rules and regulations governing the use of federal funds. The financial statements must cover all funds expended by an organization within a single audit period and all federal funds whether those are directly extended by the organization or the organizations functions as a pass through entity with the funds being ultimately expended at a subrecipient level.

Now the compliance testing is limited to major programs. So all single audits must be conducted by an independent auditor. So its not – an independent, not someone that is reporting to the organization head. And this is required within the generally accepted government auditing standards. So it's also known as the Yellow Book.

It's also important to note that the Government Accountability Office – GAO – they issue compliance – the issued compliance supplement federal awards is updated on an annual basis and the supplement provides additional audit criteria for high risk programs and standards for testing compliance.

So it's important for your accounting officer, whoever is responsible for audit requirements or the knowing of audit requirements, to review all of the resources in order to determine whether or not, one, you're required to have an audit, whether or not it meets the threshold, and to ensure that you are compliant with those requirements.

OK. So again, to recap a little bit, the single audit is required for those entities that are operating two or more federal programs and expenditures of $750,000 in their fiscal year – $750,000 or more.

So there's also another type, which is the program specific audit and if the grant recipient federal awards came from only one federal program, and the federal program statutes, regulations, or the terms and condition of the federal award do not require an organization-wide financial statement audit, the auditee may have a program specific audit conducted in accordance with the Uniform Guidance program specific audits.

So either it's a single audit, two or more federal programs, or it could be a program specific audit, if there is only one federal program. There are some programs that may have program specific audit guide available which provides specific guidance to the auditor in respect to compliance requirements. So it is important to know whether or not your program meets those requirements.

A listing of current program specific audit guides can be found in the compliance supplement, beginning with the 2014 supplement including federal awarding agency contact information, and a website where a copy of the guide can be obtained. So one of the two, the compliance supplement, and it provides the information on all of the federal agencies and then it will also guide you to whether or not a specific program audit guide is available.

If a specific program guide is not available, the auditee and auditor must have basically the same responsibilities for the federal program as they would have for an audit of a major program in a single audit. So it's just important to know which category you would fall – your entity would fall within.

Other types of audits. If an entity is not required to obtain a single audit or program specific audit, there are a number of alternative audits that may be conducted. Examples would include the limited scope engagements and the use of agreed upon procedures.

Now, the cost of conducting these various types of audits are found in the Uniform Guidance at 2 CFR 200.425 for this other selected items of costs. And basically, the federal government must pay for any additional audit services they require. So if the federal agency is requiring in your grant award document additional audit services to be conducted, then of course, we would pay for that.

However, there are some costs that would not be considered allowable by your federal award. What some of these are, if you're not required to have an audit; or if an audit is not conducted, and/or not in accordance with the requirement, if you're exempt from the expenditures.

So if you are under the $750,000 annual expenditures threshold, then we don't require you to have an audit, and therefore we would not cover the costs if you decide to have an audit. And so it's important to know what your requirements are, and then the costs that can be charged to the federal government for the audit.

So again, as mentioned earlier, the audits are to be conducted annually. Now, there are a couple of exceptions. Two of the audits – the annual audit requirement – and one is any state or local government that is required by constitution or statute to have its conducted less frequently than annually, is permitted to undergo its audits biannually, provided that such requirement was in effect on January 1, 1987 and is still in effect. So there has to be an identified in the constitution or statue of that state or governmental area.

Number two – the second exception is any non-profit organizations that had biannual audits conducted for all biannual periods that ended between July 1, 1992 and January 1, 1995, is permitted to undergo its audits biannually. However, the biannual audits must cover both years of the period. So it should be noted that any entity that is permitted to have a biannual audit chooses to conduct an annual audit cannot revert back. So that’s important to know.

If you have the option to have a biannual audit and you've met the requirements but you choose to conduct an annual one, then you need to know that you won't be able to do annual one year and biannual two years later. You have to be consistent. That's a part of the consistency.

Now, when the audits are completed, the audit report in the data collection form are to be submitted to the federal audit clearinghouse within one month of completion; but in no case later than nine months after the end of the auditees year.

