

Subject: Programmatic and Fiscal Monitoring Policy

Policy No: 2015-56

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Purpose:

This policy describes the Benton-Franklin Workforce Development Council (BFWDC) monitoring standards for subrecipients and pass-through entities of Workforce Innovation and Opportunity Act (WIOA) Title I and discretionary funding. This policy applies to all partners at all levels of participation in the Workforce Development System.

Background:

BFWDC is committed to fostering a continuous improvement culture through transparency, collaboration, and partnership that supports the success and accountability of subrecipients in maintaining compliance with applicable WIOA law, rules, and guidance.

Monitoring is essential to ensure the integrity of the Workforce Development System, as well as WIOA and discretionary funding. Monitoring assesses compliance with applicable laws and regulations and identifies successful and positive methods and practices that enhance the system as a whole.

BFWDC performs monitoring activities to:

- Ensure programs achieve intended results;
- Ensure resources are efficiently and effectively used for authorized purposes and protected from waste, fraud, and abuse; and
- Ensure reliable and timely information is captured and reported to serve as the basis to improve decision-making.

Operational Procedure

BFWDC is responsible for overseeing the programmatic and financial activities of subrecipients to ensure proper stewardship of federal WIOA and discretionary funding. BFWDC is committed to the success and accountability of subrecipients.

BFWDC is responsible for a comprehensive monitoring plan and will periodically or continuously monitor all contract-supported activities per WIOA, federal, state, and local laws, or other contract authorities.

A. Frequency of Monitoring Reviews

BFWDC shall monitor all subrecipients annually or, for contracts lasting less than one year, once during each contract term, for financial and programmatic compliance.

B. Scope of Monitoring Reviews

Monitoring activities encompass both programmatic and financial monitoring. Monitoring activities may include on-site and virtual visits, off-site desk-level reviews, and analyses of financial and program outcomes to identify potential weaknesses before such weaknesses result in substandard performance or questioned costs.

- 1) **Financial Monitoring.** This review includes but is not limited to subrecipient fiscal policies and practices, monitoring and oversight according to applicable federal and state legislation, regulations, policies and guidance, and the Office of Management and Budget (OMB) Circulars and Uniform Guidance, and discretionary Awards. BFWDC's fiscal monitors will conduct this evaluation via document review and sample selection.
- 2) **Programmatic Monitoring.** The BFWDC programmatic monitoring process is an ongoing, proactive, technical assistance-focused format called Continuous Quality Improvement (CQI). As a best practice, BFWDC conducts quarterly monitoring reviews of randomly selected electronic participant files to examine all activities utilizing the Employment Security Department's monitoring tools.

The programmatic monitoring review includes but is not limited to, an evaluation of the programs and services provided to eligible participants according to WIOA Title I requirements, related federal and state legislation, regulations, policies, and guidance. BFWDC's program monitors utilize random electronic sampling to examine Title I Youth, Adult, Dislocated Workers, and other discretionary program participant files for proper maintenance, content, appropriate forms and data, and comprehensive case notes to ensure continuity from the time of application through the completion of services. The BFWDC monitors verify all relevant participant data and services are recorded accurately in the state's Management Information System (MIS).

C. Access to Records

The subrecipient shall provide BFWDC monitors with access to records, financial statements, facilities, and participants.

D. Additional Review/Technical Assistance

In addition to annual and quarterly reviews, some monitoring activities may be conducted remotely, by phone, through desk reviews of documents and reports, and any other means deemed necessary by BFWDC monitors. If an area of concern or practice is identified at any point, the BFWDC monitors may offer to coordinate technical assistance as needed. Technical assistance may include additional reviews or on-site visits. Subrecipients may request technical assistance from the BFWDC monitors at any time.

E. Monitoring Reports

The BFWDC monitors will issue fiscal and programmatic reports summarizing the results of monitoring activities. The documents may include observations, items to address, findings, questioned costs, disallowed costs, recommendations of the BFWDC monitors, and responses from subrecipients. Attachment B is a flow chart that outlines the Program and Fiscal Subrecipient Annual Monitoring Process.

- 1) **Fiscal Reports** – An Observation Memo is created by fiscal monitors for each subrecipient, which identifies issues, observations, and questioned costs. When the memo is issued to the subrecipient, it sets forth 30 calendar days to respond to the issues identified. If the subrecipient does not respond within the specified timeframe, the Final Fiscal Monitoring Report is issued summarizing the scope of the review, areas of concern, identified findings, the outcome of questioned costs, and best practices. Attachment A summarizes the Annual Fiscal Monitoring Process.
- 2) **Programmatic Reports** - CQI worksheets are created for each subrecipient, identifying observations, areas of concern, findings, and unresolved questioned costs. This strategy was implemented to provide subrecipients with immediate feedback about their processes and allows BFWDC program monitors to work with subrecipient staff to deliver technical assistance as needed throughout the program year.

All quarterly CQI monitoring worksheets are combined and incorporated into an Annual CQI worksheet. The CQI worksheet is issued to the subrecipient and sets forth 30 calendar days to respond to the issues identified. If the subrecipient does not respond within the specified timeframe, the Annual CQI worksheets and Final Program Monitoring Narrative Reports are issued summarizing the scope of the review, areas of concern, identified findings, the outcome of questioned costs, and best practices.

