**Workforce Investment Act Title I-B
Washington State Policies**

**SECTION B: Fiscal Controls and Accounting Procedures**

***Grantees, subrecipients, and contractors funded under the Workforce Investment Act, (WIA) whether in whole or in part, must abide by the Workforce Investment Act of 1998, the WIA Regulations, all applicable Office of Management and Budget (OMB) circulars, state regulations in laws and rules (Revised Code of Washington and Washington Administrative Code), Office of Financial Management (OFM) policies, and the Washington State WIA policies.***

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| **EFFECTIVE DATE:WIA POLICY NUMBER:SUBJECT:** | For Fiscal Years Ending After Dec. 31, 20033255-Revision 1 (Revised OMB Amendments)Audit Requirements -- Including Incident Reporting/Fraud & Abuse |

[BACKGROUND](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#BACKGROUND) | [POLICY](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#POLICY) | [DEFINITIONS](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#DEFINITIONS) | [REFERENCES](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#REFERENCES)[SUPERSEDES](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#SUPERCEDES) | [WEBSITE](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#WEBSITES) | [INQUIRIES](http://www.wa.gov/esd/1stop/policies/documents/archive/3255revision1.htm#INQUIRIES)

**BACKGROUND**

This policy is a roadmap about audit requirements for Workforce Development Councils (WDCs), their subrecipients, and other state subrecipients.  It incorporates the new Office of Management and Budget (OMB) change that raises the  requirement for a single audit.  Updates were also made through edits and streamlining of content.  Auditor suggestions were included, with other improvements that outline the audit, resolution, and audit planning functions.

The federal OMB Circular A-133 and state requirements *raise the threshold for a single audit from $300,000 to $500,000 or more in federal expenditures. This applies to the entity's fiscal year, ending after December 31, 2003. Pass-through entities need to ensure that subrecipients expending $500,000 or more in federal awards have met the A-133 requirements.*See A-133, Section \_\_\_.400(d) Pass-through entity responsibilities; and the State of Washington Policy 50.30.50 in the State Administrative & Accounting Manual (SAAM), References page 8.

These requirements affect all subrecipients of federal funds from the Employment and Training Division, which is the state recipient of the U. S. Department of Labor for employment and training grants and contracts. The following are audit requirements for state and local Workforce Investment Act (WIA) subrecipients, including Workforce Development Councils (WDCs) and other subrecipients (A-133, Section \_\_\_\_.210 provides subrecipient and vendor determinations).

State and federal requirements that should be reviewed include:
 **OMB Circular A-133--Revised**Circular A-133 establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act. This includes those non-federal entities **that expend $500,000 or more in federal awards during the subrecipient's fiscal year must meet the A-133 audit requirements.** See A-133 Section \_\_\_\_.200 for audit requirements, and Section \_\_.205 for determining Federal awards expended.

Pass-through entities are accountable for awards of federal funds administered by their subrecipients--A-133
Section\_\_\_\_.400(d).

***Monitoring -- Increasing the audit threshold to $500,000 may impact the need for increased monitoring of subrecipients, particularly in financial areas because of the reduced audit coverage and scrutiny of financial transactions.*
Workforce Investment Act--Public Law 105-220.**

The chief elected official in a local area shall serve as the local grant recipient, and shall be liable for any misuse of the grant funds allocated to the local area under WIA sections 128 and 133. Each State, local area and provider receiving WIA funds shall comply with the appropriate uniform administrative requirements for grants and agreements applicable for the type of entity receiving the funds, according to the OMB circulars or rules [WIA Section 184(a)(3)(A)].

**Workforce Investment Act Final Regulations**

The WIA Regulations audit requirements are at Section 667.200(b). All governmental and non-profit organizations must follow the audit requirements of Circular A-133. These are found at 29 CFR 97.26 for governmental organizations and at 29 CFR 95.26 for institutions of higher education, hospitals, and other non-profit organizations. Commercial organizations that are WIA Title I subrecipients must meet A-133 requirements.

Local policies, interpretations, guidelines and definitions to implement provisions of Title I of WIA should not be *inconsistent* with the Act and the regulations issued under the Act, Federal statutes and regulations governing One-Stop partner programs, and with State policies, WIA Regulations Section 661.120(a).

**State of Washington** **Audit Requirements**State of Washington Policy is established by the Office of Financial Management in the State Administrative & Accounting Manual (SAAM) Section 50.30, Compliance with Federal Single Audit Act.

Workforce Development Councils (WDCs) should ensure their entities and subrecipients comply with the requirements of A-133, federal and state laws, regulations, and state policies, including submittal of an annual audit plan, see 50.30.50 (SAAM).

