



Orange County Workforce Development Board
Audit Resolution Policy

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Effective:
October 29, 2025

SUBJECT:

Information Notice No. 25-OCWDB-06
Supersedes Information Notice No. 03-OCWDA-21

APPROVED:

Nancy Cook, 
Director of Workforce and Economic Development

PURPOSE

This policy provides guidance regarding the procedures established by the Orange County Workforce Development Board (OCWDB) for the resolution of audit findings and disallowed costs. All subrecipients of Workforce Innovation and Opportunity Act (WIOA) funds must comply with federal and state audit resolution requirements.

EFFECTIVE DATE

This policy is effective on the date of issuance.

REFERENCES

- Workforce Innovation and Opportunity Act of 2014 (Public Law 113–128), Sections 184 and 185, Fiscal Controls, Sanctions, Reports, and Recordkeeping Requirements.
- Title 2 Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Title 2 CFR Part 2900, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Department of Labor)
- Title 20 CFR Section 683.210, Administrative Standards and Sanctions
- Title 29 CFR Section 97.26, Non-Federal Audit
- Title 31 United States Code (USC) Chapter 75, Requirements for Single Audits
- Title 31 USC Section 7502, Audit Requirements; examinations
- Workforce Service Directives (WSD) 22-06, Audit Resolutions
- WSD 20-03, Audit Requirements

BACKGROUND

Title 2 CFR Part 200 and 2900 requires each entity receiving funds under the WIOA to comply with Title 31 United States Code (USC) Chapter 75. Title 31 USC Section 7502 further requires the pass-through entity to:

- Monitor a subrecipient/subcontractor's federal awards through site visits, limited scope audits, and/or other means.
- Review audits of subrecipients/subcontractors to determine if prompt and appropriate corrective action has been taken with respect to audit findings.
- Require each subrecipients/subcontractors of federal awards to permit, as a condition of receiving federal awards, the pass-through entity and auditors access to the subrecipient/subcontractor's records and financial statements as necessary.

Orange County Workforce Development Board (OCWDB) or subrecipient organizations that expend \$1,000,000 or more in federal funds during the fiscal year to operate one or more programs must have a single or program-specific audit conducted. Any OCWDB or subrecipient organization that expends less than \$1,000,000 of federal funds in a year is exempt from the audit requirements for that year, but records must be available for review or audit by appropriate officials of the federal agency or pass-through entity. These audit resolution procedures also apply to findings identified through other reviews such as incident and investigation reports or program monitoring activities, consistent with EDD Workforce Services Directive WSD22-06. The OCWDB shall ensure that all such findings are addressed through the same resolution, documentation, and corrective action process described in this policy.

DEFINITIONS

Final Determination – The awarding agency’s final decision to disallow the cost and the status of nonmonetary findings.

Informal resolution – A reasonable period of time (not more than 6 months) from the date of issuance of the initial determination to informally resolve matters in which the recipient/contractor disagrees with the decisions of the awarding agency on the allowability of questioned costs or activities.

Initial Determination – A preliminary decision on whether to allow or disallow questioned costs and resolve any monetary (administrative) findings. The initial determination is based on applicable statutes, regulations, administrative directives, or terms and conditions of the grant/contract award instrument. It offers the auditee/subrecipient an opportunity for informal resolution, not a formal hearing.

Pass-through entity – a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program (Uniform Guidance Section 200.74). The EDD is the pass-through entity for WIOA Title I Adult, Dislocated Worker, and Youth programs, and other federal grants awards.

Single Audit – A comprehensive review of an organization’s financial activity for a fiscal year. All single audits must be conducted by an independent auditor in accordance with GAGAS. In order to determine whether the \$1,000,000 threshold is met, a non-federal entity must count the amount of federal awards received directly from federal agencies and pass-through entities.

POLICY

Audit Review

The OCWDB must review all audit reports for WIOA Title I subrecipients expending \$1,000,000 or more in federal funds during the fiscal year, in accordance with 2 CFR part 200 Subpart F.

If there are no concerns, a copy of the single audit must be kept on file and added to the audit control log as being compliant. If concerns are identified, the following steps must be completed:

1. Establishment of an Audit Resolution File
2. Completion of a Control Log, which must contain:
 - Date of the audit
 - Period covered by the audit
 - Date audit was received
 - Auditor name
 - Questioned costs (Number of findings and amounts)
 - Administrative findings (number of findings)
 - Assigned audit number
 - Date or dates of initial and final determination
 - Documentation of decisions regarding administrative findings, disallowed costs, and appeals.
3. Issuance of a Letter of Determination to subrecipient based on the audit review. Letter must include:
 - A list of all questioned costs.
 - Whether the costs are allowed or disallowed, including the reasons with appropriate citations for such actions.
 - Acceptance or rejection of any corrective action taken to date, including corrective action on non-monetary administrative findings.
 - Possible sanctions.
 - The opportunity for informal resolution of no more than 60 calendar days from the date of Initial Determination.

