



*Fiscal Policies*

## Audit Requirements

<b>POLICY #:</b>	<i>F-2004, Rev. 2</i>
<b>EFFECTIVE:</b>	<i>October 29, 2024</i>
<b>SUPERSEDES:</b>	<i>Audit Requirements Policy, Rev. 1, effective January 19, 2023</i>

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### PURPOSE:

This policy describes audit, reporting, and resolution requirements for recipients of Federal funding.

This policy is revised in its entirety for clarity purposes and includes an increase to the single audit threshold from \$750,000 to \$1,000,000 per updated Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards that became effective October 1, 2024.

### BACKGROUND:

On October 1, 2024, the Office of Management and Budget (OMB) published updated requirements for federal award programs in the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Audit requirements are provided in 2 CFR Part 200, Subpart F and address [single](#) or [program-specific](#) audit thresholds which have been raised from \$750,000 to \$1,000,000 or more in a fiscal year.

### POLICY:

\$1,000,000 Audit Threshold for Federal Grant Awards Issued on or after October 1, 2024: A [non-federal entity](#)<sup>1</sup> that is awarded federal funds on or after October 1, 2024 and expends \$1,000,000 or more during the non-federal entity's fiscal year in federal awards must have a [single](#) or [program-specific](#) audit conducted for that year. Federal grant recipients awarded on or after October 1, 2024, including any amendments to grant awards that result in the award of additional funds, or any incremental funding awarded by ETA must comply with the updated guidance and have a single or program-specific audit if they expend \$1,000,000 or more in federal funds during their fiscal year.

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<sup>1</sup> **Non-federal entity:** In the DOL (Department of Labor), non-federal entity means a state, local government, Indian tribe, institution of higher education (IHE), for-profit entity, foreign public entity, foreign organization, or nonprofit organization that carries out a Federal award as a recipient or subrecipient (see [2 CFR 200.1](#))

### \$750,000 Audit Threshold Remains for Federal Grant Awards Issued Prior to October 1, 2024:

Grant recipients of federal awards issued prior to October 1, 2024, and that have a period of performance beginning prior to October 1, 2024, must continue to follow the Uniform Guidance revisions published in 2020. Therefore, federal grants issued prior to October 1, 2024, and that have a period of performance beginning prior to October 1, 2024, who expend \$750,000 in federal awards during their fiscal year must have a single or program-specific audit for that year.

#### **Single Audit**

A non-federal entity awarded federal funds on or after October 1, 2024 that expends \$1,000,000 or more in federal awards during the non-federal entity's fiscal year (or \$750,000 if awarded prior to October 1, 2024) must have a [single](#) audit conducted in accordance with [200.514](#) of the Uniform Guidance, except when it elects to have a [program-specific](#) audit conducted.

#### **Program-Specific Audit**

A non-federal entity may elect to have a [program-specific](#) audit conducted if the following conditions are met:

- The non-federal entity expends federal awards under only one federal program (excluding research and development); and
- The federal program's statutes or regulations or terms and conditions of the federal award do not require a financial statement audit of the non-federal entity.

Program-specific audits are detailed in [2 CFR 200.507](#).

#### **Exceptions for Federal Awards less than \$1,000,000**

A non-federal entity that expends less than \$1,000,000 in federal awards during its fiscal year is exempt from federal audit requirements for that year. However, in all instances, the records of the non-federal entity must be available for review or audit by appropriate officials of the federal agency, pass-through entity (e.g., WA State ESD and WorkForce Central), and the Government Accountability Office (GAO).

#### **Subrecipients and Contractors**

An auditee may simultaneously be a recipient, a subrecipient, and a contractor. Unless a program is exempt by federal statute, federal awards expended as a recipient or a subrecipient are subject to audit under this part.

Payments received for goods or services provided as a contractor under a federal award are not subject to audit under this part.

## **Compliance Requirements for Contractors**

In most cases, the auditee's compliance responsibility for contractors is to ensure the procurement, receipt, and payment for goods and services comply with federal statutes, regulations, and the terms and conditions of a federal award. Federal award compliance requirements normally do not flow down to contractors. However, for procurement transactions in which the contractor is made responsible for meeting program requirements, the auditee must ensure those requirements are met, including by clearly stating the contractor's responsibilities within the contract and reviewing the contractor's records to determine compliance. Also, when these procurement transactions relate to a major program, the scope of the audit must include a determination of whether these transactions comply with federal statutes, regulations, and the terms and conditions of the federal award.

