

ATTACHMENT 1
**CDLE AUDIT, AUDIT RESOLUTION, AUDIT APPEAL, AND DEBT COLLECTION
PROCEDURES**

I. DEFINITIONS

See 2 CFR Part 200, subpart A – Acronyms and Definitions.

II. AUDIT REQUIREMENTS

Each non-Federal recipient and subrecipient expending Federal awards is responsible for complying with the requirements of 2 CFR Part 200 and the related appendices.

A. Thresholds

A non-Federal entity that expends \$750,000 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.

1. A non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with paragraph 514 of this section "Scope of Audit" except when it elects to have a program-specific audit.
2. When an auditee expends Federal awards under only one Federal program 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. See 2 CFR Part 200, subpart F, paragraph 507 "Program-Specific Audits".
3. A non-Federal entity that expends less than \$750,000 in Federal awards during its fiscal year is exempt from Federal audit requirements except as noted in 2 CFR Part 2, Subpart F, paragraph 503 "Relation to other audit requirements".

B. Compliance responsibilities for contractors

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 the Federal award.

C. For-profit subrecipient

The pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients.

D. Frequency of audits

Audits must be performed annually unless the non-Federal entity is exempt per the provisions in 2 CFR Part 200, Subpart F, Paragraph 504(a) and (b).

E. Sanctions

In cases of continued inability or unwillingness to have an audit conducted in accordance with 2 CFR Part 200, Federal agencies and pass-through entities must take the appropriate action as provided in section 200.338 Remedies for non-compliance. CDLE shall take appropriate actions, including, but not limited to, implementing one or more of the following corrective actions.

1. Temporarily withhold cash payments pending correction of the deficiency.
2. Deny both uses of funds and any applicable matching credit for all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the Federal award.
4. Initiate suspension or debarment proceedings as authorized under 2 CFR Part 180 and Federal awarding agency regulations. In the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency.
5. Withhold further Federal awards for the project or program.
6. Take other remedies that may be legally available.

F. Termination of the Federal Award

The Federal award may be terminated in whole or in part;

1. By the Federal awarding agency or pass-through entity if the non-Federal entity fails to comply with the terms and conditions of a Federal award.
2. By the Federal awarding agency or pass-through entity for cause.
3. By the Federal awarding agency or pass-through entity with the consent of the non-Federal entity, in which the two parties must agree upon the termination conditions.
4. By the non-Federal entity upon sending the Federal awarding agency or pass-through entity written notification indicating the reasons for termination.

G. Termination requirements

1. The Federal agency or pass-through entity must provide a notice of termination to the non-Federal entity.
2. For awards terminated for the non-Federal entity's failure to comply with statutes or conditions of the award, the notification must state that the termination decision may be considered in evaluating future applications received from the non-Federal entity.
3. Upon termination, the Federal awarding agency must provide the information required under FFATA.
4. Federal awarding agency or pass-through entity must follow the requirements for Suspension and Debarment under 2 CFR Part 180.

H. Objections, hearings and appeals

The pass-through agency must provide the non-Federal entity an opportunity to object and provide information and documentation challenging the suspension or termination action, in accordance with written processes and procedures. CDLE follows Federal guidance for objections, hearings and appeals or other administrative actions.

III. RESPONSIBILITIES

A. Auditee

An auditee is any non-Federal entity that expends Federal awards which must be audited.

The auditee must:

1. Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identifications shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) number, award number, and year, name of the Federal agency, and name of the pass-through entity. (2 CFR Part 200, paragraph 302(a))
2. Establish and maintain effective internal control over Federal programs that provides reasonable assurance that the non-Federal entity is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.(2 CFR Part 200, paragraph 303(a))
3. Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs. (2 CFR Part 200, paragraphs 317 through 326)
4. Prepare appropriate financial statements. Per 2 CFR Part 200, paragraph 510(a), the financial statements must reflect the auditee's financial position, results of operations or changes in net assets, and where appropriate, cash flows for the fiscal year audited.
5. Prepare the Schedule of Expenditures of Federal Awards (SEFA). Per 2 CFR Part 200, paragraph 510(b), the SEFA shall include:
 - a. Federal programs by Federal agency.
 - b. The name of the pass-through entity and identifying number assigned by the pass-through entity.
 - c. Total Federal awards expended for each individual Federal program and the CFDA number.
 - d. Notes that describe the significant accounting policies used in preparing the schedule. This must also contain a note whether or not the non-Federal entity elected to use the 10% de minimis cost rate.
 - e. To the extent practical, identify the total amount provided to subrecipients, if applicable, from each Federal program.
6. Ensure that the audits, reporting package and data collection form as required by 2 CFR Part 200, Subpart F, and Appendix X, and this PGL are properly performed and submitted within the earlier of 30 days after receipt of the Auditor's Report(s), or 9 months after the end of the audit period to:
 - a. the Federal clearinghouse; and
 - b. Each direct Federal awarding agency, whose direct Federal awards were disclosed as an audit finding in the Schedule of Findings and Questioned Costs or whose status of direct Federal awards was reported in the Summary Schedule of Prior Audit Findings;

- c. Unless restricted, the auditee must make copies available for public inspection per 2 CFR Part 200, paragraph 512(a)(2);
 - d. The reporting package must not include protected personally identifiable information. (2 CFR Part 200, paragraph 512(a)(2))
7. If an extension to the report submission due date is needed, request the extension from the Federal cognizant or oversight agency, and promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.
8. Follow up and take corrective action on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and Corrective Action Plan: (2 CFR Part 200, paragraph 511(a))
- a. The Summary Schedule of Prior Audit Findings shall include and report:
 - i. The reference numbers the auditor assigns to audit findings.
 - ii. The fiscal year in which the finding initially occurred.
 - iii. The status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to Federal awards.
 - iv. The audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings:
 - a. When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action as well as any partial corrective action taken; (2 CFR 200.511(b)(2))
 - b. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation. (2CFR 200.511(b)(2))
 - c. When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken. (2 CFR 200.511(b)(1))
 - d. When the auditee believes the audit findings are no longer valid or do not warrant further actions, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred: (2 CFR 200.511(b)(3))
 - i. Two years have passed since the Audit Report in which the finding occurred was submitted to the Federal clearinghouse;
 - ii. The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and
 - iii. A Management Decision (Final Determination) was not issued.
 - iv.