So example, if your year – if you're on a regular year of January to December, your audit must be completed by September of the following year. That's the nine month period. It must be completed by September, and then it has to be submitted to the federal clearinghouse by October. If it's completed by September. If it's completed in August of the following year, it needs to be submitted to the clearinghouse in September. So it has to be one month after the completion date.

And what's to be included in your reporting package? 2 CFR 200.512(c) specifies the type of information contained in the reporting package. And it includes those lists that's on your screen: your auditors report, the financial statements and schedule of expenditures, the summary and status of prior year findings, and corrective action plan, what was prepared for, and the data collection for.

All submissions to the federal audit clearinghouse are electronic and they are available for review with the exception of the Native American tribes, which we're going to discuss on the next slide. So keep it in mind that this is an electronic submission to the federal audit clearinghouse and everything that is submitted to the clearinghouse is available for review with the exceptions. So you want to keep that in mind.

And we're going to talk a little bit about the exception for the Indian tribes or tribal organizations. So 2 CFR 200.512(b)(2) of the Uniform Guidance provides an option for the Indian tribes and tribal organizations to opt out of being – to authorize the federal audit clearinghouse to make the reports publicly available. However, so they can opt out of making it publicly available.

However, they are – even if they do opt out to do that, they have to provide a copy of the audit report to their pass through entity, and if they're a subrecipient they have to provide it to their funding agency. And the reports are still available to any federal audit agency that needs to ensure that they're in compliance.

There are a number of copies of the single audit reporting package and a single required data collection forms that are to be submitted to the federal audit clearinghouse. Again as mentioned before, it needs to include the financial statements and the schedule of federal awards, the summary schedule of prior audit findings, the auditor's report including any audit findings, and the auditees corrective action plan.

The number of copies of the reporting package to be submitted includes one copy to be retained by the federal clearinghouse as an archival copy, plus one copy for each federal awarding agency for which there are any findings in either the auditor's report, or the summary schedule of prior audit findings.

So it's important to know that the federal audit clearinghouse – they keep a copy, and the federal agencies where findings have been identified needs to receive a copy as well. And again, as mentioned earlier, with the implementation of Uniform Guidance, all submission will be made electronically.

So after the audit has been completed, what is the record retention requirement period? So the auditor is required to retain working papers and reports for a minimum of three years after the date of issuance of the auditor's report to the auditee unless they're notified, in writing, by the federal or a cognizant agency to extend the retention period. And then generally, the retention period can be extended if the auditee's contesting any of the audit findings.

So if the audit is being contested then the period of record retention needs to be extended until that is resolved. And it's important to note that if it is being contested you need to make sure that the auditors are aware of it so that they will not destroy the working papers after their record retention period they believe may be up.

Also, the audit working papers are to be made available on request to the cognizant agency and the oversight agency or federal awarding agency that is needed to review those documents for oversight responsibilities. So once you have an audit, each federal agency where you have received funds from and has met the audit requirements are required and have the right to receive a copy of that audit report.

So what is the auditee's responsibilities? As the recipient of federal funds, you and your organization have a number of specified responsibilities. First, you're responsible to procure and arrange for the audit in accordance with Uniform Guidance requirements. The procurement requirements indicate that it should be a full and open competition. So you have to procure the auditor.

It is suggested that the agreement include no more than one or two auctioneers. And that's in order to make sure it maintains its competitive edge, you don't want the auditor to get so comfortable with your program – or with the staff of the program, that they are not paying attention to the audit requirements. So it's important to just keep it – if you don't want to have a procurement every year, it's recommended that you not do more than one or two a year – (inaudible).

And, the auditee is responsible to prepare the appropriate financial statements and have them available for the auditors. They need to provide the auditor with access to the information that they need in order to conduct the audit. And you need to be responsible and promptly following up on any audit findings.

So if, once the audit is conducted and there are findings identified, you need to make sure that you have a system in place for follow up to make the necessary corrective actions to address the findings. The auditee must also identify in his books of accounts all of the federally funded awards that they received and all of those funds expended by federal programs, including the CFDA title and number, the award number and year, the name of the federal agency, and the name of the pass through entity.

The auditee must maintain internal controls sufficient to ensure that federal awards are managed and they must comply with the laws regulations and award provisions.

