

Revised 06/16	ARIZONA DEPARTMENT OF EDUCATION  <b>GUIDELINE &amp;          PROCEDURE</b>	NO. AS-03
SUPERSEDES 11/13		SHEET 1 of 3
<b>SUBJECT:</b> <b>RESOLUTION OF SINGLE AUDIT FINDINGS</b>		FILING INSTRUCTIONS (Guidelines & Procedures Manual) Section: Administrative As item: AS-03

I. PURPOSE

The purpose of this guideline is to inform the Arizona Department of Education (ADE) federal award sub-recipients of the process for the resolution of single auditing findings, as specified in the Single Audit Act Amendments of 1996, under the guidelines of the Office of Management and Budget (OMB) Circular No. A-133 and 2 CFR 200 Single Audit Requirements.

II. GUIDELINE

The Single Audit Act Amendments of 1996, under the guidelines of the Office of Management and Budget (OMB) Circular No. A-133, requires all sub-recipients to contract for a single or program-specific audit if the sub-recipient expended \$500,000 or more in federal awards, *Subpart B, §\_\_.200*. Single Audits completed in Fiscal Year 2016 and beyond will adhere to the *2 CFR 200 Single Audit Requirements* that have an updated threshold of \$750,000 in federal expenditures.

The audit shall be completed by an auditor procured as described and prescribed in *Subpart A, §\_\_.105 and Subpart C, §\_\_.305(a)*, and the audit reporting package submitted to the ADE, *Subpart C, §\_\_.320(a)(e)*, by the auditee, *Subpart A, §\_\_.105*, or the independent auditor, within the earlier of 30 days of receiving the auditor's report, or nine months following the end of the fiscal year, unless a longer period is agreed to in advance by the ADE, *Subpart C, §\_\_.320(a)(e)*.

The ADE will issue a management decision on any disclosed audit findings within six months after receipt of the sub-recipient's audit report, and ensure that the auditee takes appropriate and timely corrective action. Further, the ADE may access sub-recipient records and financial statements when carrying out its responsibilities as a pass-through entity, ensuring that sub-recipients meet the single audit requirements of Circular No. A-133, *Subpart D, §\_\_.400(d) and §\_\_.405*.

III. PROCEDURE

Sub-recipients, or the independent auditors, must electronically submit a copy of the audit reporting package to the ADE. Upon receipt, the ADE will document the Single Audit reporting package (reporting package) by the date it is received, which will begin the six-month time frame that ADE has to issue a management decision regarding findings disclosed in the reporting package, *Subpart D, §\_\_.405*.

Revised 06/16	ARIZONA DEPARTMENT OF EDUCATION  <b>GUIDELINE &amp;          PROCEDURE</b>	NO. AS-03
SUPERSEDES 11/13		SHEET 2 of 3
<b>SUBJECT:</b> <b>RESOLUTION OF SINGLE AUDIT FINDINGS</b>		FILING INSTRUCTIONS (Guidelines & Procedures Manual) Section: Administrative As item: AS-03

After reviewing the reporting package, the ADE may request additional information from the sub-recipient, *Subpart D, §\_\_.400(d)*. If the ADE requests additional information from the sub-recipient, a preliminary Management Decision Letter (management decision) will be issued, and the date of the letter will be documented. The ADE will allow 30 calendar days for the sub-recipient to respond with any documentation requested. The sub-recipient is permitted to request a deadline extension if the initial 30 day response date cannot be met. If the sub-recipient responds with the requested information, and the ADE determines that appropriate corrective action has occurred, the ADE will issue a final Management Decision Letter stating that the audit findings have been corrected, *Subpart D, §\_\_.405*.

If no additional information is necessary, the ADE will issue a Management Decision Letter (management decision), *Subpart D, §\_\_.405*, and the date of the letter will be documented. The management decision will state:

- The reference number and description of each Single Audit finding, and;
- Whether or not the audit finding is corrected or sustained.

If the sub-recipient has not responded within 120 days of the ADE's receipt of the Single Audit reporting package, the ADE may issue a Notice of Unresolved Audit Findings. The notice will include an additional 30 calendar day time frame to respond with the previously requested information, and state what appropriate corrective action must be taken. The notice will also inform the sub-recipient that if findings are not resolved within the documented time period, the ADE may choose sanctions that promote corrective action and compliance, *Subpart B, §\_\_.225*, until the Single Audit findings are resolved.

If Single Audit findings remain at 150 days, another Notice of Unresolved Audit Findings will be issued. The notice will state the reference numbers of each Single Audit finding that has yet to be resolved, along with the appropriate corrective action and due date for Single Audit resolution, before any current year federal funds are suspended. The LEA will have 15 days of receiving the 150 Day Notice to provide the requested information, and show cause, in writing, why any sanctions that promote corrective action and compliance, *Subpart B, §\_\_.225*, should not be taken by the ADE.

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If Single Audit findings are not resolved by the end of 180 days, the ADE will issue a Management Decision Letter (management decision), *Subpart D, §\_\_\_405*, citing the appropriate corrective action for the sub-recipient, and the date of the Notice of Unresolved Findings will be documented. The sub-recipient's current year federal funding will be suspended until the findings are resolved and the LEA's corrective action plan is implemented. The notice will state the sub-recipient's right to request a hearing within 30 days of receipt of the management decision, in accordance with [Arizona Administrative Code Article 8, R7-2-801 and R7-2-805](#).

If the sub-recipient fails to respond with the requested information, or if ADE determines that corrective action has not been taken by the sub-recipient, the ADE will issue the management decision clearly stating:

- The audit finding is sustained,
- The reasons for the decision; and,
- The expected sub-recipient action such as to repay disallowed costs, make financial adjustments, or other action. If the sub-recipient must repay disallowed costs, or other action is taken against the sub-recipient, the management decision will describe the sub-recipient's right to appeal, in accordance with the procedures set forth in [Arizona Administrative Code Article 8, R7-2-801 and R7-2-805](#).

Please contact the Grants Management Unit at 602-542-3901 with any questions or comments concerning the implementation or clarification of this guideline and procedure, No. AS-03.