- b. The Corrective Action Plan shall address each audit finding included in the current year's audit report and shall provide:
 - i. The name(s) of the contact person(s) responsible for corrective action;
 - ii. The corrective action planned; and
 - iii. The anticipated completion date.

If the auditee does not agree with the audit findings or believes corrective action is not required, then the Corrective Action Plan shall include an explanation and specific reasons. (2 CFR Part 200, paragraph 511(c))

- 9. Submit a Data Collection Form that states whether the Audit was completed in accordance with 2 CFR Part 200.512 and provides information about the auditee, its Federal programs and the result of the Audit. The Data Collection Form shall:
 - a. Include a statement, which is signed by a senior level representative of the auditee, that the auditee complied with the requirements of 2 CFR Part 200,
 - i. The form was prepared in accordance with 2 CFR Part 200,
 - ii. The reporting package does not include protected personally identifiable information,
 - iii. The information included in the form, in its entirety, is accurate and complete, and
 - iv. That the FAC is authorized to make the reporting package and the form publicly available on a Web site. (2 CFR Part 200, paragraph 512(b)(1))
 - b. The type of report the auditor issued on the financial statements of the auditee. (2 CFR Part 200, paragraph 515(d)(1))
 - c. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses.
 - d. A statement as to whether the audit disclosed any noncompliance, which is material to the financial statements of the auditee.
 - e. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses.
 - f. The type of report the auditor issued on compliance for major programs. (2 CFR Part 200, paragraph 515(d)(1))
 - g. A list of the Federal awarding agencies which will receive a copy of the Reporting Package which includes the:
 - i. Financial statements and Schedule of Expenditures of Federal Awards;
 - ii. Summary Schedule of Prior Audit Findings;
 - iii. Auditor's Report(s); and
 - iv. Corrective Action Plan.
 - h. A yes or no statement as to whether the auditee qualified as a low-risk auditee. (2 CFR Part 200, paragraph 515(d)(1))
 - i. The dollar threshold used to distinguish between Type A and Type B programs. (2 CFR Part 200, paragraph 515(d)(1))
 - j. The Catalog of Federal Domestic Assistance (CFDA) number for each Federal program, as applicable.

- k. The name of each Federal program and identification of each major program. (2 CFR Part 200, Paragraph 515(d)(1))
- l. The amount of expenditures in the Schedule of Expenditures of Federal Awards associated with each Federal program. (2 CFR Part 200, paragraph 510)
- m. For each Federal program, a yes or no statement as to whether there are audit findings in each of the following types of compliance requirements and the total amount of any questioned costs:
 - i. Activities allowed or unallowed.
 - ii. Allowable costs/cost principles.
 - iii. Cash management.
 - iv. Davis-Bacon Act.
 - v. Eligibility.
 - vi. Equipment and real property management.
 - vii. Matching, level of effort, earmarking.
 - viii. Period of availability of Federal funds.
 - ix. Procurement and suspension and debarment.
 - x. Program Income.
 - xi. Real property acquisition and relocation assistance.
 - xii. Reporting.
 - xiii. Subrecipient monitoring.
 - xiv. Special tests and provisions.
- n. Auditee Name, Employer Identification Number(s), Name and Title of Certifying Official, Telephone Number, Signature, and Date.
- o. Whether the auditee has either a Federal cognizant or oversight agency for audit.
- p. The name of the Federal cognizant or oversight agency.

B. Cognizant Agency

Recipients expending more than \$50 million a year in Federal awards shall have a cognizant agency for audit. The designated cognizant agency for audit shall be the Federal awarding agency that provides the predominant amount of direct funding to a recipient unless OMB makes a specific cognizant agency for audit assignment.

The cognizant agency must:

1. Provide technical audit advice and liaison assistance to auditee and auditors.
2. Obtain or conduct quality control reviews of selected audits made by non-Federal auditors, and provide the results, when appropriate, to other interested organizations.
3. Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any direct reporting or illegal acts, as required by GAGAS or laws and regulations.
4. Advise the community of independent auditors of any noteworthy or important factual trends related to the quality of audits stemming from quality control reviews.
5. Advise the auditor and, where appropriate, the auditee of deficiencies found in the Audits when the deficiencies require corrective action by the auditor.

6. Coordinate, to the extent practical, audits or reviews made by or for Federal agencies that are in addition to the Audits made pursuant to 2 CFR Part 200.
7. Coordinate a management decision for cross-cutting audit findings (200.30) that affect the Federal programs of more than one agency when requested by any Federal awarding agency whose awards are included in the audit findings of the auditee.
8. Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit.
9. Provide advice to auditees as to how to handle changes in fiscal years.

