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Phoenix Business and Workforce Development Board (approval authority)	<i>Date Approved:</i> 3.28.21	<i>Subject # & Title:</i> .106 Audits and Audit Resolutions Policy	

I. APPLICABILITY/SCOPE

This policy applies to all subrecipients performing Workforce Innovation and Opportunity Act (WIOA) Title IB funded workforce development services on behalf of the Phoenix Business and Workforce Development (PBWD) Board, and all contractors paid for services using WIOA funds.

II. PURPOSE

The purpose of this policy is to ensure that all Federal funds are expended in accordance with applicable laws and regulations, define the terms “auditing” and “monitoring”, and provide guidance on the proper resolution of findings under WIOA.

As a recipient of Federal grant funds of more than \$750,000 in a fiscal year the City is subject to the Single Audit Act and must be audited yearly by a third-party accounting firm or can be subject to an internal audit by the Phoenix City Auditor Department. The City ensures fiscal monitoring reviews of the PBWD Board’s subrecipients and contractors are conducted to determine whether the proper policies, procedures, and practices are in place to meet the fiscal requirements of their contracts and awards. Fiscal monitoring reviews are done to ensure the integrity, accuracy and completeness of the financial data presented to the City by the PBWD Board’s subrecipients and contractors. In addition, the Arizona Department of Economic Security (DES), WIOA Fiscal Unit conducts a thorough monitoring review of the WIOA grant programs.

III. BACKGROUND


The City of Phoenix, Human Services Department, Management Services Division (City), is a recipient of federal funding under The Workforce Innovation and Opportunity Act (WIOA) on behalf of the PBWD Board, that was signed into law on July 22, 2014. The City is entrusted with public funds from both state and federal sources and must be able to assure funding agencies and the public that programs are administered responsibly and effectively. This entails maintaining sound financial management and accountability and assuring that the reimbursement of funds is integrally connected with the delivery of services under each grant contract.

IV. DEFINITIONS

Auditing - A formal, systematic and disciplined approach designed to evaluate and improve the effectiveness of processes and related controls. Auditing is governed by professional standards, completed by individuals independent of the process being audited, and normally performed by individuals with one of several acknowledged certifications. Objectivity in governance reporting is the benefit of independence.

Typical characteristics of an audit include the following:

1. Formal review governed by professional standards
2. Completed by professionals independent of the operation
3. Formal, systematic and structured approach
4. Involves planning, sampling, testing, and validating
5. Formal communication with recommendations and corrective action measures
6. Documented follow-up of corrective actions

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Monitoring - An on-going process usually directed by management to ensure processes are working as intended. Monitoring is an effective detective control within a process.

Typical characteristics of monitoring efforts include the following:

1. Often less structured than auditing, though audit techniques may be employed
2. May be completed by operations or compliance personnel
3. Involves on-going checking and measuring
4. Can be periodic spot checks
5. May identify the need for an audit

Single Audit - A Single Audit, also known as the Office of Management and Budget (OMB) Uniform Guidance, is a rigorous, organization-wide audit or examination of an entity that expends \$750,000 or more of Federal assistance (commonly known as Federal funds, Federal grants, or Federal awards) received for its operations. 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 in 20 CFR 683.512.

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.

Contractor - A Non-Federal entity that receives WIOA funding through a contract to perform services or carry-out a project.

V. POLICY

A. The PBWD Board will utilize the [Arizona Department of Economic Security \(DES\), Workforce Innovation Opportunity Act Policy, Chapter 3 – Fiscal Policies SECTION 300 – Audits and Audit Resolution](#), issued on June 22, 2015 and Revised on April 13, 2017 as the authority related to policy, guidelines and procedures in performing associated tasks and functions.


The City will ensure that the DES WIOA Fiscal Unit and the independent auditor have access to the subrecipient and contractor records and financial statements as necessary.

1. WIOA Fiscal Monitoring

- a. The City will conduct a thorough and yearly monitoring review of each subrecipient. The City will monitor the activities of their subrecipients and contractors as necessary to ensure that Federal funds are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements.
- b. Monitoring for a given fiscal year will take place between October 1st and May 31st of the fiscal year and will be completed no later than June 30th with the exceptions being delay due to any administrative exigencies.
- c. The City monitoring may include financial review, site visits, limited scope audits, or other means, as deemed appropriate.

2. Resolution of Findings

- a. The City is responsible for follow-up and corrective action on all audit findings by the third-party accounting firm, DES WIOA Fiscal Unit or City Auditor Department. The City must initiate and

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proceed with a corrective action plan as soon as possible after receipt of the auditor’s report to address each finding.

- b. The City is responsible to follow-up on all findings and monitor the resolution process of the PBWD Board’s subrecipients and contractors resulting from the fiscal monitoring reviews.
 - 1) In the Notice to subrecipients and contractors, the City will:
 - i. Notice of the finding(s), identify the regulation, law, code or policy that has been violated;
 - ii. Identify the deadline date for which the finding must be resolved.
 - 2) Deadline dates for all resolutions will be set for 30 days from the date the Notice is issued.
 - i. Request for deadline extensions must be submitted to the City at least 15 days before the deadline date.
 - ii. A deadline extension can be requested, if needed.
 - 3) Any unresolved audit or monitoring review findings or observations that required corrective action, and have not been resolved within the allowable timeframe, will be an automatic finding on the subsequent audit or monitoring review. Unresolved findings or observations may also result, at the option of the City and/or DES, in the issuance of a Demand for Assurance Letter and/or the retention of payments and forfeiture of such payments.

VI. POLICY MANAGEMENT REQUIREMENTS

Administrative revisions to the policy may be made by the Phoenix Business and Workforce Development (PBWD) Board Executive Director, with notice to the PBWD Board’s Executive Leadership Committee. All other substantive revisions will go to the PBWD Board’s Executive Leadership Committee for review and recommendation to the PBWD Board for approval.

VII. REFERENCES

Arizona Department of Economic Security, Workforce Innovation and Opportunity Act Policy Manual, Chapter 3-Fiscal Policies Section 300, Audits and Audit Resolution link: <https://des.az.gov/sites/default/files/media/auditandauditresolution92117.pdf>.