



**COUNTY OF LOS ANGELES  
DEPARTMENT OF ECONOMIC OPPORTUNITY  
CONTRACT COMPLIANCE DIRECTIVE**

department  
of economic  
opportunity  
COUNTY OF LOS ANGELES

DATE: **November 15, 2022**

NUMBER: CCD 22-02

## **Audit Requirements**

### **EXECUTIVE SUMMARY**

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The purpose of this directive is to update the audit requirements for subrecipients of the Los Angeles County Department of Economic Opportunity (DEO) federal grant programs in accordance with the revised Uniform Administrative Requirements for federal grants issued by the Office of Management and Budget (OMB).

This Directive supersedes WDACS CCD-18-05, dated December 12, 2018, "Audit Requirements" and is effective on the date of release.

### **APPLICATION**

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This directive applies to all DEO subrecipients.

### **REFERENCES**

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- Workforce Innovation and Opportunity Act (WIOA), Public Law 113-128, Section 102(a)(2)(E)(v)
  - Title 2 Code of Federal Regulations (CFR) Part 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
  - Title 20 CFR Section 683.210

### **BACKGROUND**

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On December 26, 2014, OMB issued the Uniform Guidance, which establishes uniform administrative requirements, cost principles, and audit requirement for all federal funded awards. The Uniform Guidance consolidates and updates multiple, previously separate, sets of OMB guidance into one combined set of rules. The Uniform Guidance raised the threshold for required audits from \$500,000 to \$750,000 or more in federal awards expended per year. This Directive applies to all non-federal entities receiving WIOA awards to comply with the audit requirements in the Uniform Guidance Subpart F and for the awarding agency and the pass-through entity to track the audit and, in instances of noncompliance, provide a resolution. To ensure that the state carries out its responsibilities in accordance with Uniform Guidance, the State Administrative Manual

Section 20070 gives the State Controller's Office (SCO) the responsibility of coordinating single audit activities of local governments.

## DEFINITIONS

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For the purposes of this Directive, the following definitions apply:

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)

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)

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.

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 recipient does not include subrecipients (Uniform Guidance 200.86).

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 the federal awarding agency (Uniform Guidance Section 200.93). Local Areas are the subrecipients of WIOA funds and other federal grant awards.

## POLICY AND PROCEDURES

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### **Requirement for Audit:**

2 CFR 200.501 requires subrecipients who expend \$750,000 or more during the entity's fiscal year in federal awards and subawards to have a single or program-specific audit conducted for that year in accordance with the provisions of the Administrative Requirements.

Single Audit – A subrecipient that expends \$750,000 or more during the entity's fiscal year in multiple federal awards and subawards must conduct a single audit.

Program-Specific Audit – When a subrecipient expends \$750,000 or more in total federal awards during the entity's fiscal year under only one federal program, the subrecipient may elect to have a program-specific audit conducted in accordance with the provisions of the Administrative Requirements.

Exemption from Federal Audit – Non-federal entities spending less than \$750,000 under federal awards for a fiscal year are exempt from the single audit requirement, but must still have records available for review or audit by officials of the federal agency, pass-through entity, and Government Accountability Office. These entities may conduct or arrange additional program-specific, limited-scope, or an agreed-upon procedures audit or review to ensure proper accountability and compliance with program requirements (Uniform Guidance Sections 200.501[d] and 200.503). An Exemption from the Federal Audit requirements may not relieve entities from separate State or Local audit requirements

For-Profit Subrecipient – The audit requirements at 2 CFR 200.500 to 200.521 do not apply to for-profit subrecipients. Those requirements make the pass-through entity (DEO) responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. In accordance with that direction, DEO is requiring all for-profit subrecipients to follow the guidance established in this directive for the conduct of audits, either single audits or program specific audits, depending on whether the entity is multiple funded or receives only one source of federal funds, and the level of total federal expenditures incurred in the organization's fiscal year.