C. Oversight Agency

An auditee who does not have a designated cognizant agency for audit will be under the general oversight of the Federal agency that provides the predominant amount of direct funding to a recipient (2 CFR Part 200, paragraph 73). When there is no direct funding, the Federal agency with the predominant indirect funding shall assume the oversight responsibilities.

The oversight agency for audit:

1. Must provide technical advice to auditees and auditors as requested.
2. May assume all or some of the responsibilities normally performed by a cognizant agency for the audit.

D. Federal Awarding Agency

The Federal awarding agency is the Federal agency that provides an award directly to the recipient.

The Federal awarding agency shall perform the following for the Federal awards it makes:

1. Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of 2 CFR Part 200
2. Provide technical advice and counsel to auditees and auditors as requested.
3. Follow-up on audit findings to ensure that the recipient takes appropriate and timely corrective action.
 - a. Issue a management decision per 2 CFR part 200.521
 - b. Monitor the recipient taking appropriate and timely corrective action.
 - c. Use cooperative audit resolution mechanisms (2 CFR 200.25) to improve Federal program outcomes through better audit resolution, follow-up, and corrective action.
 - d. Develop a baseline, metrics and targets to track, over time, the effectiveness of the Federal agency's process to follow-up on audit findings and on the effectiveness of Single Audits in improving non-Federal entity accountability and their use by Federal awarding agencies in making award decisions.
4. Provide OMB annual updates to the compliance supplement and work with OMB to ensure that the compliance supplement focuses the auditor to test the compliance requirements most likely to cause improper payments, fraud, waste, abuse or generate audit finding for which the Federal awarding agency will take sanctions.

5. Provide OMB with the name of a single audit accountable official from among the senior policy officials of the Federal awarding agency who must be.
 - a. Responsible for ensuring that the agency fulfills all the requirement of 2 CFR 200.513 and effectively uses the single audit process to reduce improper payments and improve Federal program outcomes.
 - b. Held accountable to improve the effectiveness of the single audit process.
 - c. Responsible for designating the Federal agency's key management single audit liaison.
6. Provide OMB with the name of a key management single audit liaison who must:
 - a. Serve as the Federal awarding agency's management point of contact.
 - b. Promote interagency coordination, consistency, and sharing in areas such as coordinating audit follow-up; identifying higher-risk non-Federal entities; providing input on single audit and follow-up policy; enhancing the utility of the FAC; and studying ways to use single audit results to improve Federal award accountability and best practices.
 - c. Oversee training for the Federal awarding agency's program management personnel related to the single audit process.
 - d. Promote the Federal awarding agency's use of cooperative audit resolution mechanisms.
 - e. Coordinate the Federal awarding agency's activities to ensure appropriate and timely follow-up and corrective action on audit findings.
 - f. Organize the Federal cognizant agency for audit's follow-up on cross-cutting audit findings that affect the Federal programs of more than one Federal awarding agency.
 - g. Ensure the Federal awarding agency provides annual updates of the compliance supplement to OMB.
 - h. Support the Federal awarding agency's single audit accountable official's mission.
7. In accordance with 2 CFR Part 200, Subpart 2900.20, the Department of Labor (DOL) employs a collaborative resolution process with non-Federal entities.

DOL officials responsible for resolution shall promptly evaluate findings and recommendations reported by auditors and the corrective action plan developed by the recipient to determine proper actions in response to audit findings and recommendations. This must include at a minimum:

- a. Initial determination. Responsible DOL official(s) shall make an initial determination on the allowability of questioned costs or activities, administrative or systemic findings and the corrective actions outlined by the recipient.
- b. Informal resolution. The recipient shall have a reasonable time period from the date of issuance of the initial determination to informally resolve those matters in which the recipient disagrees with the decisions of the DOL official(s).

- c. Final determination. After the conclusion of the informal resolution period, the responsible DOL official(s) shall issue a final determination that:
 - i. Indicate, as appropriate, that efforts to informally resolve matters in the initial determination have either been successful or unsuccessful.
 - ii. List those matters in which the parties continue to disagree.
 - iii. List any modifications to the factual findings and conclusions from the initial determination.
 - iv. List any sanctions and required corrective actions.
 - v. Set forth any appeal rights.
- d. Time limit. As possible, this section should be met within 180 days of the date the final approved audit report is received by the DOL official(s) responsible for audit resolution.

E. Pass-through entity 2 CFR Part 200, Subpart D, paragraph 331

A pass-through entity is a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

The pass-through entity must perform the following for the Federal awards it makes.

1. Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following:
 - a. Federal Award Identification;
 - b. Subrecipient name (which must match the name associated with its unique entity identifier);
 - c. Subrecipient's unique entity identifier;
 - d. Federal Award Identification Number (FAIN);
 - e. Federal Award Date (per section 200.39);
 - f. Subaward Period of Performance Start and End Date;
 - g. Amount of Federal funds obligated by this action;
 - h. Total amount of Federal funds obligated to the subrecipient;
 - i. Total amount of the Federal Award;
 - j. Federal award project description in accordance with the Federal Funding Accountability and Transparency Act (FFATA);
 - k. Name of Federal awarding agency, pass-through entity, and contact information for awarding official;
 - l. CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at the time of disbursement;
 - m. Identification of whether the award is R&D;
 - n. Indirect cost rate for the Federal award (including if the de minimis rate is charged (200.414))
2. Identify all requirements imposed by the pass-through entity on the subrecipient to ensure that the award is used in accordance with the Federal statutes, regulations and terms and conditions of the Federal award.