**POLICY**

***A.   Summary

Non-Federal entities expending $500,000 (for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall meet the requirements of OMB Circular A-133, Section\_\_,200.  Entities that provide Federal funds (pass-through) to other entities must ensure they meet the requirements of A-133 Section\_\_.400(d).  Commercial organizations must meet the A-133 requirements.***

***An additional requirement is the importance of reporting fraud and abuse by all entities:***

The WIA Regulations require the immediate reporting of information and complaints involving fraud, waste, abuse, or mismanagement is the responsibility of all entities receiving employment and training funds.  All incidents of fraud and abuse involving federally-funded Employment and Training (E&T) must immediately be reported to the Audit Resolution Team.  Subrecipients are to make this report upon discovery of any suspected irregularities.  Upon receiving this report, it will immediately be forwarded to the Department of Labor (DOL) Inspector General's office, WIA Regulations.  Investigation is the responsibility of DOL.

The DOL Inspector General's office states that an incident report should provide as much detail as possible, including who, when, where, what, how, and how much, and must be submitted immediately.  Please include all relevant documentation that is available.State law requires state agencies and local governments to immediately report to the State Auditor known or suspected loss of public funds, assets, or other illegal activity. See RCW 43.09.185, and State Policy Chapter 20.30.20c--SAAM.

**Audit Requirements**All ***governmental and non-profit organizations*** must follow the audit requirements of A-133, WIA Regulations Section 667.200(b). Commercial organizations, which are subrecipients under WIA title I, must meet the A-133 requirements.

Except for provisions for biennial audits in A-133 Section \_\_\_.220 (a) and (b), audits shall be performed annually. Exceptions are: for a state or local government that is required by constitution or statute, in effect on January 1, 1987 , to undergo its audits less frequently than annually, see Section \_\_\_\_.220 (a). For non-profit organizations that had biennial audits for all biennial periods ending between July 1, 1992 , and January 1, 1995 , see Section\_\_\_.220 (b).

Auditor Requirements

Instructions for auditors are addressed in Subpart E of Circular A-133 (Sections \_\_\_\_.500 to 530). The A-133 Compliance Supplement includes federal audit procedures and tests.

The audit shall be conducted according to the Generally Accepted Government Auditing Standards (GAGAS). It shall cover the entire operations of the auditee, or, at the option of the auditee, such audit shall include a series of audits that cover departments, agencies, and other organizational units which expended or administered Federal awards during such fiscal year. Each audit shall encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit, which shall be considered to be a non-Federal entity. The financial statements and schedule of expenditures of Federal awards shall be for the same fiscal year (Section \_\_\_\_.500).

Audit procedures for internal control are addressed in the A-133 Compliance Supplement. The auditor shall perform testing of internal controls and report a reportable condition (including if any condition is a material weakness) in accordance with Section\_\_\_\_.510, and assess the related control risk. Consideration should be made whether additional compliance tests are required because of ineffective internal control, Section \_\_\_\_.500(c).

The auditor’s report(s) shall state that audit was conducted in accordance with A-133 and include the information contained in Section \_\_\_\_.505.

**C.   Pass-Through Entity Responsibilities--A-133\_\_.400(d) and State of Washington** **Policy 50.30.50 (SAAM).**The following are requirements for pass-through entities:

1. Properly identify federal awards by ***informing each subrecipient*** of the CFDA title and number,
award name and number, award year and name of the federal agency;
2. Advise ***subrecipients of requirements*** imposed on them by federal laws, regulations, and the provisions of contract and grants agreements as well as any supplemental requirements imposed by the pass-through entity;
3. Monitor ***the activities of subrecipients***as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and that performance goals are met;
4. ***Require subrecipients to provide an annual inventory of federal awards*** sufficient to allow the pass-through entity to determine whether a single audit is required;
5. ***Ensure that subrecipients expending $500,000 or more*** (for fiscal years ending after December 31, 2003 ) in federal awards ***during the subrecipient's fiscal year*** have ***met the audit requirements of A-133;***
6. ***Issue a management decision*** on audit findings within six months after receipt of the subrecipient’s audit report and ensure that the subrecipient takes appropriate and timely corrective action;
7. Consider whether subrecipient audits necessitate adjustment of the pass-through entity’s own records;
8. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary to comply with A-133.

Pass-through entities must review subrecipient audits

To ensure that legal requirements are met, reviews of subrecipients must include processes and procedures to verify that applicable audit requirements are satisfied and audit findings are reviewed for timely corrective action, see 50.30.55. 7. and 8. (SAAM). These include, review and follow-up on subrecipient single audits; and use checklists to document activities of review and follow-up on subrecipient audits or receipt of required reports and documents prior to closure of contracts or grant agreements.

