Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Decision Item FY 08-09 ☑ Base Reduction Item FY 08-09 ☐ Supplemental FY 07-08 ☐ Budget Request Amendment FY 08-09 ☐

Request Title: Colorado Works County Oversight
Department: Human Services
Priority Number: 13

Dept. Approval by: Reynold Jeffers **Date:** 10/17/07
OSPB Approval: [signature] **Date:** 10/22/07

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	**Total**	2,613,534	4,271,785	0	4,271,785	6,318,703	235,542	6,554,245	0	6,554,245	222,679
	FTE	11.6	14.0	-	14.0	14.0	4.0	18.0	-	18.0	4.0
	GF	896,173	1,877,122	0	1,877,122	3,136,053	0	3,136,053	0	3,136,053	0
	CF	38,052	78,976	0	78,976	67,062	0	67,062	0	67,062	0
	CFE	315,321	627,081	0	627,081	1,157,209	0	1,157,209	0	1,157,209	0
	FF	1,363,988	1,688,606	0	1,688,606	1,958,379	235,542	2,193,921	0	2,193,921	222,679
	MCF	298,480	532,152	0	532,152	1,022,430	0	1,022,430	0	1,022,430	0
	MGF	149,083	263,044	0	263,044	510,435	0	510,435	0	510,435	0
	NGF	1,045,256	2,140,166	0	2,140,166	3,646,488	0	3,646,488	0	3,646,488	0
(7) Office of Self Sufficiency, (B) Colorado Works Program, Administration	**Total**	1,115,041	1,157,773	0	1,157,773	1,201,346	231,048	1,432,394	0	1,432,394	218,662
	FTE	11.6	14.0	-	14.0	14.0	4.0	18.0	-	18.0	4.0
	GF	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	1,115,041	1,157,773	0	1,157,773	1,201,346	231,048	1,432,394	0	1,432,394	218,662
	MCF	0	0	0	0	0	0	0	0	0	0
	MGF	0	0	0	0	0	0	0	0	0	0
	NGF	0	0	0	0	0	0	0	0	0	0
(1) Executive Director's Office (A) General Administration	**Total**	1,498,493	2,631,937	0	2,631,937	3,875,868	3,060	3,878,928	0	3,878,928	3,060
S.B.04-257 Amortization Equalization Disbursement	**FTE**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	896,173	1,592,902	0	1,592,902	2,372,913	0	2,372,913	0	2,372,913	0
	CF	38,052	65,360	0	65,360	51,179	0	51,179	0	51,179	0
	CFE	315,321	531,031	0	531,031	876,399	0	876,399	0	876,399	0
	FF	248,947	442,644	0	442,644	575,377	3,060	578,437	0	578,437	3,060
	MCF	298,480	450,698	0	450,698	774,253	0	774,253	0	774,253	0
	MGF	149,083	224,919	0	224,919	386,484	0	386,484	0	386,484	0
	NGF	1,045,256	1,817,821	0	1,817,821	2,759,397	0	2,759,397	0	2,759,397	0

Schedule 13
Change Request for FY 08-09 Budget Request Cycle

Decision Item FY 08-09 ☑ Base Reduction Item FY 08-09 ☐ Supplemental FY 07-08 ☐ Budget Request Amendment FY 08-09 ☐

Request Title: Colorado Works County Oversight
Department: Human Services
Priority Number: 13

Dept. Approval by: **Date:**
OSPB Approval: **Date:**

	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
(1) Executive Director's Office	**Total**	0	482,075	0	482,075	1,241,489	1,434	1,242,923	0	1,242,923	957
(A) General Administration	**FTE**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
S.B. 06-235	**GF**	0	284,220	0	284,220	763,140	0	763,140	0	763,140	0
Supplemental	**CF**	0	13,616	0	13,616	15,883	0	15,883	0	15,883	0
Amortization Equalization	**CFE**	0	96,050	0	96,050	280,810	0	280,810	0	280,810	0
Disbursement	**FF**	0	88,189	0	88,189	181,656	1,434	183,090	0	183,090	957
	MCF	0	81,454	0	81,454	248,177	0	248,177	0	248,177	0
	MGF	0	38,125	0	38,125	123,951	0	123,951	0	123,951	0
	NGF	0	322,345	0	322,345	887,091	0	887,091	0	887,091	0

