

ARIZONA DEPARTMENT OF ECONOMIC SECURITY



**WORKFORCE INNOVATION AND
OPPORTUNITY ACT POLICY
MANUAL**

**CHAPTER 3 – Fiscal Policies
SECTION 300**

SUBJECT: Audits and Audit Resolution

300 AUDITS AND AUDIT RESOLUTION

The purpose of this policy is to ensure that all Federal funds are expended in accordance with applicable laws and regulations.

References: 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements, subpart E and Appendices I through XI, including any exceptions identified by the Department at 2 CFR part 2900, WIOA Final Regulations 29 CFR 95, 29 CFR 97, 29 CFR 9, P.L. 113-128 Sections 184 and 188; 20 CFR Sections 683.200, 683.285, 683.620, 683.630, 684.630, 667.270, Department of Labor Training and Employment Guidance Letter (TEGL) No. 2-12.

.01 Audit, Monitoring & Schedule

Each grant recipient that expends more than \$750,000 in a fiscal year must be audited yearly by a third party accounting firm. In addition, the Arizona Department of Economic Security (DES), Workforce Innovation and Opportunity Act (WIOA) Fiscal Unit will conduct a thorough monitoring review of each grant recipient. All grant recipients must ensure the WIOA Fiscal Unit and the independent auditor have access to the grant recipient records and financial statements as necessary.

.02 Single Audit

Each grant recipient who expends more than \$750,000 must have a single audit conducted once per year by a third party accounting firm, as described at 20 CFR 683.512. Each grant recipient is responsible for procuring the auditor.

- A. In arranging for audit services, the procurement requirements of the Arizona Administrative Code must be followed. Please refer to the Department of Administration State Procurement Office, Administrative Code website: [Arizona Department of Administration-State Procurement Office-State Procurement Requirements](#)

In requesting proposals for audit services, the objectives and

scope of the audit must be made clear.

- B. The grant recipient must not procure an auditor that prepared the grant participant's indirect cost proposal or cost allocation plan when the indirect costs recovered by the auditee during the prior year exceeded \$1 million. This restriction applies to the base year used in the preparation of the indirect cost proposal or cost allocation plan and any subsequent years in which the resulting indirect cost agreement or cost allocation plan is used to recover costs.
- C. The grant recipient must submit the Single Audit Reporting Package to the federal clearinghouse within the earlier of 30 calendar days after the auditor's report and no later than nine months after the fiscal year end, as described at 2 CFR 200.512.

.03 Auditor Responsibilities

The Single Audit auditor must:

- A. Determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles;
- B. Determine whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole:
- C. Obtain an understanding of the internal controls pertaining to the requirements of each major program, assess control risk, and perform tests of controls unless the controls are deemed to be ineffective; and
- D. Determine whether the non-federal entity has complied with the provisions of laws, regulations, and contracts or grants pertaining to federal awards that have a direct and material effect on each major program.

.04 Auditor's Report

The auditor's report must state that the audit was conducted in accordance with OMB Circular A-133 and include the following:

- A. Whether the financial statements are presented fairly and

conform with generally accepted accounting principles;

- B. Whether the schedule of expenditures of the WIOA Title I-B funds awarded to the grant recipient is presented fairly in relation to the financial statements taken as a whole;
- C. A report on internal controls related to the financial statements and major programs;
- D. A report on compliance with laws, regulations, and the provisions of the contract/grant agreements; and noncompliance with which could have a material effect on the financial statements;
- E. A summary of the auditor's results, which will include:
 - 1. The type of report the auditor issued on the financial statements of the auditee (i.e. unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - 2. A statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses, where applicable;
 - 3. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee;
 - 4. A statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses, where applicable;
 - 5. The type of report the auditor issued on compliance for major programs (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);
 - 6. A statement as to whether the audit disclosed any audit findings which the auditor is required to report as Audit Findings;
 - 7. An identification of major programs;

8. The dollar threshold used to distinguish between Type A and Type B programs, as defined by Circular A-133, Section 520 (b); and
 9. A statement as to whether the auditee qualified as a low-risk auditee.
- F. Findings related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.
- G. Findings and questioned costs for WIOA Title I-B funds which will include audit findings.
1. Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) that relate to the same issue should be presented as a single audit finding.
 2. Audit findings that relate to both the financial statements and WIOA Title I funds must be reported in both sections of the schedule. However, the reporting in one section of the schedule may be in summary form with a reference to a detailed reporting in the other section of the schedule.

