



POLICY

STATE OF MISSISSIPPI
WORKFORCE INNOVATION AND OPPORTUNITY ACT
OFFICE OF GRANT MANAGEMENT

POLICY NAME: Audit and Audit Resolution Policy

POLICY NUMBER: 23-041

DATE OF ISSUE: January 01, 2024

EFFECTIVE DATE: January 01, 2024

DURATION: Until rescinded or revised

REVISION DATE: N/A **REPLACED BY:** N/A

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PURPOSE: The purpose of this policy is to provide guidance regarding Audits and Audit Resolution and to establish processes/procedures for Audit submission, review, and resolution of findings.

BACKGROUND: According to 2 CFR 200.501 (a), any entity that expends \$750,000 or more in federal funds during its fiscal year must have a single or program-specific audit conducted. This requirement applies to the Planning and Development Districts (PDD) which serve as fiscal agents to the four Local Workforce Development Areas (LWDAs) and to any other subrecipient¹ organization of the Mississippi Department of Employment Security (MDES) that meets the expenditure threshold. Any PDD or subrecipient organization that expends less than \$750,000 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.²

POLICY:**I. AUDIT REQUIREMENTS**

Subrecipients that are units of government or nonprofit organizations that expend \$750,000 or more in federal funds during its fiscal year to operate one or more programs must have a single or program-specific audit that:³

- Is on an annual basis, coinciding with the subrecipient's normal fiscal year.
- Is an agency-wide audit that includes financial and compliance coverage of the MDES-OGM programs within its scope; and
- Complies with Uniform Guidance.

II. AUDITEE RESPONSIBILITY

An auditee may simultaneously be a recipient⁴, a subrecipient, and a contractor⁵ depending on the substance of its agreements with Federal awarding agencies and pass-through entities.

The responsibilities of a PDD or a subrecipient organization as an auditee are as follows:

- The PDD or subrecipient organization must procure the services of an auditor in accordance with LWDB procurement policies and Uniform Guidance procurement standards.⁶
- The PDD or subrecipient organization must prepare its financial statement in compliance with Audit Requirements⁷ as outlined in the Uniform Guidance.⁸
- The PDD or subrecipient organization must follow up on any audit findings.^{9 10}
- The PDD must have an audit conducted within 9 months from the end of a fiscal year.¹¹
- The PDD must ensure that its subrecipients are conducting annual fiscal audits.¹²
- Audits performed under these guidelines are due to MDES-OGM nine months from the end of the fiscal period or 30 days from completion of the audit, whichever is sooner.¹³
- Single audit must be conducted using the scope established in Uniform Guidance.¹⁴
- An auditor's report must be designed using the criteria established in Audit Requirements as outlined in the Uniform Guidance.¹⁵

III. AUDIT SUBMISSION TO THE GRANTING AGENCIES

All subrecipients are required to submit completed audit reports¹⁶ to MDES-OGM nine months from the end of the fiscal period or 30 days from completion of the audit, whichever is sooner.¹⁷

Audit reports are to be submitted to: OGMAuditsAndMonitoring@mdes.ms.gov.

If there are no findings in the audit reports and no further action is required, MDES-OGM will issue a closeout letter.

If there are findings in the audit report related to WIOA or other federal grants for which MDES has oversight, MDES-OGM will follow the Audit Resolution process stated below.

IV. MDES-OGM AUDIT RESOLUTION PROCESS

The submission of a subgrantee's final Audit Report which contains findings initiates MDES-OGM's audit resolution process. Upon receipt of the audit report, MDES-OGM will issue a letter to the subrecipient indicating the corrective action¹⁸ needed. The subrecipient will have 30 days to respond to this letter. Based on the subrecipient's response to the corrective action letter, MDES-OGM will issue a Statement of Findings and Determinations. Any debts due to audit disallowance are established at this point.