F. Definitions

- 1) **Area of Concern** - Conditions, that if uncorrected, could result in a potential future violation of law; regulation; contract agreement; contract or cooperative agreement; federal guidance; state/local policy or subrecipient policies. Internal control weaknesses and/or questionable operational/ business practices that pose a risk to programs, service delivery, assets, or impact customer service quality.
- 2) **Compliance Review** - An annual examination to ensure the entity complies with applicable laws, regulations, contracts, grant agreement provisions, state policies, and local procedures related to WIOA, including 2 CFR part 200. This includes appropriate reviews of performance and resolution of audit findings that involve the entity under review. At a minimum, the compliance review should target the following risk areas:

expenditures; internal control structures, eligibility and participation requirements, service delivery to Youth, Adults, and Dislocated Workers; On-the-Job Training; support payments; non-discrimination; and the protection of personally-identifying information.

- 3) **Conflict of Interest** - A circumstance in which a workforce service provider or workforce service provider's employee is in a decision-making position and has a direct or indirect interest, particularly a substantial financial interest that influences the individual's ability to perform job duties and fulfill responsibilities.
- 4) **Corrective Action** - Action taken by the subrecipient that corrects identified deficiencies, produces recommended improvements or demonstrates that findings and or areas of concern are either invalid or do not warrant subrecipient action.
- 5) **Corrective Action Plan** - A plan developed and imposed by the BFWDC that requires a subrecipient to take agency-identified actions within a specified time frame designed to correct specific instances of noncompliance or other failures.
- 6) **Disallowed Cost** - Disallowed Costs include any expenses of WIOA or discretionary contract funds that are determined to be unallowable or unreasonable based upon federal, state law, regulations, policies, or other contract authorities.
- 7) **Findings** - Finding(s) include:
 - any item or combination of items that result in Disallowed Costs;
 - any item, combination of items, or process that poses a significant risk to the organization's control systems and ability to meet the requirements of federal and state grants and contracts; and
- 8) **Noted Practice** – Any approach to service delivery or a process that is identified as being a unique or effective approach that offers increased services to customers or greater efficiency and effectiveness in service delivery and administration.
- 9) **Questioned Costs** - Costs questioned by the monitors as being unallowable, unallocable, or unreasonable. Questioned costs result:
 - from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal or state award, including for funds used to match Federal funds (unallowable);
 - when the costs, at the time of the monitoring visit, are not supported by adequate documentation (unallowable); or
 - when the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances (unreasonable). Questioned costs will be resolved in one of two ways:
 - a) Questioned Costs that are determined to have been allowable, allocable, and reasonable are considered allowed; or
 - b) Questioned Costs that are determined to be unallowable, unallocable, or unreasonable will be disallowed.

10) **Subrecipient** - An entity that receives federal assistance passed through from BFWDC to carry out or administer a WIOA or discretionary program. Distinguishing characteristics of a subrecipient include:

- Determining eligibility for assistance;
- Performance measured against meeting the objectives of the program;
- Responsibility for programmatic decision making;
- Responsibility for applicable program compliance requirements.

11) **Technical Assistance** - To identify areas for improvement in the program and subrecipient operations during monitoring and compliance reviews. May include assistance in developing a performance improvement plan.

G. References

P.L. 113-128 Section 184; 20 CFR §683.200; 20 CFR §683.220; 20 CFR §683.400; 20 CFR §683.410; 20 CFR §683.420; §683.430; §683.440; 2 CFR §200.

Attachment A - Annual Fiscal Monitoring Process

Objectives:

- 1) Review the existence and adequacy of internal controls and the reliability of the subrecipient's financial management systems as they relate to current contracts with BFWDC, ensuring the subrecipient meets their fiscal requirements.
- 2) Ensure that amounts reported as expenses, as part of the subrecipient's contractual requests for reimbursement, are reasonable, accurate, allowable, properly allocated, and supported by appropriate documentation.

Procedure:

- 1) Request the following information from the subrecipient prior to the monitoring visit:
 - Responses to BFWDC Fiscal Monitoring Tool questionnaire.
 - Copy of the following documents, in their most recently prepared and/or approved form:
 - Annual Audit
 - Chart of Accounts
 - Cost Allocation Plan
 - Check Register
 - Payroll Register
 - Distribution Code List
 - Employee Handbook
 - Financial Management Policies and Procedures
 - Detailed General Ledger for each program
 - Financial Statements for the last month of the review period
 - Detailed General Ledger (GL) transaction report showing the type and amount of program expenses for which funds from BFWDC have been received by subrecipient during the review period. These expense records should be separated by program, and within each program, there should be separate worksheets for payroll expenses, overhead expenses, and participant expenses (or similar divisions related to the program's budget). The records in these worksheets should at least be sorted by:
 - Effective date (in ascending order); and,
 - GL code(s) associated with each expense
- 2) Based on this GL report, certain transaction records will be requested ahead of time for virtual review. If needed, other records may also be requested during the review.

During the review process, meeting(s) may also be requested with primary fiscal staff and others, as appropriate, to review, discuss and obtain additional information relating to the above fiscal monitoring objectives, discuss the monitoring process, and identify and review selected transaction records and/or other documents.

Attachment B - Subrecipient Annual Monitoring Process