Letternote revised text: $235,542 federal funds represents funds held in the Colorado Works Long-Term Reserve
Cash Fund name/number, Federal Fund Grant name:
IT Request: ☐ Yes ☑ No
Request Affects Other Departments: ☐ Yes ☑ No **If Yes, List Other Departments Here:**

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Human Services
Priority Number:	13
Change Request Title:	Colorado Works County Oversight

SELECT ONE (click on box):

☒ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☐ Supplemental Request FY 07-08
☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request: The Division requests $235,542 in federal Temporary Assistance for Needy Families (TANF) funds spending authority and an additional 4.0 FTE to manage increased oversight of county performance. This new quality control (QC) unit will be dedicated to case file monitoring and the application of the findings to inform county program enhancement.

Background and Appropriation History: Federal reauthorization of the TANF program means higher performance standards for states, both in terms of work participation and work verification. The interim final rule issued by the federal government regarding the reauthorization of the TANF program (45 CFR, Parts 261 - 265) requires that states develop a work verification plan that details the states' plans to verify that the work participation being reported is well-documented and accurate. For Colorado's devolved TANF program, this means a need for increased State supervision of county administration of the program. In addition, TANF reauthorization requires that states meet a 50% work participation rate. As of July 31, 2007, the year to date average all-family work participation rate for Colorado was about 27 percent. If the

State fails to meet federal work participation and work verification requirements, the State could incur significant financial penalties.

In recent years, the Colorado Works Division has experienced a drastic increase in demand from the General Assembly, auditors, advocates, and other stakeholders to provide information on program performance.

Section 26-2-712 (5) C.R.S., requires that the Department oversee county implementation of the Colorado Works program. Implementation of that responsibility has evolved over the years. Most recently, the program has conducted County Program Reviews (CPR) of select counties on an ongoing, quarterly basis. The program reviews county policies and procedures, a sample of case files, administrative data, and other sources. The program then schedules a visit with the county director and county staff to discuss the county program, training needs, policy issues, and findings from the case file review.

While the CPR process has served well to establish effective communication between the Department and county programs, recent changing demands on the program have created a need for a more sophisticated and systematic approach to case file review. New State and federal requirements, particularly related to work participation and work verification, require the Department to take a much closer look at case files and county procedures to ensure compliance with the new regulations. It is now necessary for the program to review a statistically valid sample of case files on an ongoing basis and to share the results with counties and other stakeholders to ensure compliance and to strive for improvement. In order to achieve a statistically valid sample, the Department is proposing to add Colorado Works case file review to the current process used to review Food Stamps case files. However, based on current resources, the Department does not have the capacity to do this.

General Description of Request:

The Colorado Works program is responsible to effectively supervise counties and to provide data on program performance. The program must continue to review county case files to fulfill its supervisory obligations; as the program becomes more complex under

federal reauthorization (Deficit Reduction Omnibus Reconciliation Act of 2005, P.L. 109-171), ongoing case file review becomes more complex as well. The interim final rule issued by the federal government regarding the reauthorization of the TANF program (45 CFR, Parts 261 - 265) requires additional oversight of county work verification through case file review. The program can meet these increasing demands by creating additional quality control capacity within the Colorado Works Division.

A QC unit within the Division would provide case file monitoring services and information regarding county program enhancement. Information derived through quality control will assist the State in complying with new federal work verification requirements, will assist the program in its efforts to monitor and provide technical assistance to the counties, and will provide necessary information regarding program performance to all Colorado Works stakeholders. The program has proposed in its Work Verification Plan submitted to the federal government a three-tiered approach to its supervisory responsibilities.

In the first tier, Department staff will perform monthly analysis of program data to ensure data consistency. In addition, State staff will review a monthly sample of cases for data inconsistencies and potential errors.