And finally, the entity must ensure that its required audits are properly performed and submitted when due. So there has to be a system in place to track the audit process to ensure that you meet the deadlines. Specifically, once the audit is complete, they must be submitted to the clearinghouse within – or must be completed within nine month of the year end, and then it must be submitted to the clearinghouse a month after its been completed.

In addition to your responsibilities as a recipient, you also have responsibilities for subrecipient management as a pass through entity. And they include that you must verify that your subrecipients meet the audit requirements. If they require to have an audit, they need to make sure that they – you need to make sure they meet the audit requirements. You need to make sure that you prepare management decisions on the subrecipient audit findings. And if applicable, that you pursue a debt collection.

Once of our resources available to you – they have a good source of the management decisions discussion is found in ETAs grant and financial management tab, Section 16-7.

OK, so now we're going to have a knowledge check. And we're going to use polling for this. So please respond true or false. Auditees to not have to be concerned with full and open competition when procuring audit services. True or false? All right. It's looking pretty good. Every – a majority of everyone. We've got a few (percenters ?) there.

So basically the answer is false. Audit services, like the procurement of all goods and services, required competitive procurement. So keep that in mind. And part of our review process, when we come out and review our grantees, is to look at the procurements for your audits, if you meet that requirement. So you want to make sure you have that procurement and that file in place to show that it was a competitive procurement.

OK, so with this, now, I am going to – I'm going to turn it over to Debbie to continue with the presentation.

MS. STRAMA: All right. Thank you, Nancy. Good afternoon everyone and Happy Halloween. Hopefully where you're at, it's not snowing. Where I'm at today, it's snowing in Chicago, so I'm going to have to break out my kids' snowsuits for their trick-or-treating later tonight.

OK, before I begin with my section on the report framework and discussing more into detail about the resolution process. I wanted to highlight one of the comments, or one of the statements that Nancy had made earlier.

Normally, all of the single audits are to be submitted to the harvester.census.gov or the federal audit clearinghouse. With the DOL exception at 2900.2, we expanded the coverage of the Uniform Guidance to commercial for-profit entities and foreign entities.

And what does that mean for these types of entities? Well, if you have received a direct grant for your subrecipient of a Department of Labor grant, you will have to have an audit completed in you meet that dollar threshold. And so right now we are working with the audit clearinghouse to figure out the best approach to collect those audit reports.

So while we do that, we are asking all commercial entities that are either direct grant recipients, or – I'm sorry. So it would be direct grant recipients of Department of Labor funds. it would have to submit their single audit to us. At this time I don't know if any foreign entities have received a federal Department of Labor, but if there was one out there, that would also apply to your organization and so if you had met the threshold, you would also have to had a single audit completed and that audit report would have to be submitted to the Department of Labor.

OK, so moving on. I'm going to talking a little bit about what is contained in an audit report. So if you're not responsible for working with the auditors but you are responsible for reviewing the audits, there's a lot of good information that's contained in an audit report. And so what we wanted to do in the next hour or so is to highlight a few of those key features.

And so what is the audit report? It’s a collection of different reports on the financial systems – the financial statements of an agency. And so, the auditors form an opinion on the financial statements, as well as – you know –review the financial statements that are prepared by the grantee and publish those as part of their audit reports.

And so you will have an opinion on the financial statements as well as – you'll have a schedule of expenditures of federal awards. And this is commonly known as the [SEFA?]. And again, it’s the schedule of expenditures of federal awards. Along with that, you also have a report on internal controls over financial reporting to compliance. And then you'll have another report, and the compliance for each major program and the internal controls over compliance of that program.

So it is the auditor's responsibility to determine what's program that organization is managing is deemed either a major program or a minor program. And so there is criteria that they need to consider when making that determination.

Along with those reports, you should also see in every audit report, is a schedule of findings and questioned costs related to that field, or to that network, or to that program you're – (inaudible). So it should clearly identify where that finding is at, and whether that finding includes questioned costs. And so that should be highlighted towards the end of the audit report.

Along with that, the auditors have the responsibility of looking back and asking questions about the previous audit. And so, if you're outstanding administrative findings or questioned costs related to the prior audit reports, the current status of that report needs to be made – or needs to be noted in the current audit.