**D.   Auditee Responsibilities**A-133, Section 105: *Auditee* means any non-Federal entity that expends Federal awards, which must be audited under this part. Auditees have responsibilities, including Sections \_\_\_\_.300, \_\_\_\_.315, and \_\_\_\_.400. Circular A-133, Section\_\_\_\_.300 addresses auditee’s responsibilities.

1. The auditee shall identify all Federal awards received and expended and the Federal programs, under which they were received, including the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
2. Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.
3. Comply with laws and regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
4. Prepare appropriate financial statements, including schedule of expenditures of federal awards in accordance with Section \_\_\_\_.310.
5. Ensure that audits are properly performed and submitted when due.
6. Follow up and take appropriate corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with Sections \_\_\_\_.315(b) and (c).

Audit findings shall be presented in sufficient detail for the auditee to prepare a corrective action plan and take corrective action and for Federal agencies and pass-through entities to arrive at a management decision--A-133 Section \_\_\_510(b). Audit findings should be resolved and corrective actions made in a timely manner (A-133 Section \_\_\_\_.315).

**Report Submission—Federal**

The audit shall be completed, and the data collection form and reporting package submitted, within the earlier of 30 days after receipt of the auditor’s report(s) or nine months after the end of the audit period, A-133 Section \_\_\_\_.320. This shall be submitted to the designated Federal clearinghouse:

***Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street*  *Jeffersonville* *, IN* *47132***

Auditee's that are also subrecipients shall submit to each pass-through entity one copy of the reporting package when there are findings relating to Federal awards that the pass-through entity provided, or the summary schedule of prior audit findings reported the status of any audit findings relating to Federal awards that the pass-through entity provided (Section \_\_\_\_.320(e). **Report Distribution—*State***

*Copies of audit reports, management letters, and resolution reports for local entities and their subrecipients should be sent to the Audit Resolution Team address, see page 8.*

Auditees shall submit to a federal agency or pass-through entity the appropriate copies of the reporting package described in paragraph (c) of this section and a copy of any management letters issued by the auditor, A-133 Section \_\_\_\_.320(f). State requirements include the review and follow-up on subrecipient single audits. These reviews are to be documented, 50.30.55 (SAAM).

**E.   Resolution Requirements**The ***Audit Resolution Report*** developed by the resolving entity should include:

* The disposition of all questioned costs, whether allowed or disallowed, and analysis to support the decision for each determination based on WIA and/or Regulations.
* Method of repayment.
* Debt collection efforts actually taken or planned. DOL states that grantees and subgrantees should ensure that adequate debt collection measures have been included in their subgrant documents, and are cautioned to follow appropriate law in collecting the debts, see One-Stop Financial Management TAG, Chapter II-13-2, July 2002.
* Corrective action taken and/or required for non-monetary findings.

Further information is in the One-Stop Financial Management TAG, July 2002, for resolving audits, uses of stand-in costs, offset, and debt collection.

Corrective Action--See A-133 Section \_\_.315

The ***auditee***is responsible for follow-up and corrective action on all audit findings. The auditee shall prepare a summary schedule of prior audit findings and a corrective action plan for current year audit findings. The auditee is to correct identified deficiencies; produce recommended improvements; or demonstrate that audit findings are either invalid or do not warrant auditee action (A-133 Section \_\_\_\_.315).

At the completion of the audit, the ***auditee***shall prepare a corrective action plan to address each audit finding in the current year auditor’s reports. This shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan shall include an explanation and specific reasons, A-133 Section \_\_\_\_.315(c).

A ***corrective action plan*** is necessary to ensure that the processes and procedures are in place to make corrections to the system in a timely manner. Timely corrections of issues could prevent findings and/or disallowed costs during the next audit.

The entity responsible for making the management decision shall do so within six months of receipt of the audit report. Corrective action should be initiated within six months after receipt of the audit report and proceed as rapidly as possible (A-133 Section \_\_\_\_.405).

**F.   Appeals**Section 667 of the WIA Regulations in Subpart F provides for Complaint procedures and state appeals processes. Section 667.600 (c) are local area procedures requirements, and Section 667.600 (d) are state procedures requirements.

Debt Repayment
The Workforce Investment Act requires repayment of funds not expended in accordance with the law, and that sanctions be imposed for substantial violations when corrective action has not been taken.

Fund Responsibility
The political jurisdiction(s) of the chief elected official(s) in a local workforce investment area is liable for any misuse of the WIA grant funds allocated to the local area under WIA sections 128 and 133 (Section 667.705).