3. Identify any additional requirements that the pass-through entity imposes on the subrecipient for the pass-through entity to meet its own responsibilities toward the Federal award.
4. Identification of an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government. If no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient, or a de minimis indirect cost rate (200.414).
5. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary.
6. Appropriate terms and conditions concerning closeout of the subaward.
7. Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward. This may include:
 - a. The subrecipient's prior experience with the same or similar subawards.
 - b. The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with 2 CFR Part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program.
 - c. Whether the subrecipient has new personnel or new or substantially changed systems.
 - d. The extent and results of Federal awarding agency monitoring.
8. Consider imposing specific award conditions on a subrecipient as appropriate as described in 2 CFR 200.207.
9. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes. Pass-through entity monitoring must include:
 - a. Reviewing financial and performance reports required by the pass-through entity.
 - b. Following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews and other means.
 - c. Issue management decisions for audit findings pertaining to the Federal award as required by 2 CFR 200.521.
10. Depending on the pass-through entity's assessment of risk, monitoring tools that may be useful for the pass-through entity to ensure proper accountability and compliance may include:
 - a. Providing subrecipients with training and technical assistance;
 - b. Performing on-site reviews of the subrecipient's program operations;
 - c. Arranging for agreed-upon-procedures engagements;
 - d. Verify that every subrecipient is audited as required by 2 CFR Part 200, Subpart F;
 - e. Consider whether the results of the subrecipient's audits, on-site reviews of other monitoring indicate conditions that will require adjustments to the pass-through entity's own records.
 - f. Consider taking enforcement action against noncompliant subrecipients as described in 2 CFR 200.338.

F. Auditors

The auditor is a public accountant or a Federal, State or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS).

1. Scope of audit

- a. Conduct the audit in accordance with GAGAS.
 - i. The audit must cover the entire operations of the auditee;
 - ii. At the option of the auditee, the audit must include a series of audits that cover departments, agencies and other organizational units that expended or otherwise administered Federal awards during the audit period.
 - iii. The financial statements and schedule of expenditures of Federal awards must be for the same audit period.
- b. The auditor must determine whether the financial statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles.
- c. The auditor must determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole.
- d. The auditor must perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.
- e. Plan the testing of internal control over compliance for major programs to support a low assessed level of control risk.
- f. Perform testing of internal control as planned in the prior paragraph.
- g. Report a significant deficiency or material weakness when internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance. (2 CFR 200.516)
- h. The auditor must determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs.
- i. Include the principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs in the compliance supplement.
- j. An audit of the above compliance requirements will be sufficient for this part.
 - i. Where there have been changes to the compliance requirements that are not reflected in the compliance supplement, the auditor must determine the current compliance requirements and modify the audit procedures accordingly.
 - ii. For Federal programs not covered in the compliance supplement, the auditor must follow the compliance supplement's guidance for programs not included in the supplement.

- k. Compliance testing must include test of transactions and such other auditing procedures necessary to provide the auditor sufficient appropriate audit evidence to support an opinion of compliance.
- l. The auditor must follow up on prior audit findings; perform procedures to assess the reasonableness of the summary schedule of prior audit findings.
 - i. Report as a current year findings when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.
 - ii. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.
- m. As required in 2 CFR 200.512, the auditor must complete and sign specified sections of the data collection form.

2. Audit Reporting

The auditor's report(s) may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section.

The auditor's report(s) must state that the audit was conducted in accordance with 2 CFR Part 200 and include the following:

- a. An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.
- b. A report on internal control over financial reporting and compliance with laws, regulations, contracts and award agreements, noncompliance with which could have a material effect on the financial statements.
 - i. This report must describe the scope of testing of internal control and compliance and the results of the tests.
 - ii. Where applicable the report will refer to the separate schedule of findings and questioned costs.
- c. A report on compliance for each major program and report on internal control over compliance.
 - i. This report must describe the scope of testing of internal control over compliance.
 - ii. Include an opinion (or disclaimer of opinion) as to whether the auditee complied with Federal statutes, regulations and the terms and conditions of Federal awards which could have a direct and material effect on each major program.
 - iii. Refer to the separate schedule of findings and questioned costs.

- d. A schedule of findings and questioned costs which must include the following:
 - i. A summary of the auditor's results which must include:
 - a. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (i.e. unmodified opinion, qualified opinion, adverse opinion or disclaimer of opinion);
 - b. A statement about whether significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements where applicable;
 - c. A statement as to whether the audit disclosed any noncompliance that is material to the financial statements;
 - d. Where applicable, a statement about whether significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit;
 - e. The type of report the auditor issues on compliance for major programs;
 - f. A statement as to whether the audit disclosed any audit findings that the auditor is required to report under 2 CFR 200.516(a);
 - g. An identification of major programs by listing each individual major program. (In the case of a cluster of programs only the name as shown in the Schedule of expenditures of Federal awards is required.);
 - h. The dollar threshold used to distinguish between Type A and Type B programs (2 CFR 200.518(b)(1)); and
 - i. A statement as to whether the auditee qualified as a low-risk auditee as described in 2 CFR 200.520.
 - ii. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.
 - iii. Findings and questioned costs for Federal awards which must include audit findings:
 - a. Audit findings (internal control, compliance, questioned costs or fraud) that related to the same issue must be presented as a single audit finding. Audit findings should be organized by Federal agency or pass-through entity where practical;
 - b. Audit findings that relate to both the financial statements and Federal awards must be reported in both sections of the schedule.
3. Audit Findings
Deficiencies which the auditor is required to report in the schedule of findings and questioned costs.