## **For-Profit Subrecipients**

Single audit and program-specific audits do not apply to for-profit organizations. As necessary, the pass-through entity (e.g., WA State ESD and WorkForce Central) is responsible for establishing requirements to ensure compliance by for-profit subrecipients. The subaward with a for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for federal awards made to for-profit subrecipients may include pre-award audits, monitoring throughout the performance of the subaward, and post-award audits.

## **Frequency of Audits**

Audits required by this part must be performed annually.

## **Remedies for Audit Noncompliance**

In cases of continued inability or unwillingness to of a non-federal entity to have an audit conducted in accordance with this part, federal agencies or pass-through entities must take appropriate action which may include:

- Temporarily withholding payments until the recipient or subrecipient takes corrective action.
- Disallow costs for all or part of the activity associated with the noncompliance of the recipient or subrecipient.
- Suspend or terminate the federal award in part or in its entirety.
- Initiate suspension or debarment proceedings as authorized in 2 CFR part 180 and the federal agency's regulations, or for pass-through entities, recommend suspension or debarment proceedings by initiated by the federal agency.

- Withhold further federal funds (new awards or continuation funding) for the project or program.
- Pursue other legally available remedies.

### **Auditee Responsibilities**

The auditee must:

- Arrange for the audit required by this part and ensure it is properly performed and submitted (see [200.512](#)).
- Prepare financial statements including the schedule of expenditures of federal awards (see [200.510](#)).
- Promptly follow-up and take corrective action on audit findings. This includes preparing a summary schedule of prior audit findings and a corrective action plan (in accordance with [200.511\(b\) and \(c\)](#)).
- Provide the auditor access to personnel, accounts, books, records, supporting documentation, and any other information needed for the auditor to perform the audit required by this part.

### **Financial Statements**

The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and where appropriate, cash flows for the fiscal year audited in compliance with [200.510](#).

### **Audit Findings Follow-up**

The auditee is responsible for follow-up and corrective action on all audit findings, including the preparation of a summary schedule of prior audit findings and preparation of a corrective action plan for current year audit findings. See [200.511](#) for instructions addressing audit findings and corrective action plans.

### **Report Submission**

Auditees must electronically submit their single audit report to the [Federal Audit Clearinghouse \(FAC\)](#) within 30 calendar days after the auditee receives the auditor's report or nine months after the end of the audit period, whichever is earlier.

### **Requests for Management Letters Issued by the Auditor**

Auditees must submit, when requested by a Federal agency or WorkForce Central, a copy of any management letters issued by the auditor.

The pass-through entity (WorkForce Central) is responsible for issuing a management decision for audit findings that affect subawards it issues to subrecipients under a federal award. WorkForce Central must issue the management decision within 12 months of the FAC's acceptance of the audit report. The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the auditee's expected actions. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report. If the auditee has not completed corrective action at the time the decision is made, a timetable for follow-up must be given. Management decisions must include the reference number assigned to each audit finding and should describe any appeal process available to the auditee.

WorkForce Central must ensure subrecipients take timely and appropriate action to resolve all deficiencies identified through audits, reviews, and other means.

### **Appeals**

Appeals and disputes regarding management decisions are to be addressed through the procedures outlined in WorkForce Central's Dispute Resolution and Appeals Policy, located on the WorkForce Central [Policy Library](#). If the requirements of local dispute resolution policies and processes have been met and the parties to the dispute cannot reach agreement, they may appeal to the State per [WorkSource System Policy 1025](#) – One Stop System Dispute Resolution and Appeals.

### **Monitoring**

Recipients of funds passed through the WA State Employment Security Department (ESD) and WorkForce Central must make their audit reports or financial statements available to the ESD Workforce Monitoring Unit and to WorkForce Central upon request.

### **REFERENCES:**

- Public Law 113-128 (WIOA), Sections 184 and 185
- 20 CFR 683.210
- 2 CFR Part 200, Subpart F
- 2 CFR Part 200.332
- TEGL 05-24
- State Administrative and Accounting Manual (SAAM), Section 50.30
- ESD Policy 5255 (current and future revisions)
- ESD Policy 1025 (current and future revisions)

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