Officially if there's any monitoring reports that say a certain project officer has completed on that organization, the auditor is responsible for also highlighting that and providing the reader with a current status of that – those actions or the findings – (inaudible) – the corrected action – or the current status of the corrected action related to those prior reports.

OK. So then, let's move on to the next slide. So what types of opinions are there? So the best opinion that anybody would like to receive is the unmodified opinion. So that is like a clean bill of health. And so this is where the financial statements provide an accurate representation of what is going on in an organization.

Then the next three opinions are the qualified opinion, which identifies certain exceptions to that. And what you will see in an audit report is there's some additional narrative explaining why the auditors have identified it as a qualified opinion. And then the other two is an adverse opinion and then a disclaimer of opinion, which basically means that the auditors are unable to form an opinion. Rarely do you see disclaimers of an opinion. Sometime you do see that with statewide audits.

So normally the auditors would try to work to the best of their ability with that grants agency for that non-federal entity to reach an agreement and to work together so that they could issue an opinion. And so, if there an adverse opinion, most likely there are going to be significant deficiencies and material weaknesses also noted in the audit report.

OK. So if there are significant deficiencies and interior weaknesses, these are two red flags. And so, if you are a board member, or if you are a member of the management team in your organization, or even if you are if you were just hired to be the new CFO of an organization.

If you're reading the audit report and if you see these words "significant deficiency" or "material weaknesses" this where you want to hone in and make sure that you have established a corrective action plan in place so that these can be corrected in the future.

And so this is where these are significant problems with the organization and so that if they're not cleared up, it jeopardizes the impact the reader's ability to determine whether or not the financial statements are sound.

OK. So moving on. We have – so let's just look quickly back to this one slide. So we have the opinions on the financial statements and on the internal controls. So go to the opinions and financial statements and on the internal controls – can contain both significant deficiencies and material weaknesses.

OK. And to the next slide. So audit resolution. What is your responsibility for responding or resolving findings and questioned costs that are contained in your audit report?

First and foremost, you know the number one responsibility is making sure that that audit report is submitted timely to the federal audit clearinghouse, and then also developing a sound and reasonable corrective action plan so that any grantor agency that provides you money that once that audit reached their desk, that they need to make sure that you have a corrective action plan in place and that they would monitor the corrective action being performed to resolve those matters.

And so, there's a variety of things that need to happen. So one is making sure that you are meeting those milestones and those timelines, and you're providing that information on to the federal awarding agency. Secondly, if you have subrecipients, it is your responsibility to make sure that you collect a copy of the audit report from that subrecipient.

And so if there is any audit findings or questioned costs related to the dollars that you provided them, that they also in fact have a sound corrective action plan in place. So you would be acting as pass through entity and you would also monitor the progress in meeting those milestones in those timelines. And this would be similar in the way the Department of Labor watches and monitors the progress of their direct grant recipients when they discover that there is an audit finding or questioned costs related to the federal award in which they were given.

So we'll talk a little bit about the DOL corrective resolution process. And so before we delve in a broad sense, I just wanted to highlight some of the things that are in the Workforce Innovation and Opportunity Act under 20 CFR 683.420, which are the administrative requirements. It specifies that any agency that receives a direct grant award of WIOA Title I dollars must have a written monitoring process in place that also includes audit resolution.

And so the audit resolution processes and policies needs to outline the steps that are to be taken to resolve matters or audit findings tied to their subrecipients and must outline the debt collection process and the appeal process. Before Department of Labor gets involved in any resolution or a dispute between the grant recipient and the subrecipient, we need to make sure that the local resolution and appeal process has been exacted.

So if there are no standards in place, we then ask that you turn to the Uniform Guidance and 20 CFR 683 for guidance. For other entities that are not funded directly through WIOA Title I dollars, we have two exceptions at 2 CFR 2900.21 and 2 CFR 2900.22 that talks about the Department of Labor's cooperative resolution process and appeal process.

So in this situation you want to make sure that if you don’t not have processes or a policy in place to resolve matters between your organization and you subrecipients that you turn to that guidance at 2900.21 and 22 for additional guidance on how to structure that. Additionally, in our One-Stop financial management tag as well as in our core monitoring guide, we talk about the resolution process.