**G.   Records Maintenance and Retention**Auditees shall keep one copy of the data collection form and reporting package three years from the date of submission to the Federal clearinghouse. Pass-through entities shall keep subrecipients’ submissions for three years from date of receipt, A-133 Section \_\_\_\_.320(g).

The auditor shall retain working papers and reports for a minimum of three years after the date of issuance of the auditor’s report(s) to the auditee, unless the auditor is notified in writing to extend the retention period. Audit working papers shall be made available upon request to the cognizant or oversight agency for audit or its designee, A-133 Section \_\_\_\_.515.

Audit workpapers and records are an important part of resolving audit findings.  **Auditors must maintain these records for inspection and review until all audit findings, questioned or disallowed costs, litigation or claims are resolved.**

*All entities shall retain records for three years following the submittal of the final expenditure report for the federal funding period (also three years), and until litigation, audit, resolution, or claims have been resolved and final action taken, whichever is longer. Assuming no litigation or other issues, the record retention period (three years) begins when the final expenditure report is filed (after the three-year funding period). State requirements for state agencies are that records be retained six or more years depending on classification (RCW 40.14)*

**H.   Audit Plans (*see attached matrix*)**

Subrecipients must provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required. The audit plan should ensure that subrecipients expending $500,000 or more in federal awards, in the subrecipient's fiscal year, met the A-133 audit requirements, and 50.30.50. 4. and 5. (SAAM).

List all entities to be audited, including subrecipients. See attached plan for listing WIA and Welfare-to-Work activities and those of subrecipients and contractors and other information, including the Catalog of Federal Domestic Assistance (CFDA--the list of all CFDA numbers is located at [http://www.cfda.gov/public/allprogs.asp).](http://www.cfda.gov/public/allprogs.asp%29.)

*Workforce Development Councils (WDCs) and other E&T Division subrecipients should submit audit plans at the beginning of every program year. Should changes occur, adjustments should be made. When audit plans are completed, please e-mail or send to the Audit Resolution Team address, see page 8. Please submit updated or revised plans as changes occur.*

**III.   OTHER RELATED INFORMATION

Regulatory Improvement**This policy stresses regulatory construction, and information based on federal and state requirements (Executive Order 97-02).

**Privacy Protections**
With the growth of computer databases, personal privacy rights of citizens must be protected. Personal information (information that is readily identifiable to that specific individual) will not be open for public inspection or available to others not legally authorized.

**DEFINITIONS**OMB Circular A-133 Section\_\_.105, WIA Law Section 101, and WIA Regulations Section 660.300.

**REFERENCES**

* The Single Audit Act of 1984, P.L. 98-502, and Single Audit Act Amendments of 1996, P.L. 104-156.
* OMB Circular A-133, Revised 2003.
* Circular A-133, Compliance Supplement.
* Workforce Investment Act of 1998 Public Law 105-220.
* 20 CFR 652 et al, Workforce Investment Act Final Regulations.
* Office of Management and Budget Circulars, including Circulars A-87, A- 21, and A-122.
* Other Federal Regulations, including 29 CFR Part 95, 29 CFR Part 97, and 29 CFR, Part 99
* One-Stop Comprehensive Financial Management Technical Assistance Guide, July 2002.
* State Administrative & Accounting Manual (SAAM), including Section 50.30--Compliance with Federal Single Audit Act (http://www.ofm.wa.gov policy/50.30.htm).

**SUPERCEDES**This policy is revised from the prior WIA policy 3255, including federal updates and revisions.**WEBSITES**

<http://www.wa.gov/esd/policies/title1b.htm> for Employment & Training Policies

[http://www.sao.wa.gov](http://www.sao.wa.gov/) for Washington State Auditor on-line reports.<http://harvester.census.gov/sac/> single audit clearinghouse for summary information.

<http://www.ofm.wa.gov/policy/50.30.htm> State of Washington Single Audit policy 50.30.

[http://firstgov.gov](http://firstgov.gov/) U.S. Government

<http://www.whitehouse.gov/omb/> Office of Management and Budget [for OMB Circulars]

<http://www.gpoaccess.gov/>

(National Archives and Records Administration [for Code of Federal Regulations])  **Please send Incident Reports, Audits Reports, and Audit Plans To:

          *Attn: Audit Resolution Team***          ***Employment and Training Division***          ***Washington*** ***State*** ***Employment Security Dept.***          ***PO Box*** ***9046*** ***, MS 6000***          ***Olympia*** ***, WA*** ***98507-9046***

**INQUIRIES**

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 **ATTACHMENT**

Audit Plan--The Audit Plan is a State of Washington requirement (50.30.50) that subrecipients provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required.  Please use the attached form.

[Audit Plan Form](http://www.wa.gov/esd/1stop/policies/documents/auditplanform.doc)