Informal Hearing

If requested, during informal resolution the subrecipient may provide documentation to support allowability of costs and proposed corrective action of administrative findings.

Informal resolution may be held by telephone, video conference, or in person. A sign in sheet and meeting documentation (either meeting notes or voice recording) must be retained as part of the audit file. Negotiation of repayments can be initiated at this time.

Following informal resolution, or if informal resolution does not occur, a final determination letter must be issued. This letter must include:

- A reference to the initial determination
- Summation of the informal resolution meeting, if held.
- Decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance.
- Questioned costs that have been allowed by the awarding agency and the basis for the allowance.
- A demand for payment of the disallowed costs.
- Description of the debt collection process and other sanctions that may be imposed if payment is not received.
- The debt collection process shall be carried out in accordance with the procedures outlined in EDD Workforce Services Directive WSD22-07, *Debt Collection* (November 14, 2022), to ensure alignment with state requirements.
- The status of each administrative finding.
- Identified areas of disagreement between the parties.
- Advise the subrecipient that the determination is based on information that is currently available. If new information becomes available, the final determination may be reopened at the awarding agencies option.
- Rights to a local hearing.
- Notice of appeal rights.

All the above items must be completed within 6 months of the receipt of the subrecipients audit report and must ensure that the subrecipient takes appropriate and timely corrective action.

Local Hearing

The subrecipient may request a local hearing in writing within 30 calendar days of the final determination.

The hearing officer will provide the subrecipient with written notice of the hearing date and location at least 10 calendar days in advance.

The hearing must provide both parties the opportunity to:

- Present written or oral testimony,
- Call and question witnesses,
- Submit oral and written arguments,
- Review records and documents relevant to the cause, and
- Be represented by counsel or another representative of their choice.

The hearing must be documented by audio recording, written notes, or court reporter.

Additional requirements:

- The auditee must be informed of the right to withdraw a hearing request, provided the withdrawal is submitted in writing.
- The hearing officer must issue a written decision within 60 days of the date the request was filed.

- The auditee must be informed of the right to file an appeal 10 days from the receipt of the local hearing officer's adverse decision to the State Review Panel.
- If a local hearing is not held or the decision is not rendered timely, the auditee has 15 days from the date on which the hearing should have been held to file an appeal with the State Review Panel.
- Appeals to the State Review Panel must be filed within ten (10) calendar days of receipt of a local hearing officer's adverse decision, or within fifteen (15) calendar days if a local hearing was not conducted or the decision was not issued timely.
- If the auditee appeals the hearing officer's decision, the Subgrantee must submit the complete audit to the Compliance Review Division for review.

There is no administrative appeal beyond the State Review Panel.

Follow-up and Compliance

The OCWDB must ensure that all administrative findings are corrected in a timely manner. Corrective actions will be verified during the monitoring process, and monitoring reports confirming resolution must be filed with the audit records.

All remaining portions of WSD 22-06 must be complied with, if applicable.

Stand-In Costs

During the audit resolution process, a subrecipient may propose the use of stand-in costs to substitute for disallowed costs. Stand-in costs must be actual expenses paid with non-federal funds and must have been incurred for allowable WIOA activities. These costs must originate from the same program year as the disallowed costs and must not cause a violation of any administrative or cost limitation. Acceptance of stand-in costs will be based on documentation verifying eligibility and inclusion in the auditee's financial system, consistent with WSD22-06 guidance.

Record Filing and Retention

In accordance with 2 CFR 200.334 and WSD22-06, awarding agency subrecipients and their subrecipients must retain all records of each WIOA allocation for three years from the date of their final expenditure report submitted to the EDD Central Office Workforce Services Division.

If any litigation, claim, or audit is started before the expiration of the three-year period, all records must be retained until all findings have been resolved and final action taken.

Audit files must be saved in a logical order (electronical or physical) and must include:

- Final determination and proof of receipt by their subrecipient.
- Additional documentation submitted as part of the informal resolution process:
 - Notes related to the informal resolution
 - Sign-in sheets from any informal resolution meetings
- Initial determination and proof of receipt by their subrecipient.
- Response to the final audit report.
- Final audit report.

ACTION

Bring this policy to the attention of all relevant staff, subrecipients, and partners to ensure full understanding and compliance with federal and state audit resolution requirements.

INQUIRIES

If you have any questions regarding this policy, please email info@ocworkforcesolutions.com.