OK, so what does it mean to resolve an audit finding and questioned cost? From the federal Department of Labor perspective, when we receive the report from the office of investigator general, what normally happens, it goes to our audit team. And our audit team then issues out a cover sheet to the grant recipient as well as a curtesy copy to the regional office highlighting the findings that are tied to the programs that Department of Labor funded. And so then, this is when the resolution process – (inaudible).

So you receive a formal notice that we are in receipt of that audit report and at that time you have two opportunities to provide additional documentation to resolve any administrative findings or questioned costs. After those two opportunities are exhausted, then we move on to the debt collection and appeals process.

Here in one slide, we have what is called standing costs. There was a GAO decision made, I think, in the early 1980s that allowed federal grant recipients to provide substitute costs to cover this allowed cost. And so there is specific criteria that need to be met in order to provide that substitution. And the only person who can honor or consider standing costs is the grant officer. So you may be working with your federal project officer or your regional office staff, but it is only the grant officer that can deny or accept standing costs.

So management decisions. An associate – not only does the Department of Labor exception talk about the management decisions, the Uniform Guidance also defines and clarifies what it means to have a management decision related to audit findings. And so with this process here the language specified at 200.521, talks about audit findings. But also included in this can be any findings that result from a federal monitoring report either from the regional office or from an outside agency such as OIG or GAO.

And so here this is with the management decision – a formal management decision has to be submitted and issued to the grant recipient where it identifies the finding, it identifies the timeline in which you're supposed to be submitting additional information. And then it also identifies the amount of questioned costs that will them result in disallowed costs.

So for DOL grantees only, if you are an organization that issues out monies or passes down monies to subrecipients so they may be local WIOA areas or they may be other subrecipients such as community partners that are also providing program services. If you discover one of your subrecipients has administrative findings or questioned costs related to the audit report, it is expected that you are to resolve or complete the resolution process within 12 months of receipt of that audit report.

For UL purposes, as I indicated earlier, we do have a formal process in place. So the first notice is the – a letter sent to you notifying you of the receipt of the report in our office, and then it outlines these opportunities for informal resolution.

So as I had indicated earlier, there's two opportunities. And the one opportunity is during the initial determination phase, and the second one is during the final determination phase. Normally, we receive the audit reports from the Office of Investigator General within 180 days.

So appeal process. There is no formal appeal process in the Uniform Guidance. Under WIOA – so if you have received a Title I formula grant under the Workforce Innovation and Opportunity Grant, there are clear and specific guidance related to appeals, and you can find that at for – under the administrative requirements under 683.420.

OK. So as I had stated earlier, when we receive the report from OIG, we make a determination of whether or not there are findings related to our program, and if so, we enter those into our audit tracking system. And then you are formally notified of that report and those findings. So that's the pre-resolution phase.

We then move on to the initial determination phase, and this is, again, all issued formally. So we would issue you a formal notice that is clearly identified as an initial determination, and it identifies the timeline in which you have to submit additional documentation. So this is your opportunity to provide supporting documentation that may have been lacking in – when the finding was first noted by your auditors or you were able to finally collect the information and you're providing that during this time.

During the final determination phase, again, you get another opportunity. And this is where we may have received the documentation during that initial determination phase, but at that point in time additional clarification or additional documentation is needed.

And so through that and through the formal notification of a final determination, this is where we would request additional documentation, or, if we then determine that there is not sufficient documentation, then this is where we formally notify you that the finding remains unresolved -- (inaudible) -- questioned costs can in fact be determined disallowed cost. And so if a questioned cost turns into a disallowed cost, then this is where additional information is provided regarding our debts collection process and/or appeal process.

So here, this is – I had briefly talked about stand-in costs in an earlier slide, and this is the comptroller's general decision number that, if you Google this number or if you go to the Red Book, which is the federal appropriations book, you can actually find the decision in there.

So the criteria that must – or that needs to be considered in order to accept any stand-in is of course – it's of course any substitute cost has to be tied to allowable cost. It has to be for the same timeframe, and it cannot exceed any cost limitation that is tied to that particular finding. And the stand-in cost can only come from the organization that had triggered that questioned cost. So if you're a state agency, you cannot use stand-in or substitute cost from a subrecipient.

