NORTEC
POLICY STATEMENT
AUDIT RESOLUTION

Last Update: July 10, 2025

PURPOSE

The purpose of this policy is to provide guidelines to the WIOA Service Providers (NoRTEC subrecipient) with respect to annual audit requirements and audit resolution procedures.

GENERAL INFORMATION

NoRTEC policy requires that each subrecipient submit an annual Single Audit Report in compliance with Uniform Guidance for each program year in which the subrecipient receives NoRTEC funds. The report must be submitted to NoRTEC within 30 days of issuance of the report or nine months after the end of the program year being audited, whichever is sooner.

NoRTEC will review each subrecipient audit report to ensure compliance with the requirements of Uniform Guidance. NoRTEC will attach an audit review sheet to each audit report which contains the date of the audit, the period covered by the audit, the date that the audit was received, the auditor, and whether there were any findings or questioned costs

NoRTEC will ensure correction of any unresolved administrative findings through the subrecipient monitoring process and determine that appropriate corrective action has been taken. A copy of the monitoring report substantiating the implementation of the appropriate corrective action will be filed with the audit report.

FINDINGS

If the audit contains any reported findings resulting in questioned costs, NoRTEC will:

A. Issue a letter of initial determination based on the audit review. The initial determination letter will include a list of all questioned costs, a determination of whether the costs are allowed or disallowed, acceptance or rejection of any corrective action taken to date, possible sanctions; and the opportunity for informal resolution of no more than 60 days from the date of initial determination.
B. The auditee may provide documentation to support allowability of costs and proposed corrective action of administrative findings. Informal resolution discussions may be held by telephone, video conference or in person if practicable. If a meeting is held, a sign-in sheet will be provided. The sign-in will be retained as part of the audit file. The meeting will be documented either with a voice recording or written notes. Negotiation of repayments can be initiated at this time.
C. Following the information resolution process, NoRTEC will issue a written final determination. The final determination will include:
    1. An invoice issued by the NoRTEC Administrative Entity;
    2. Summation of the informal resolution meeting, if held;
    3. Decisions regarding the disallowed costs, listing each disallowed cost and noting the reasons for each disallowance;

4. Questioned costs that have been allowed by the awarding agency and the basis for the allowance;
5. Demand for repayment of the disallowed costs;
6. Description of the debt collection process and other sanctions that may be imposed if payment is not received;
7. Rights to a hearing; and
8. The status of each administrative finding.

D. The audit resolution process will be completed within six months after receipt of the subrecipient's audit report and will ensure that the subrecipient takes appropriate and timely corrective action.

E. An audit resolution file resolution file will be established to document the disposition of reported questioned costs and corrective actions taken for all findings. The audit file will be tabulated with the most current documentation first, and will include the following:
1. Final determination and proof of receipt by the subrecipient;
2. Additional documentation submitted as part of the informal resolution process;
3. Notes related to the information resolution;
4. Sign-in sheets for any informal resolution meetings;
5. Initial determination and proof of receipt by the subrecipient;
6. Response to the final audit report;
7. The final audit report.

F. The auditee has 30 calendar days after the final determination is issued to submit a written request for a hearing.
1. At least 10 calendar days before the hearing, written notice of the date and site of the hearing will be provided to the auditee. The ten-day notice may be shortened with the written consent of both parties.
2. The auditee may withdraw the hearing request; the withdrawal request will be submitted in writing.
3. The Executive Committee of the NoRTEC Workforce Development Board will serve as the hearing officer.
4. The hearing will allow both parties the right to present either written or oral testimony, call and question witnesses in support of their position, present oral and written arguments, examine records and documents relevant to the issues, and be represented. The hearing will be recorded mechanically or by court reporter.
5. The NoRTEC Governing Board reserves the right to overturn the hearing officer's decision where it determines that noncompliance with the Act or Regulations still exists.
6. A decision will be issued by NoRTEC within 60 days of the request filing date.
7. The auditee may appeal NoRTEC's decision to the State Review Panel. The auditee has 10 days to file an appeal.
8. 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.

9. NoRTEC will send the EDD Compliance Review Division the complete audit for review by the State Review Panel if the auditee appeals the decision of NoRTEC to the State.

G. In order to track the resolution of these findings, NoRTEC will enter the following information regarding the audit in the Audit Control Log:
    1. The date of the audit;
    2. The period covered by the audit;
    3. The date that the audit was received;
    4. The auditor;
    5. The questioned costs;
    6. The administrative findings;
    7. The date or dates of the Initial and Final Determinations; and
    8. Documentation of decisions regarding the disallowed costs and administrative findings.

DEFINITIONS

Administrative finding – a finding that is non-monetary and related to procedural or administrative matters.

Auditee – a non-federal entity that expends federal awards which must be audited under Uniform Guidance Subpart F – Audit Requirements. (Uniform Guidance Section 200.6)

Auditor – an auditor who is a public accountant or a federal, state, local government, or Indian tribe audit organization that meets the general standards specified for external auditors in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations. (Uniform Guidance Section 200.7)

Awarding agency – means (1) with respect to a grant, Department of Labor (DOL); and (2) with respect to a subgrant or contract, the entity that awarded the subgrant or contract.

Disallowed costs – those charges to a federal award that the federal awarding agency or passthrough entity determines to be unallowable according to the applicable federal statutes, regulations, or the terms and conditions of the federal award.

Federal award – federal financial assistance that a non-federal entity receives either directly from a federal awarding agency or indirectly from a pass-through entity. (Uniform Guidance Section 200.38)

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

Informal resolution – a reasonable period (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 non-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.

Non-federal entity – a state, local government, Indian tribe, institution of higher education, or nonprofit organization that carries out a federal award as a recipient or subrecipient. (Uniform Guidance Section 200.69)

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 grant awards.

Program-Specific Audit – an audit of an individual federal program rather than a single audit of an entity's financial statements and federal programs. When an auditee expends federal awards under only one federal program (excluding research and development), and the federal program's statutes, regulations, or the terms and conditions of the federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program specific audit conducted in accordance with Uniform Guidance Section 200.507. A program specific audit may not be elected for research and development unless all of the federal awards expended were received from one federal agency, or one federal agency and one pass-through entity, and that federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit.

Recipient – a non-federal entity that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program. The term recipient does not include subrecipients. (Uniform Guidance Section 200.86)

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 $750,000 threshold is met, a non-federal entity must count the amount of federal awards received directly from federal agencies and pass-through entities.

Stand-In Costs – costs paid from non-federal sources to substitute federal costs that have been disallowed as a result of an audit. Stand-in costs must come from the same year as the costs that they are proposed to replace and they must not cause a violation of the administrative or other cost limitation. These costs must be included in the appropriate expenditure reports if they will be used at a later time.

Subaward – an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (Uniform Guidance Section 200.92)

Subrecipient – a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program, but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency (Uniform Guidance Section 200.93). Local Workforce Development Boards, including other agencies are the subrecipients of WIOA funds and other federal grant awards, and may allocate funds to their subrecipients to carry out a part of the federal program. This directive refers to both the awarding agency subrecipient and their subrecipients.