.05 Submission of Audit Reports

The audit must be completed and the data collection form and reporting package must be submitted to the WIOA Finance Unit and to Audit and Management Services (AMS) by the grant recipient within the earlier of 30 calendar days after receipt of the auditor's report and no later than 90 days from the completion of the audit, as identified in OMB Circular A-133.

AMS will review the audit report and send a "Single Audit Notification Memo" to the grant recipient and to WIOA Fiscal Unit indicating the findings of their review. If there are any findings, the WIOA Fiscal Unit must issue a "Management Decision Letter" to the recipient informing them of the WIOA Fiscal Unit's intent to investigate, and that the Local Workforce Development Area (LWDA) must provide a corrective action plan.

301 WIOA FISCAL UNIT MONITORING

The WIOA Fiscal Unit will conduct a thorough and yearly on-site monitoring review of each grant recipient. The WIOA Fiscal Unit will monitor the activities of the LWDA as necessary to ensure that Federal Awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements.

Monitoring for a given fiscal year will take place between October 1st and May 31st of the same fiscal year and will be completed no later than June 30th with the exceptions being delay due to any administrative exigencies.

The WIOA Fiscal Unit monitoring may include financial review, site visits, limited scope audits, or other means, as deemed appropriate and in accordance with Fiscal Monitoring Guide.

In preparation of the WIOA Fiscal Unit monitoring review of the LWDA's the WIOA Fiscal Unit will:

- A. Receive a copy of the Single Audit report;
- B. Respond accordingly to the "Single Audit Notification Memo" issued by the AMS office;
- C. Follow up on findings and monitor the resolution process, as stated below.

302 RESOLUTION OF FINDINGS

Grant recipients are responsible for follow-up and corrective action on all audit findings. The grant recipients are required to prepare a summary schedule of prior audit findings and prepare a corrective action plan for current year audit findings.

- A. Summary Schedule of Prior Audit Findings

The summary schedule will include the status of all prior audit findings and questioned costs relative to the WIOA grant. The summary schedule may include prior findings from multiple years and the fiscal year in which the finding initially occurred. The summary schedule will include the following:

1. The corrective action that was taken for findings that were

fully corrected;

2. Partial and planned corrective action taken on findings that was not corrected or was only partially corrected;
3. An explanation when taken corrective action is significantly different from the corrective action that was previously reported in a corrective action plan; and
4. Justification to support that the audit finding(s) are no longer valid or do not require further action.

B. Corrective Action Plan

The grant recipient must initiate and proceed with a corrective action plan as soon as possible after receipt of the auditor's report to address each finding included in the auditor's report and the corrective action plan must begin upon receipt of the auditor's report. The corrective action plan will include the following:

1. Name(s) of the contact person(s) responsible for corrective action;
2. The corrective action planned;
3. Anticipated completion date for the corrective action; and
4. An explanation and specific reasons that support the grant recipient's disagreement with an audit finding(s).

C. WIOA Fiscal Unit Follow-Up

It is the responsibility of the WIOA Fiscal Unit to follow-up on all findings and monitor the resolution process of the grant recipient.

1. In the "Management Decision Letter" the WIOA Fiscal Unit will:
 - a. Notify the grant recipient of the WIOA Fiscal Unit's intent to investigate and monitor the finding;
 - b. Notify the grant recipient of the finding, identifying the regulation, law, code or policy that has been violated;

- c. Identify the deadline date for which the grant recipient must have each finding resolved.
- 2. Deadline dates for all resolutions will be set for six months from the date the "Management Decision Letter" is issued.
 - a. All requests for deadline extensions must be submitted to the WIOA Fiscal Unit at least 30 days before the deadline date.
 - b. A deadline extension will only be approved for extenuating circumstances that are beyond the control of the grant recipient.
- 3. Any unresolved audit or monitoring review findings or observations that required corrective action and have not been resolved will be an automatic finding on the subsequent audit or monitoring review and may result, at the option of DES, in issuance of a Demand for Assurance letter. Additionally findings or observations left unresolved may result, at the option of DES, in retention of payments and forfeiture of such payments.