Now, moving on to the appeal process. We have different appeals, and so there are two different options here or two different options available to a federal grant recipient of a DOL federal award. You could submit your formal appeal to the grantor agency, and so that would be either the Department of Labor or your pass-through entity. At that time a decision would have to be rendered.

And then the second option is then appealing to the Department of Labor's administrative law judge. Again, the appeal process at the local or state level has to be exhausted before any appeals would be considered by the Department of Labor.

OK. So here we have a knowledge check. And the question is, DOL uses a cooperative audit resolution process to resolve all audit findings. True or false?

All right. I'm glad everybody's listening. If I was in person, I would each – I would give each of you a piece of candy right now. All right. Good job.

OK. So let's continue. We're at the hour mark, and we just have another half hour left, and I want to get through these slides and leave a – leave a – I'm sorry. I'm getting tongue-tied – leave at least 15 to 20 minutes for questions.

OK. Moving on to debt collection. So with debt collection, if there is a debt established, there are certain timeframes in which you have to begin paying for that debt. We'll talk – I'll talk a little bit about the mechanism we use to collect those dollars. Also, contained in any notification that you do receive will be that information, along with the current interest rate that will be applied to any outstanding debt.

So federal debt collection. So anything that has been formally identified as a debt will be identified in a notice sent to your organization, and the debt has to be payable within 30 days. However, there is an opportunity to make a payment plan, especially if it's a significant amount. If it's not paid within 90 days, there are some additional options available – or I'm sorry. Even if it's not paid within 90 days, there are some other options available.

So there is an option available, at least with the WIOA program, that there can be an administrative offset. And what does that mean? That means that we could take the administrative dollars from a future grant and apply those dollars against this current debt.

If we discover that you are not adhering to the terms and conditions of that debt or you've completely dropped the ball and are not in contact with the Department of Labor, we may also withhold future advances. So if there is another grant that is about to be awarded to your agency, that may be placed on some kind of freeze or you may be placed on a reimbursement. So it all depends on the situation.

So if you do receive a letter, please take notice of it. Please share it with the people that are responsible for writing out checks or responsible – or for those folks that are responsible for signing grant awards, that they are made aware of this situation. And just like anything, the federal government does charge interest on any outstanding debt.

So some other things tied to the WIOA program. There is a waiver of liability. In my experience, we have only offered or allowed that a handful of times, in my experience, and this is where we collect information from, say, a state agency, that they did everything feasibly possible to collect a debt from, say, a contractor or service provider or a subrecipient, and they exhausted all means possible. They went through their resolution process, their appeal process, and they still were unable to collect that debt.

If they were to provide that information to us and ask for a waiver, we would have to work with our legal team to determine whether or not there is sufficient merit. And there is a small chance that a waiver would be granted.

Again, there's some other different – or different options available if an organization is unable to pay. Again, this is with administrative offsets of some other corrective action plan. And that corrective action or that offset, again, would have to come from the grant officer.

With debt collection related to subrecipients, there is no prescribed method in the Uniform Guidance. So as a state agency or an agency that passes down money to subrecipients, this is something that you need to consider because, if it's discovered that your subrecipient had misused funds and now there is a questioned cost that results in a return of funds or results in a debt, there needs to be steps in place to recover those dollars because, as the grant recipient, the federal agency would turn to you for those – for you to return those dollar.

So there are other things that you could consider before that can be done. This, of course, you would have to reach out to the Department of Labor, and some things are similar to what we also offer is the administrative law – I'm sorry – the administrative offset, the withholding of funds, or some other type of action that would seem reasonable or feasible for that particular situation.

OK. So here are the actual citations contained in the various regulations regarding sanctions and corrective action. So there are specific rules tied to appeals and sanctions for WIOA grant recipients. So you can turn to those and – you could turn to this section for additional information.

As I said before, there is a opportunity to seek out a waiver of liability, and so these are some of the things that need to be considered. One thing I forgot to mention, any waiver cannot be tied to a situation where it's gross negligence, it's related to fraud, or a criminal activity. We would never provide a waiver for those situations.

Advance approval. Sometimes we do offer an advance approval, especially if it's a lengthy litigation issue. You can seek out our advice and our consultation, and then this is where, again, the grant officer who may in fact work with our legal team to provide you with a recommendation on future corrective action.