V. STAND-IN COSTS

During the audit resolution process, the auditee may propose the use of stand-in costs to substitute for the disallowed costs¹⁹. The use of stand-in costs is an audit resolution activity. Stand-in costs are usable as substitutes for unallowable costs identified in an audit report. Stand-in costs result when an Operators and Service Providers expend non-federal funds on federal programs such as WIOA. To be considered, stand-in costs must be incurred for allowable federal costs that were reported as uncharged federal program costs, included within the scope of the audit, and accounted for in the auditee's financial system. The stand-in cost must have been expended in support of the same title and program year as the costs they propose to replace, and the costs must not cause a violation of the cost limitations and requirements.²⁰ Stand-in costs must be actual expenses paid with nonfederal funds. Cash match in excess of the required match may also be considered for use as stand-in costs.

VI. SUBRECIPIENT AUDIT RESOLUTION

Federal awards expended as a recipient or subrecipient are subject to audit requirements.²¹

All PDDs or other MDES subrecipients must obtain and review the audit report of *their* subrecipients to ensure compliance with the requirements of the Uniform Guidance. The subrecipient must have an audit resolution process in place for its subrecipients.²² The audit and audit resolution process for subgrantees is independent of the process between MDES-OGM and subrecipients.

PDDs or other MDES subrecipients must:

- Verify subrecipients meet audit requirements.

- Prepare management decisions²³ on subrecipient audit findings.²⁴
- Pursue debt collection.²⁵

VII. MDES-OGM REVIEWS

In addition to the required annual audits, MDES-OGM subrecipients shall be subject to preliminary fiscal reviews, financial, and compliance audits. MDES-OGM reserves the right to conduct other audits and investigations in accordance with applicable federal and state laws or regulations.

VIII. AUDIT COSTS

The MDES-OGM subrecipient shall be responsible for the cost of the audit.

IX. ACTION

Each Local Workforce Development Board will adopt a local Audit and Audit Resolution Policy that conforms with the requirements of this policy.

DocuSigned by:

Robin Stewart

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Robin Stewart

Deputy Executive Director

REFERENCES:

- ¹ 2 CFR 200.1 "Subrecipient"
 - ² 2 CFR 200.501(d)
 - ³ 2 CFR 200.501(a)
 - ⁴ 2 CFR 200.1 "Recipient"
 - ⁵ 2 CFR 200.1 "Contractor"
 - ⁶ 2 CFR 200.508(a)
 - ⁷ 2 CFR 200.501
 - ⁸ 2 CFR 200.510
 - ⁹ 2 CFR 200.1 "Audit finding"
 - ¹⁰ 2 CFR 200.511
 - ¹¹ 2 CFR 200.507(c)(1)
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MDES AUDIT RESOLUTION PROCESS / PROCEDURE

The Mississippi Department of Employment Security, as the Recipient of federal funds and as a Pass-Through Entity, establishes the following AUDIT RESOLUTION PROCESS / PROCEDURE to ensure effective compliance with Policy 23-041 Audit and Audit Resolution.

1. The Office of Grant Management (OGM) will ensure that all subrecipients of federal funds for which OGM has oversight are informed of the audit requirements in 2 CFR 200.501 (a) by the following:
 - a. The Audits and Monitoring clause (L. 2.) in the Terms & Conditions of all subgrants requires the initials of the subgrantee signifying that they will comply with the federal requirements;
 - b. OGM will send an Audit Requirements letter annually to each active subgrantee; and
 - c. OGM and Business Management will apprise each subgrantee of the federal audit requirements in the pre-signing meeting for new subgrantees.
2. Upon receipt of an audit from a subrecipient, OGM will share a copy of the audit with the appropriate Business Management staff and both parties will independently review the audit using an Audit Resolution Tracking Checklist or similar form to be devised.
3. OGM and Business Management staff will meet regularly (live or virtually) to discuss the reviews of audits received and to formulate a management decision and response to the subgrantee.
4. OGM will issue a management decision via an Audit Response letter to the subgrantee that will document needed corrective action. The management decision:
 - a. Must clearly state whether the audit finding is sustained and the reasons for the decision.
 - b. Should establish time requirements for corrective actions.
 - c. Should describe any appeal process available to the grant recipient.
 - d. Must make use of stand-in-costs prior to issuing a final management decision.
5. OGM will ensure that MDES's monitoring staff is made aware of all audits received and that they review outstanding audit corrective actions and monitor subgrantee compliance with audit resolution requirements.