In the second tier, Department staff will provide direction, training, and technical assistance to county departments in an effort to provide guidance for conducting secondary stage supervisory reviews of case files. This process will mirror the federal process for the Food Stamp program to review a minimum of six cases per month, per worker. A county supervisor will conduct this review. A subset of the cases from the secondary stage supervisory reviews will also be selected for review by the State. This sample will be at least two percent of the already developed and required Food Stamp sample. The program will conduct case file reviews of the actual hardcopy case files as well as the electronic files contained in the Colorado Benefits Management System (CBMS). The program uses a standardized county monitoring tool that verifies compliance in the areas reviewed in secondary stage reviews, in addition to other elements related to eligibility determination and benefit accuracy.

The third tier will consist of State management site visits. This is a variation of the CPR process noted above. All 64 counties in Colorado will be reviewed at least once every three years. These comprehensive, on-site reviews are meant to provide counties with direct feedback on the implementation of their program, and include a summary of the findings from the ongoing case file reviews described in tiers one and two. In addition, State staff will analyze and review county policies, plans, procedures, contracts, and other relevant documents and administrative data that describe and inform the county's program implementation, strengths, and opportunities for improvement. The focus of the visit will be primarily one of information sharing, technical assistance and training, with State staff representing workforce development, eligibility, and policy and planning.

The QC unit would include the following positions:

- Two General Professional (GP) III positions, one responsible for ongoing case file review and one responsible for synthesizing case file review results and providing technical assistance and training to counties;
- One GP IV position responsible for case file review and data analysis of work verification pursuant to the State's work verification plan; and
- One Program Assistant II position responsible for supporting all administrative aspects of the QC function, including but not limited to, training, program logistics, administrative tracking of findings, case file exchange with counties, and all correspondence with the federal government.

This request should be added to the Colorado Works Administration line. The line was created in SFY 2007 by transferring FTE out of the Office of Self-Sufficiency Administration line. The line was created to allow for greater planning flexibility and transparency for the Colorado Works program. In SFY 2008 one FTE was added to the line for fraud prevention, resulting in a total of 14.0 FTE. For FY 2007-08, the line was appropriated $1,157,773 per the Long Bill (SB07-239). The appropriation pays for the personal services and operating expenses related to the 14.0 FTE.

Consequences if Not Funded:

If this request is not funded, the program will continue to address county oversight and program performance in an ad hoc manner with current resources. While these resources may have been adequate under prior program circumstances, new federal requirements and increased demand from stakeholders require significant additional resources to properly monitor county performance.

If the State fails to meet federal requirements for work verification, the State could be penalized in the first year for up to one percent, or $1.5 million, of the State's $149 million block grant. The State is required to make up for this reduction in its block grant with State or local funds. This means an additional $1.5 million in State or local funds, for a total penalty in the first year of $3 million. In subsequent years of noncompliance, the penalty goes up to two percent in the second year, three percent in the third, and so forth.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Fund	Cash Funds Exempt	Federal Funds
Total Request	$235,542				$235,542
Colorado Works Administration	$231,048				$231,048
Executive Director's Office – Amortization Equalization Disbursement	$3,060				$3,060
Executive Director's Office – Supplemental Amortization Equalization Disbursement	$1,434				$1,434

Summary of Request FY 09-10	Total Funds	General Fund	Cash Fund	Cash Funds Exempt	Federal Funds
Total Request	$222,679				$222,679
Colorado Works Administration	$218,662				$218,662
Executive Director's Office – Amortization Equalization Disbursement	$3,060				$3,060
Executive Director's Office – Supplemental Amortization Equalization Disbursement	$957				$957