OK. So collections of amounts due. So this is like your debts. We talked a little bit about what can be done if you are unable to make payment on that debt. You – we have the administrative offsets, withholding of future funds, and things like that.

So we – we no longer accept actual hard-copy checks anymore. If there's a return of funds or – whether it's tied to a debt or a refund, you would have to submit that information and process your payment through the pay.gov system. And so that's website is available and the link is available through this webpage.

OK. So we talked about offsets. We don't have to go any further into that.

OK. So the next question. Two conditions for waiver – or the next knowledge check is, two conditions for waiver of debt are the appeals process – wait. Two conditions for waiver of debt are that the appeals process was exhausted and further collection actions are either inappropriate or futile. So true or false?

All right. So the answer is true. So again, if you are asking for a waiver, we would have to see evidence that you had exhausted all current and existing processes related to resolution and the appeal process.

OK. So the module review. So where do you turn to to get additional information related to audits and audit resolution? So you could of course look at the Uniform Guidance. The other tool that we have out there is a core monitoring guide tool, and that is the monitoring tool that federal project officers use to assess your compliance of our program against not only the Uniform Guidance requirements but any other requirements tied to that program.

Additionally, we have our DOL exceptions that were approved by OMB, and those are in addition to anything that is in the Uniform Guidance. So you have the Uniform Guidance at 2 CFR 200, and then our exceptions are at 2 CFR 2900.

In this one slide is the core monitoring guide, and we do make that core monitoring guide – it's currently available on our website. So if you go to the doleta.gov/grants page and I believe, if you look under resources or monitoring resources, you will see a current copy of the core monitoring guide.

And so we have one objective in there that deals specifically with audits and audit resolution, and that can be found under objective 3.h, and it's incorrectly identified here on this slide. Says it's 3.f, but it's actually 3.h.

In addition to these questions that our federal staff is expected to ask when they're conducting a site visit of your organization, there are a couple other great tools that are available on the core monitoring – or in the core monitoring guide. And one is tool number P, which is the audit appeals process, and tool Q, which is the audit resolution checklist.

So this is a checklist. If you don't have any resolution process in place, it's a handy dandy checklist that you can look to compare what you're reviewing in an audit report to make sure that it contains all of the essential elements or the essential reports and then also identifying whether or not an audit report has a – whether or not an audit report has an administrative finding or questioned cost related to a Department of Labor grant.

So for our checklist, so if you had not reviewed or updated your audit resolution process in – or if you do not have a written audit resolution process in place or policy in place, these are some things that you should consider when developing a policy or updating a policy. Of course you want to make sure that the – that you are collecting audit reports of your subrecipients to make sure that there are no audit findings or questioned costs related to Department of Labor grants.

The other thing you want to make sure to include is, if you're updating your procurements or purchasing processes or policies, that when it comes to professional services, that you also include the procurements of your audit team or your auditor.

Oftentimes we see that the same auditor has been doing that audit for 10, 15, 20 years, and sometimes you – and not to say that it always happens, but sometimes the – there is a [inaudible] of independence because those auditors then take on additional responsibilities. They may be your pay master. They may actually be doing your books, or they may be processing your payroll and things like that or even be – or they may also be doing your income tax statements and things like that.

So when looking to professional services, this should not be an exception. So if you have a process in place to say that you are going to re-procure professional services every two years or three years, then you should also consider that for your auditors.

And then any other resolution process you need to make sure that you outline in any process or policy the timeframes in which your subrecipients must adhere to when submitting corrective action plans so that you know that you're do – you're attempting to resolve those findings in a timely manner.

I apologize. That's another phone going off.

OK. So just a few other resources. Here are all of the other citations that are currently addressing audit and audit resolution. You can find those in the Uniform Guidance, our DOL exceptions, in our core monitoring guide, and in the WIOA statute, as well as in the Final Rule.

So where else can you turn for information? You can turn to our WorkforceGPS page, and this is where all of our SMART modules will be housed and archived. And so if you go to our grants application and management page, there's a whole bunch of additional resources not only on the audit but on anything else that ties to the administrative or financial management of your grant. So you could find PowerPoints and online professionally narrated modules tied to procurement, subrecipient management and oversight, financial reporting, and a whole bunch of other things.