The auditor must report the following as audit findings in the schedule of findings and questioned costs:

- a. Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs;
- b. Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program;
- c. Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program;
 - i. Known questioned costs are those specifically identified by the auditor.
 - ii. The auditor must consider the best estimate of total costs questioned (likely questioned costs) plus the specifically identified costs (known questioned costs).
 - iii. The auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.
- d. Known questioned costs that are greater than \$25,000 for a Federal program which is not audited as a major program;
- e. The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards;
- f. Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding. This does not require the auditor to report publicly information which could compromise investigative or legal proceedings or make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's reports under GAGAS;
- g. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding;
- h. Audit findings must be presented in sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action, and for Federal agencies and pass-through entities to arrive at a management decision. The following specific information must be included, as applicable, in audit findings:
 - i. Federal program and specific Federal award identification including:
 1. Federal award identification number and year.
 2. Name of the Federal agency
 3. Name of the applicable pass-through entity.
 - ii. The Criteria or specific requirement upon which the audit finding is based, including the Federal statutes, regulations, or the terms and conditions of the Federal awards.
 - iii. The condition found, including facts that support the deficiency identified in the audit finding.
 - iv. A statement of cause that identifies the reason or explanation for the condition or the factors responsible for

- the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective action.
- v. The possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity to permit them to determine the cause and effect to facilitate prompt and proper corrective action.
 - vi. Identification of questioned costs and how they were computed.
 - vii. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem.
 - 1. Where appropriate, instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value.
 - 2. The auditor should report whether the sampling was a statistically valid sample.
 - viii. Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so, any applicable prior year audit finding numbers.
 - ix. Recommendations to prevent future occurrences of the deficiency identified.
 - x. Views of responsible official of the auditee.
- i. Each audit finding in the schedule of findings and questioned costs must include a reference number in the format meeting the requirements of the data collection form submission required by 2 CFR 200.512.

G. Management decision

The evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

- 1. The management decision must clearly state whether or not the audit finding is sustained, the reason for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.
 - a. If the auditee has not completed corrective action, a timetable for follow-up should be given.
 - b. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation.
 - c. The management decision should describe any appeal process available to the auditee.
 - d. The Federal agency or pass-through entity may, but is not required to, also issue a management decision on findings relating to the financial statements which are required to be reported in accordance with GAGAS.

2. The cognizant agency for audit must be responsible for coordinating a management decision for audit findings that affect the programs of more than one Federal agency. The Federal agency is responsible for issuing a management decision for findings that related to Federal awards it makes to non-Federal entities.
3. The pass-through entity is responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.
4. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC.
 - a. In the DOL, ordinarily, a management decision is issued within six months of receipt of an audit from the audit liaison of the Office of the Inspector General.
 - b. The pass-through entity responsible for issuing a management decision must do so within twelve months of acceptance of the audit report by the FAC.
5. Management decisions must include the reference numbers the auditor assigned to each audit finding.

IV. **CDLE'S AUDIT REQUIREMENTS AND PROCEDURES**

These procedures highlight the specific CDLE audit and audit resolution procedures. They should be followed along with and in addition to the Audit Requirements and Responsibilities as stated above, where applicable.

In order to meet their audit resolution responsibilities, subrecipients of CDLE Federal funding that are pass-through entities shall implement similar procedures for their subrecipients.

A. Auditor Procurement

Subrecipients shall follow the procurements requirements in accordance with 2 CFR Part 200, Subpart D, paragraphs 317 through 326 in the absence of procurement laws and regulations for its Federal awards.

B. Submission of Audit Report(s) to CDLE

In accordance with monitoring requirements at 2 CFR Part 200, Subpart F, a reporting package prepared in accordance with 2 CFR Part 200 and this PGL must be submitted to CDLE from all its subrecipients that expend \$750,000 or more in Federal awards.

The reporting package is due to CDLE within the earlier of 30 days after receipt of the Auditor's report(s), or 9 months after the end of the audit period.

If an audit report is going to be submitted last, the subrecipient must submit a copy of the granted Extension Request it has received from its Federal cognizant or oversight agency, whichever is applicable to CDLE before the submission due date.

C. Management letters

In response to requests by a Federal agency or pass-through entity, auditees must submit a copy of any management letters issued by the auditor.

D. Corrective Actions

1. A subrecipient whose predominate amount of direct Federal funding was received from CDLE, shall prepare and submit a Corrective Action Plan to CDLE in accordance with 2 CFR Part 200.511 for every general and/or administrative audit finding.
2. A subrecipient, whose predominate amount of direct Federal funding was received from CDLE, must prepare and submit a Corrective Action Plan to CDLE in accordance with 2 CFR Part 200.511 for every Management Letter matter.

E. CDLE's Address

All audit related material and information, including reports, packages, management letters, correspondence, etc. must be submitted to:

Department of Labor and Employment
Audit Section
633 17th Street, Suite 1100
Denver, Colorado 80202

2 CFR Part 200, Subpart D, paragraph 335 sets new standards for the acceptance of documentation: *"In accordance with the May 2013 Executive Order on Making Open and Machine Readable the New Default for Government Information, the Federal awarding agency and the non-Federal entity should, whenever practical, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper."*

The Federal awarding agency or pass-through entity must always provide or accept award related information in paper format to and from the non-Federal entity upon request.

F. Receipt of Reporting Package and Management Letter

CDLE will not consider the Audit Report received until the subrecipients Reporting Package and Management Letter, if required, have been prepared and submitted to CDLE in accordance with 2 CFR Part 200 and this PGL.

G. Audit Resolution Process – External Audits and Reports

1. Review
When a subrecipient submits an audit report to CDLE, CDLE will review it to determine whether it has been prepared and submitted in accordance with 2 CFR Part 200 and this PGL.