FTE and Operating Costs								GRAND TOTAL	
Fiscal Year(s) of Request		**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**	**FY 08-09**	**FY 09-10**
PERSONAL SERVICES	**Title:**	**General Professional III**		**General Professional IV**		**Program Assistant II**			
Number of PERSONS / class title		2	2	1	1	1	1		
Number of months working in FY 08-09 and FY 09-10		12	12	12	12	12	12		
Number months paid in FY 08-09 and FY 09-10		12	12	12	12	12	12		
Calculated FTE per classification		**2.0**	**2.0**	**1.0**	**1.0**	**1.0**	**1.0**	4.0	4.0
Annual base salary		$46,884	$46,884	$56,964	$56,964	$40,512	$40,512		
Salary		$93,768	$93,768	$56,964	$56,964	$40,512	$40,512	$191,244	$191,244
PERA	**10.15%**	$9,517	$9,517	$5,782	$5,782	$4,112	$4,112	$19,411	$19,411
Medicare	**1.45%**	$1,360	$1,360	$826	$826	$587	$587	$2,773	$2,773
Prior Year SAED	**N/A**	$0	$703	$0	$427	$0	$304	$0	$1,434
Subtotal Personal Services at Division Level		**$104,645**	**$105,348**	**$63,572**	**$63,999**	**$45,211**	**$45,515**	**$213,428**	**$214,862**
Subtotal AED at EDO Long Bill Group Level	**1.60%**	**$1,500**	**$1,500**	**$911**	**$911**	**$648**	**$648**	**$3,060**	**$3,060**
Subtotal SAED at EDO Long Bill Group Level	**Varies**	**$703**	**$469**	**$427**	**$285**	**$304**	**$203**	**$1,434**	**$957**

Department Specific Average Cost for HLD / Employee		$0	$0	$0	$0	$0	$0		
Subtotal for Health, Life, Dental (if over 20 FTE)	**N/A**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Subtotal for Short Term Disability (if over 20 FTE)	**0.13%**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
OPERATING EXPENSES									
Supplies @ $500/$500	**$500**	$1,000	$1,000	$500	$500	$500	$500	$2,000	$2,000
Computer @ $900/$0	**$900**	$1,800	$0	$900	$0	$900	$0	$3,600	$0
Office Suite Software @ $330/$0	**$330**	$660	$0	$330	$0	$330	$0	$1,320	$0
Office Equipment @ $2,225 /$0	**$2,225**	$4,450	$0	$2,225	$0	$2,225	$0	$8,900	$0
Telephone Base @ $450/$450	**$450**	$900	$900	$450	$450	$450	$450	$1,800	$1,800
Subtotal Operating Expenses		**$8,810**	**$1,900**	**$4,405**	**$950**	**$4,405**	**$950**	**$17,620**	**$3,800**
GRAND TOTAL ALL COSTS		**$115,658**	**$109,217**	**$69,315**	**$66,145**	**$50,568**	**$47,316**	**$235,542**	**$222,679**

Assumptions for Calculations: The calculations assume that the positions are funded at the bottom of the salary scale, with associated benefits and operating expenses. The figures are based on common policy instructions for SFY 2009.

Impact on Other Government Agencies: This request does not have a direct fiscal impact on other government agencies.

Cost Benefit Analysis:

Cost	Benefit
Federal funds impact: $235,542 The $235,542 in appropriations will be funded with dollars held in the Colorado Works Long-Term Reserve.	The State can avoid possible penalties as much as $18 million in the first year for failure to meet the work participation rate and to provide proper verification of the rate. Additional QC capacity will provide the State with the proper tools it needs to fulfill its supervisory obligation under the Colorado Works program. The Department, the General Assembly, auditors, advocates, and other stakeholders will benefit from additional information regarding the program's performance.

Implementation Schedule:

Task	Month/Year
Internal Research/Planning Period	April– June 2008
FTE Hired	July 2008
Start-Up Date	September 2008

Statutory and Federal Authority:

Colorado Works Program Act (1997), Section 26-2-712, C.R.S. (2007)

26-2-712. State department duties - authority.

(4) **Performance measurements.** (a) The state department shall develop performance goals and a formula for measuring a county's progress toward meeting such performance goals in administering and implementing the works program with county block grants. The state department shall provide data gathered on behalf of each county to the general assembly on a quarterly basis regarding employment- and training-related performance measures for the works program. Such data shall include wages earned by works program participants upon leaving the program, job retention rates, and other related information. Such data shall be provided through the state department's computerized systems, if available. Counties shall not be required to provide additional manual or computerized systems to gather such data. The state department shall work with the Colorado office of workforce development to gather data on works program participants who participate in training and job placement programs offered by workforce development boards and the result of such participation. Such data shall be provided to the state auditor's office on at least an annual basis as a part of the works program audit pursuant to section 26-2-723.

(b) The formula may be based upon the formula developed by the secretary of the federal department of health and human services after consultation with the national governors' association and the American public welfare association for measuring states' performance under the TANF block grants.