Subrecipients and Contractors – An auditee may simultaneously be a subrecipient and a contractor. Federal awards expended as a subrecipient are subject to audit. The payments received for goods or services provided as a contractor are not federal awards.

In addition to the requirements stated in this directive, subrecipients must abide by all audit requirements specified by their funding source. For example, all subrecipients of

Area Agency on Aging funds must abide by the requirements specified in the latest "Guidance for Single Audit Reporting" released by the California Department of Aging (See attachment ). Similarly, all recipients of Workforce Investment Opportunity Act funds must abide by the requirements stated in the latest audit requirements directive released by the Employment Development Department (See attachment ).

In most cases, the auditee's compliance responsibility for contractors is only to ensure that the procurement, receipt, and payment for goods and services comply with federal statutes, regulations, and the terms and conditions of federal awards. federal award compliance requirements normally do not pass through to contractors. However, the auditee is responsible for ensuring compliance for procurement transactions which are structured such that the contractor is responsible for program compliance or the contractor's records must be reviewed to determine program compliance. Also, when these procurement transactions relate to a major program, the scope of the audit must include determining whether these transactions are in compliance with federal statutes, regulations, and the terms and conditions of federal awards.

### **Frequency of Audits:**

These requirements have not changed. Audits required must be performed annually with the exception of nonprofits that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995. In those instances the nonprofit is permitted to undergo its audits biennially. Any biennial audit must cover both years within the biennial period.

### **Sanctions:**

In cases of continued inability or unwillingness to have an audit conducted in accordance with these requirements, DEO will impose sanctions which may include suspension of payments or termination.

### **Auditee Responsibilities:**

The auditee must:

- Procure or otherwise arrange for the audit pursuant to 2 CFR 200.509 Auditor selection.
- Prepare appropriate financial statements, including the schedule of expenditures of federal awards.
- Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.
- Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit.

### **Report Submission:**

- The audit must be completed and submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period to:

Los Angeles County Department of Economic Opportunity  
510 S. Vermont Avenue, 11th Floor  
Los Angeles, CA 90020  
Attn: Contract Compliance Division

- If the due date falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day.
- The auditee must make copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.
- To ensure timely completion of the auditor's report, subrecipients are to provide DEO with evidence that they have procured an auditor by supplying DEO with their audit engagement letter within 6 months of the end of the audit period. For example, agencies with FYE June 30 are required to submit their engagement letter by December 30 of that same year.
- DEO will only consider granting an extension to the requirements above if there are extenuating circumstances. To request an extension, subrecipients must contact DEO no later than 30 days prior to the submission due date. Please be advised that DEO will review the request and may allow at its discretion a one-time only extension not to exceed 60 days.
- Requests shall be sent to:

Los Angeles County Department of Economic Opportunity  
510 S. Vermont Avenue, 11th Floor  
Los Angeles, CA 90020  
Attn: Contract Compliance Division

**Audit Documentation:**

The auditee must ensure that the auditor retains audit documentation and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the auditee, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or DEO to extend the retention period.

When the auditor is aware that the federal agency, DEO, or auditee is contesting an audit finding, the auditor must contact the parties contesting the audit finding for guidance prior to destruction of the audit documentation and reports.

**Access to Audit Documentation:**

Audit documentation must be made available upon request to the cognizant or oversight agency for audit or its designee cognizant agency for indirect cost, a federal agency, the General Accounting Office or DEO and its representatives at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities. Access to audit documentation includes the right of the above agencies to obtain copies of audit documentation, as is reasonable and necessary.

**ACTION**

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All DEO subrecipients must ensure that the requirements described herein are communicated throughout the operations, management and governance structure of their respective organization and that this Directive is adhered to until further notice.

**INQUIRIES**

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Inquiries regarding this directive and the policies and procedures described herein should be directed to [smaxberry@opportunity.lacounty.gov](mailto:smaxberry@opportunity.lacounty.gov) or [mghadimi@opportunity.lacounty.gov](mailto:mghadimi@opportunity.lacounty.gov)



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Contracting Services Branch**