If the audit report has not been prepared or submitted in accordance with 2 CFR Part 200, and this PGL, CDLE may reasonably pursue the proper preparation and submittal by contacting the subrecipient and/or its auditor. If it determined by CDLE that the proper preparation and submittal of an audit report cannot be reasonably attained, CDLE may implement corrective actions or sanctions upon the recipient in accordance with 2 CFR Part 200; subpart D, Paragraphs 338 through 341.

If the audit report has been prepared and submitted in accordance with 2 CFR Part 200, and this PGL, the audit report will be considered “received”, thereby starting the 180 calendar day audit resolution time period.

2. Initial Determination

Within thirty (30) calendar days, except for good cause, of CDLE’s receipt of the audit report(s) prepared and submitted in accordance with 2 CFR Part 200, and this PGL, CDLE will issue an Initial Determination to the subrecipient’s Administrator or other appropriate personnel.

The Initial Determination will allow ten (10) calendar days from the date of the Initial Determination for the subrecipient to confirm receipt of the Initial Determination and request informal resolution from CDLE. If the subrecipient does not contact CDLE within a reasonable amount of time, CDLE may pursue verification of receipt of the Initial Determination by contacting the appropriate subrecipient personnel. The Initial Determination will also allow the subrecipient to request technical assistance from CDLE regarding the Initial Determination.

CDLE’s Initial Determination may include, but will not be limited to, when applicable:

- a. Costs questioned or recommended for disallowance;
- b. General administrative findings;
- c. Requested documentation, explanations, reconciliations, etc., necessary to substantiate expenditures;
- d. Schedule of Expenditures of Federal Awards reconciliation;
- e. Actions required to correct identified administrative weaknesses;
- f. Actions required to resolve such discrepancies;
- g. Repayment options, if available;
- h. Stand-In cost resolution options; and
- i. Request for repayment.

The Initial Determination will allow ninety (90) calendar days for informal resolution.

3. Informal Resolution

All information, documentation, explanations, reconciliations, etc. in response to the Initial Determination shall be submitted by the subrecipients to CDLE within ninety (90) calendar days of the date of the Initial Determination.

If the required information, documentation, explanations, etc. are not submitted to CDLE within ninety (90) calendar days of the date of the Initial Determination, CDLE may pursue the proper submittal of such. Otherwise, CDLE will prepare the Final Determination and/or implement corrective actions and/or sanctions upon the subrecipient.

CDLE may consider granting written requested extensions to the informal resolution submission due date for good cause.

4. Stand-in-Costs

The application of stand-in costs is an informal resolution activity.

If the auditee agrees that the auditor's questioned cost is unallowable and wishes to propose the use of stand-in cost as substitutes for otherwise unallowable costs, the proposal shall be included with the response to the Initial Determination and submitted during the informal resolution period.

Stand-in costs are substitutes, disbursed or accounted for from non-Federal funds, for unallowable Federal costs identified in the audit report. To be considered as valid substitutions, the costs must:

- a. Not be caused by the willful disregard of the requirements of the Act, gross negligence, failure to observe accepted standards of administration, or fraud;
- b. Be allowable Federal costs that were actually incurred by a Federal program, but paid by a non-Federal source;
- c. Have been reported as uncharged Federal program costs;
- d. Have been included within the scope of the subrecipient's audit;
- e. Have been accounted for in the auditee's financial system; and
- f. Be adequately documented in the same manner as all other Federal program costs. This means that the unbilled expense must be treated in a manner consistent with cost principles affecting other expenses, including, but not limited to the cost allocation methodology, cost classification methodology and supporting documentation requirements.

To be accepted, stand-in costs must come from the same Federal Title/Program and program year as the costs that they are proposed to replace, and they must not cause a violation of cost limitations.

5. Final Determination

CDLE will issue a Final Determination within 180 calendar days, except for good cause, of CDLE's receipt of the audit report. The Final Determination may include, but not limited to, when applicable:

- a. Whether or not the audit findings and/or management letter matters are sustained, and costs allowed or disallowed;
- b. The reason for the decision;
- c. Establishment of a debt for disallowed costs;
- d. The expected subrecipient action to repay disallowed costs, make financial adjustment, or take other actions;
- e. Debt collection process; and
- f. Appeal process.

H. Audit Appeal/Hearing Process

1. Request for Hearing

The subrecipient will be offered twenty-one (21) calendar days from receipt of the CDLE Final Determination in which to request a hearing. The request shall be sent via certified mail, return receipt requested, to:

Ellen Golombek, Executive Director
Department of Labor and Employment
Office of the Executive Director
633 17th Street, Suite 1200
Denver, Colorado 80202

The twenty-one (21) calendar day request for hearing filing requirement is jurisdictional. Failure to timely request a hearing acts as a waiver to the right to a hearing.

The request for a hearing should include the following information:

- a. The full name of the subrecipient;
- b. The name, title, telephone number, and full address of the person handling the request for hearing.
- c. A clear and concise statement of the issue(s) upon which the hearing is requested. Those provision of the Final Determination not specified for review, or the entire Final Determination when no hearing has been requested with the allocated twenty-one (21) calendar days, shall be considered resolved and not subject to hearing; and
- d. A clear and concise statement of the reason for the request.

2. Hearing Scheduled

CDLE shall, within (30) calendar days, except for good cause, schedule a hearing before an independent hearing officer or an administrative law judge.