(5) **Oversight.** In connection with overseeing the works program, the state department shall have the specific duties to:

(a) Oversee the implementation of the works program statewide and, in connection with such oversight, develop standardized forms, in addition to the reporting form described in subsection (6) of this section, for the counties' use in streamlining the application process, delivery of services, and tracking of participants;

(b) Monitor the state's progress in meeting the work participation requirements set forth in the personal responsibility and work opportunity reconciliation act;

(c) Establish a process to implement the provisions for regionalization set forth in section 26-2-718 pursuant to which any combination of county departments may be approved by the state department to administer and implement the works program pursuant to the provisions of this part 7;

(d) Establish statewide goals and monitor the state's progress toward meeting such goals for the reduction in the incidence of out-of-wedlock pregnancies;

(e) Monitor the counties' provision of basic assistance grants pursuant to section 26-2-709 and, if necessary due to increased caseloads or economic downturns, do the following to assure that the basic assistance grant is provided in a consistent manner statewide:

(I) Grant funds to one or more counties from the short-term works emergency fund administered pursuant to section 26-2-720; or

(II) If no funds administered pursuant to section 26-2-720 are available:

(A) Request supplemental appropriations from the general assembly, including but not limited to an appropriation from the long-term works reserve fund created pursuant to section 26-2-721; or

(B) Reduce the county block grant of any county that maintains funds in a county reserve account pursuant to section 26-2-714 (5) in order that moneys may be made available to one or more counties to avoid the need to reduce or eliminate the basic assistance grant statewide. If the state department makes a reduction in a county's reserve account pursuant to this sub-subparagraph (B), the state department shall increase such county's block grant for the following fiscal year by the amount of the reduction authorized pursuant to this sub-subparagraph (B); or

(III) After taking the actions described in subparagraphs (I) and (II) of this paragraph (e), take any actions necessary to reduce the costs of, or reduce or eliminate, the basic assistance grant statewide.

(6) **Reporting.** (a) The state department shall develop a uniform reporting form for the counties to use in order to fulfill the reporting requirements set forth in section 26-2-717.

(b) The state department shall develop a request for proposal pursuant to the provisions of section 26-2-719 to award a contract or contracts to an entity or entities to satisfy the reporting requirements set forth in section 26-2-717.

(c) In the event that the state department is not able to award a contract pursuant to the provisions of paragraph (b) of this subsection (6), it shall develop procedures to ensure that the state complies with the reporting requirements set forth in section 26-2-717.

Final Rule for the TANF Program (1999), 45 CFR Part 261, Subpart E

Subpart E—What Penalties Apply to States Related to Work Requirements?
§ 261.50 What happens if a State fails to meet the participation rates?
(a) If we determine that a State did not achieve one of the required minimum work participation rates, we must reduce the SFAG payable to the State.
(b)(1) If there was no penalty for the preceding fiscal year, the base penalty for the current fiscal year is five percent of the adjusted SFAG.
(2) For each consecutive year that the State is subject to a penalty under this part, we will increase the amount of the base penalty by two percentage points over the previous year's penalty. However, the penalty can never exceed 21 percent of the State's adjusted SFAG.
(c) We impose a penalty by reducing the SFAG payable for the fiscal year that immediately follows our final determination that a State is subject to a penalty and our final determination of the penalty amount.

(d) In accordance with the procedures specified at § 262.4 of this chapter, a State may dispute our determination that it is subject to a penalty.

§ 262.1 What penalties apply to States?

(a) We will assess fiscal penalties against States under circumstances defined in parts 261 through 265 of this chapter. The penalties are:

(1) A penalty of the amount by which a State misused its TANF funds;

(2) An additional penalty of five percent of the adjusted SFAG if such misuse was intentional;

(3) A penalty of four percent of the adjusted SFAG for each quarter a State fails to submit an accurate, complete and timely required report;

(4) A penalty of up to 21 percent of the adjusted SFAG for failure to satisfy the minimum participation rates;

(5) A penalty of no more than two percent of the adjusted SFAG for failure to participate in IEVS;