OK. As Nancy had showcased at the beginning of our slideshow, is our grant management toolbox. So what we're trying to let you guys know is there are a variety of resources available to you to help you manage your grant. And so some of the tools that are contained in this grant management resource toolbox are unique to Department of Labor grantees.

So some of these will not apply if you have federal awards from other federal agencies, but if you needed additional information, you could turn to one or more of our technical assistance guides, our core monitoring guide, our SMART training, and of course the WorkforceGPS because that is our technical assistance repository not only for grant management information but for program information.

OK. So we are at – we have about 15 minutes left. So I don't know if we have any questions that have come in. Nancy?

MS. TAYLOR: Yes. We have some questions that have come in.

MS. STRAMA: OK.

MS. TAYLOR: And I – I'm going to go read the questions off and go through them and answer, and Debbie, feel free if you want to add anything to the answers; okay?

MS. STRAMA: OK.

MS. TAYLOR: All right. So the first question that came in, it states that slide number 15 refers to the annual audit exceptions, but they kept hearing the term bi- – I mean, biennial and bi-annual. So which is it? One means every two years, and the other means twice per year.

So what I was referring to the biennial, b-i-e-n-n-i-a-l, which refers to every two years. OK. And that can be found – it's in the Uniform Guidance, and the information is at 200.504. So it's every two years.

Question number two, "Is there a required timeframe that the non-federal entity is required to procure a different independent auditor?"

And then Debbie spoke to this a little earlier, and although there are no timeframes specified in the Uniform Guidance, it does specify it should be an open and fair competition. We talked about that we strongly suggest that you would include no more than one or two or maybe two to three years in the contract because, as Debbie mentioned and as we talked about before, you want to make sure that your auditor is on top of things.

You don't want the auditor to get so familiar with your systems and with your grant that they don't conduct a complete audit. And you want to make sure that the auditor is a responsible person that's going to conduct it on the basis of the requirements and not on the basis of what your – of the relationship that they may be building with the agency. And so that's something that we will look at on monitoring.

And also there – as a part of the procurement standards and the open and fair competition, there are a number of entities that we suggest you look to try to procure for services. So you want to make sure that you just keep it open and fair and limit the amount of time in the contract.

Number three, "So as a pass-through entity, we need to make sure that our subrecipients are procuring for their auditors?"

And the answer is yes. If you're the pass-through entity, you have responsibility for your subrecipients, and so, as mentioned before, you are responsible to ensuring that your subrecipients meet the requirements and are in compliant with the policies and procedures, and not just for auditing. For everything. So you are responsible for that subrecipient.

Number four, "If a for-profit organization receives multiple pass-through awards that totals more than $750,000, do they have to file a single audit? Clarification. For-profit organization receives awards totaling $750,000 or more from more than one pass-through agency. Will they have to file a single audit?"

The requirements are not about receiving but expending. So if a for-profit organization is receiving multiple federal awards and they've expended $750,000 or more in their fiscal year, they are required to have a single audit. And I want to clarify that, because the Uniform Guidance doesn't address for-profit organizations, it's identified in DOL's exceptions.

So they are required to send their audit and – package to the Department of Labor, but they are required to have a single audit if they have expended – expenditures of $750,000 or more in a – in their fiscal year.

That's –

MS. STRAMA: Nancy, this is Debbie. So the –

MS. TAYLOR: Yes.

MS. STRAMA: The DOL exception that expands the coverage and applicability of the Uniform Guidance to for-profits and foreign entities gets translated and is applicable to also the audit requirements. So for the $750,000 threshold, the only organization that requires it, at least that I know of, is the Department of Labor.

So the $750,000, they – an audit would be triggered if they've met that threshold, but they would only submit that report to the Department of Labor because, if you submit it to other organizations, they may not understand why you're submitting it because they don't have that provision in place for their federal programs.

OK. I'll turn it back to you, Nancy.

MS. TAYLOR: Thanks, Debbie. So we just want to thank everyone for attending today's session on audits and audit resolutions. We hope that you will continue to take advantage of these SMART 3.0 webinar series every Tuesdays and Thursdays through November the 21st – or the 19th – November the 19th.

So thank you for attending, and we look forward –

(END)