3. Rules of Procedure

The rules of practice and procedure promulgated by the Colorado State Division of Administrative Hearing, at Colorado Revised Statutes, Section 24-4-105, shall govern the conduct of hearings.

4. Hearing Decisions

The rules of hearings and determinations promulgated by the Colorado State Division of Administrative Hearings, at Colorado Revised Statutes, Section 24-4-105, shall govern the conduct of the rules and procedures, timely submission of evidence, timing of decisions, and further appeal rights.

I. Audit Resolution Process – Internal Audits and Reports

USDOL, under 2 CFR Part 200, Paragraph 513 and 2 CFR Part 2900, Paragraph 20, uses a collaborative resolution process outlined in this PGL with non-federal entities.

For audits of the regions, these processes are maintained with the report cycle – Draft Report, Informal resolution period, and the Final Report.

1. Draft Report

CDLE will issue a draft report within thirty (30) calendar days of the end of the fieldwork for the region. This is the preliminary decision on whether to allow or disallow questioned costs and resolve any non-

monetary (administrative) findings.

2. **Informal resolution period**
The region will be given seven (7) calendar days from the date of the Draft Report to address any concerns and start an informal resolution process with the auditors and workforce programs. The region / subrecipient will have the opportunity to present new evidence, documentation, and an explanation to modify the decision of the awarding agency (CDLE). The region / subrecipient will have the opportunity to agree to corrective action before the awarding agency initiates sanctions or remedial actions.
3. If there are no requests for informal resolution, the Final Report will be issued at the end of the informal resolution time allowance. If an informal resolution is requested, the Final Report will be issued no more than thirty (30) calendar days, except with good cause, from the date of the Draft Report. The Final Report should, as necessary and applicable:
 - a. Reference the Draft Report;
 - b. State the awarding agency's final decision to disallow any costs, listing each disallowed cost specifically and noting the reasons for each disallowance;
 - c. Identify the questioned costs in the audit report that have been allowed by the awarding agency and the basis for the allowance;
 - d. Request repayment of the disallowed costs;
 - e. Describe debt collection actions and other sanctions that the awarding agency may impose if repayment is not made;
 - f. Inform the region / subrecipient of its right to appeal; and
 - g. Restate the status of each administrative finding.

When a cost is disallowed in the Final Report, a debt is established. If the region / subrecipient appeals, no further collection action can be taken, pending the outcome of the appeal.

Note: The Final Report should advise the region / subrecipient that the determination is based on information that was currently available. If new information becomes available, the Final Report may be reopened at the awarding agency's option. However, this is not intended to extend the negotiation process indefinitely.

4. **Stand-in-Costs**
The application of stand-in costs is an informal resolution activity.

If the auditee agrees that the auditor's questioned cost is unallowable and wishes to propose the use of stand-in cost as substitutes for otherwise unallowable costs, the proposal shall be included with the response to the Initial Determination and submitted during the informal resolution period.

Stand-in costs are substitutes, disbursed or accounted for from non-Federal funds, for unallowable Federal costs identified in the audit report. To be considered as valid substitutions, the costs must:

- a. Not be caused by the willful disregard of the requirements of the Act, gross negligence, failure to observe accepted standards of administration, or fraud;
- b. Be allowable Federal costs that were actually incurred by a Federal program, but paid by a non-Federal source;
- c. Have been reported as uncharged Federal program costs;
- d. Have been included within the scope of the subrecipient's audit;
- e. Have been accounted for in the auditee's financial system; and
- f. Be adequately documented in the same manner as all other Federal program costs. This means that the unbilled expense must be treated in a manner consistent with cost principles affecting other expenses, including, but not limited to the cost allocation methodology, cost classification methodology and supporting documentation requirements.

To be accepted, stand-in costs must come from the same Federal Title/Program and program year as the costs that they are proposed to replace, and they must not cause a violation of cost limitations.

J. Audit Appeals – Internal Audits and Reports

The region/subrecipient will have twenty one (21) calendar days from the date of the Final Report to request a Formal Resolution from the Executive Director of CDLE. These requests must be in writing and sent to the Executive Director via certified mail, return receipt requested to the address below.

Executive Director's Office
Colorado Department of Labor and Employment
633 17th Street, Suite 1200
Denver, Colorado 80202

Failure to submit a request for a Formal Resolution within the specified timeframe waives the region's/subrecipient's right to appeal.

The Executive Director's Office will have thirty (30) days from the receipt of the Formal Resolution request to issue a Formal Resolution to the region / subrecipient.

If the region/subrecipient is not satisfied with the Formal Resolution from the Executive Director's Office, they will have twenty one (21) calendar days to file a formal appeal with the Grant Officer through Region IV, DOL/ETA. This should be sent in writing to the Grant Officer through Region IV, DOL/ETA via certified mail, return receipt requested. The Grant Officer with DOL/ETA will issue the Final Resolution within 180 days of the receipt of the appeal request.

K. Subrecipient's Audit Appeal/Hearing Process

To ensure timely and appropriate resolution for audits of all, CDLE suggests that all subrecipients include the following procedures, at a minimum, in their audits procedures, subgrants, or subcontracts for audit resolution disputes with their lower tier subrecipients:

1. The period of time, not less than fifteen (15) days nor more than thirty (30) days, after the issuance of the Final Determination in which an appeal may be filed;
2. The rules of procedure;
3. Timely submission of evidence;
4. The timing of decisions; and
5. Further appeal rights, if any.

L. Sanctions for Misexpenditures of Grant Funds

The State shall be held responsible for all grant funds received. In turn, the State shall hold all subrecipients, including Workforce Regions responsible for all grant funds received, and may ultimately hold the units of local government which constitute the Workforce Regions responsible for such funds.