(6) A penalty of no more than five percent of the adjusted SFAG for failure to enforce penalties on recipients who are not cooperating with the State Child Support Enforcement (IV–D) agency; loan amount, plus interest, for failure to repay a Federal loan;

(8) A penalty equal to the amount by which a State fails to meet its basic MOE requirement;

(9) A penalty of five percent of the adjusted SFAG for failure to comply with the five-year limit on Federal assistance;

(10) A penalty equal to the amount of contingency funds that were received but were not remitted for a fiscal year, if the State fails to maintain 100 percent of historic State expenditures in that fiscal year;

(11) A penalty of no more than five percent of the adjusted SFAG for the failure to maintain assistance to an adult single custodial parent who cannot obtain child care for a child under age six;

(12) A penalty of no more than two percent of the adjusted SFAG plus the amount a State has failed to expend of its own funds to replace the reduction to its SFAG due to the assessment of penalties in this section in the immediately succeeding fiscal year;

(13) A penalty equal to the amount of the State's Welfare-to-Work formula

grant for failure to meet its basic MOE requirement during a year in which it receives the formula grant; and (14) A penalty of not less than one percent and not more than five percent of the adjusted SFAG for failure to impose penalties properly against individuals who refuse to engage in required work in accordance with section 407 of the Act.
(b) In the event of multiple penalties for a fiscal year, we will add all applicable penalty percentages together. We will then assess the penalty amount against the adjusted SFAG that would have been payable to the State if we had assessed no penalties. As a final step, we will subtract other (fixed) penalty amounts from the adjusted SFAG.
(c)(1) We will take the penalties specified in paragraphs (a)(1), (a)(2) and (a)(7) of this section by reducing the SFAG payable for the quarter that immediately follows our final decision.
(2) We will take the penalties specified in paragraphs (a)(3), (a)(4), (a)(5), (a)(6), (a)(8), (a)(9), (a)(10), (a)(11), (a)(12), (a)(13), and (a)(14) of this section by reducing the SFAG payable for the fiscal year that immediately follows our final decision.
(d) When imposing the penalties in paragraph (a) of this section, the total reduction in an affected State's quarterly SFAG amount must not exceed 25 percent. If this 25-percent limit prevents the recovery of the full penalty amount imposed on a State during a quarter or a fiscal year, as appropriate, we will apply the remaining amount of the penalty to the SFAG payable for the immediately succeeding quarter until we recover the full penalty amount.
(e)(1) In the immediately succeeding fiscal year, a State must expend additional State funds to replace any reduction in the SFAG resulting from penalties.
(2) The State must document compliance with this replacement provision on its TANF Financial Report (or Territorial Financial Report).

Interim Final Rule for the TANF Program (2006), 45 CFR Part 261.65

§ 261.65 Under what circumstances will we impose a work verification penalty for failure to submit a work verification plan or for failure to maintain adequate procedures to ensure a consistent measurement of the work participation rate?
(a) We will take action to impose a penalty under § 262.1(a)(15) of this chapter if:
(1) The requirements under §§ 261.64(a) and (b) have not been met; or

(2) We determine that the State has not maintained adequate documentation, verification, or internal control procedures to ensure the accuracy of the data used in calculating the work participation rates.
(b) If a State fails to submit an interim or complete Work Verification Plan by the due dates in § 261.64(a), we will reduce the SFAG payable for the immediately succeeding fiscal year by five percent of the adjusted SFAG.
(c) If a State fails to maintain adequate internal controls to ensure a consistent measurement of work participation, we will reduce the adjusted SFAG by the following percentages for a fiscal year:
(1) One percent for the first year;
(2) Two percent for the second year;
(3) Three percent for the third year; (4) Four percent for the fourth year; and
(5) Five percent for the fifth and subsequent years.
(d) If a State complies with the requirements in this subpart for two consecutive years, then any penalty imposed for subsequent failures will begin anew, as described in paragraph (c) of this section.
(e) If we take action to impose a penalty under §§ 261.64(b) or (c), we will reduce the SFAG payable for the immediately succeeding fiscal year.

Performance Measures:

Workload Indicator:

Program	Workload Indicator	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Current	FY 2008-09 Request
Colorado Works	Number of State Management Reviews conducted per year.	7	15	16	16