Debts, if not paid when due, shall be referred to the State Controller and the Central Collection Service of the Central Service Division in accordance with Colorado Revised Statutes 24-30-202.4 for debt collection activities.

M. Repayment Options

1. Repayment

Non-Federal cash repayment, either as a lump sum or as installments, is a debt option. The repayment must be made to the applicable Federal agency, through the CDLE, when the availability period for the misexpended funds has expired.

Repayments made to CDLE will be made available for reprogramming under the same program only if the expenditure of the reprogrammed funds can be made within the availability/funding period of the originally misexpended funds.

Subrecipients must remit to CDLE, and CDLE, in turn, must remit non-Federal funds to applicable Federal agency that will not be available for reprogramming, no matter the availability period, if the misexpenditure of funds was due to:

- a. Willful disregard of the requirements of the employment and training program, gross negligence, or failure to observe accepted standards of administration.
- b. Incidents of fraud, abuse, malfeasance, and program mismanagement.
- c. Illegal acts or irregularities.

2. Reprogramming

When the availability period for the funds has not lapsed and none of the criteria that require repayment to the applicable Federal agency apply, an awarding agency may reprogram any funds it collects, if the expenditure of the reprogrammed funds can be made within the availability/funding period of the originally misexpended funds.

N. Process for Waiver of State Liability

In general, the waiver of State liability can only be considered by the Grant Officer when the misexpenditure of employment and training funds:

1. Occurred at a subrecipient level;
2. Was not due to willful disregard of the requirements of the law, gross negligence, failure to observe accepted standards of administration, or fraud; and;
 - a. The recipient/subrecipient discovered, investigated, reported, and prosecuted the perpetrator of said fraud; and
 - b. After aggressive debt collection action, it can be documented that there is no likelihood of collection from the perpetrator of the fraud.
3. The State has issued a Final Determination which disallows the misexpenditure, the State's appeal process has been exhausted, and a debt has been established; and
4. The State requests such a waiver and provides documentation to demonstrate that it has substantially complied with, as stated at section 184(d)(2) of the Act:
 - a. Established and adhered to an appropriate system for the award and monitoring of contracts with subgrantees which contains acceptable standards for ensuring accountability;
 - b. Entered into a written contract with such subgrantee that established goals and obligations in unambiguous terms;
 - c. Acted with due diligence to monitor the implementation of the subgrantee contracts, including the carrying out of the appropriate monitoring activities (including audits) at reasonable intervals; and
 - d. Taken prompt and appropriate corrective action upon becoming aware of any evidence of a violation of the Act or the regulations under this Act by such subgrantee.
5. The State will not be released from liability for misspent funds unless the Grant Officer determines that further collection action, either by the State or subrecipient, would be inappropriate or would prove futile.

O. Requests for Advance Approval for the State to Forego Debt Collection

1. The State may be able to request advance approval from the Grant Officer for contemplated corrective actions, including debt collection actions, which the State plans to initiate or to forego. The State's request will include all actions taken by the State to collect the misspent funds.
2. The Grant Officer may determine that the State may forego certain collection actions against a subrecipient where the State met the following requirements:
 - a. Established and adhered to an appropriate system for the award and monitoring of contracts with subgrantees which contains acceptable standards for ensuring accountability;
 - b. Entered into a written contract with such subgrantee, which established goals and obligations in unambiguous terms;
 - c. Acted with due diligence to monitor the implementation of the subgrantee contract, including the carrying out of the appropriate monitoring activities (including audits) at reasonable intervals; and

- d. Taken prompt and appropriate corrective action upon becoming aware of any evidence of a violation of the law or the regulations under this law by such subgrantee; and
- e. The misexpenditure of funds:
 - i. Was not made by that subrecipient but an entity that received Federal funds from that subrecipient;
 - ii. Was not due to willful disregard of the requirements of the Act, gross negligence, failure to observe accepted standards or administration, or fraud;
 - 1. The subrecipient discovered, investigated, reported, and prosecuted the perpetrator of said fraud; and
 - 2. After aggressive debt collection action, it can be documented that there is no likelihood of collection from the perpetrator of the fraud;
 - 3. A Final Determination that disallows the misexpenditure and established a debt has been issued at the appropriate level;
 - 4. Final action with the State's appeal system has been completed; and
 - 5. Further debt collection action by that subrecipient of the recipient would be either inappropriate or futile.

P. Record Keeping

All subrecipients, whether subject to the audit requirements or not, must continue to comply with any Federal statute and regulations, that require the non-Federal entity to maintain records concerning Federal awards provided to the non-Federal entity and the Record Retention PGL. All non-Federal entities must permit access to and make available such records for review, monitoring, or audit by appropriate Federal Agencies, the State, Inspectors General or the Comptroller General in accordance with 2 CFR Part 200, Paragraphs 336 and 337.

Audit working papers shall be made available upon request to: the Federal cognizant or oversight agency for audit or its designee; a Federal agency providing direct or indirect funding; GAO or the State at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with purposes of 2 CFR Part 200, paragraph 517(b) and this PGL. Access to working papers includes the right of Federal agencies and the State to obtain copies of working papers, as is reasonable and necessary.

Q. Record Retention

The subrecipient's auditors shall retain working papers and reports for a period of three (3) years from the date of issuance of the auditor's report(s) to the auditee in accordance with the Record Retention PGL and 2 CFR Part 200, paragraph 517(a), unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or the pass-through entity to extend the retention period. When the auditor is aware that the Federal agency, pass-through entity, 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.