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Category:	Workforce Investment Act and Wagner-Peyser
Subject#:	Annual Compliance Monitoring and Risk Assessment Guidelines
Source:	Federal/State
Revise/Replace:	
Contact:	Workforce Development Programs Director
Distribution:	Managers, Employment & Training Staff, Workforce Region Directors, Fiscal
Colorado One-Stop System Policy Guidance Letter#:	08-18-WIA
Date:	December 10, 2008

I. REFERENCE(S):

Title I of the Workforce Investment Act (WIA) of 1998; WIA Final Rules – 20 CFR Parts 667.400-410, et al. (August 11, 2000); Wagner Peyser Act of 1933 as amended by Title III of the Workforce Investment Act (WIA) of 1998; 20 CFR 652.8 State Employment Service System Administrative Provisions.

II. PURPOSE:

- To provide information and guidelines for annual compliance monitoring of Workforce Investment Act (WIA) and Wagner-Peyser (WP) programs and discretionary grants;
- To introduce a risk assessment tool designed to focus annual compliance monitoring and ongoing technical assistance efforts;
- To provide revised compliance monitoring instruments that reflect risk assessment categories; and
- To change the title of CDLE's Workforce System Specialist (WSS) staff to State Workforce Liaison

III. BACKGROUND:

The WIA regulations state that “the Governor must develop a State monitoring system.... and must monitor Local Boards annually for compliance with applicable laws and regulations....” CDLE's State Workforce Liaison will be responsible for implementing these compliance monitoring requirements at the State level.

CDLE developed and implemented an initial annual compliance monitoring

system during PY01 and PY02 that was designed to:

- Provide a mechanism for the State to evaluate whether local regions and contractors are in compliance with all program requirements;
- Enable a dialogue between the local regions and the State regarding program effectiveness and technical assistance needs;
- Provide an opportunity for regions to demonstrate best practices that can be shared with other regions.

The annual compliance monitoring reviews for PY06 and PY07 were conducted in the quarter following completion of the program year. This will also occur in upcoming years, along with the addition of a newly developed risk assessment tool. Use of the risk assessment tool in conjunction with the annual compliance monitoring will afford the regions a more in-depth evaluation of their systems and programs, adding greater value to the monitoring process. It will also be used in conjunction with program reviews as needed throughout the year to identify areas of risk that need to be addressed before compliance issues occur.

IV. POLICY/ACTION:

A. Annual Compliance Monitoring Schedule and Process

The overall annual compliance monitoring review is expected to begin in the quarter immediately following the completion of the program year. The annual administrative compliance review for the Rural Consortium will occur during this time frame, but compliance reviews of the rural sub-regions may be scheduled at other times throughout the program year.

The compliance review process will consist of a desk review of report data and other documents, review of client case files, and on-site monitoring visits that include interviews with management, administrative and program staff. It will also include an analysis of the program year's performance and annual plan outcomes for possible compliance issues, and may include discussions regarding the status of staffing, programs, grants, and strategic initiatives. This latter process replaces portions of the Program Review conducted separately during the first quarter (which has been eliminated by PGL 08-14-WIA, issued October 2008), and makes it concurrent with the compliance monitoring review.

B. Risk Assessment Categories and Evaluation

CDLE has developed a new risk assessment tool to formalize its ongoing evaluation of risk and make it an integral part of the annual compliance monitoring process. Risk assessment has long been a standard element of many administrative, program and financial monitoring systems, and allows the reviewer to determine focus areas for the monitoring; evaluate issues confirmed or uncovered in the monitoring review for level of risk; and assist in determining and providing technical assistance that may be needed to address identified risk areas.

For purposes of assessing risk for WIA and Wagner-Peyser programs and discretionary grants, a decision has been made to identify specific areas of risk, rather than characterize the overall regional operation as high or low risk. These potential risk areas are categorized in **Attachment 9 - Risk Assessment Categories and Evaluation**, as follows:

1. Governance
2. Administrative, Program/Grant, and Financial Management Systems
3. WIA and WP Program Services and Delivery Systems
4. Performance Accountability

Under each category there are more specific sub-categories for risk assessment that relate to the areas monitored by the State Workforce Liaison staff. In most cases, areas of risk will be identified from these sub-categories, rather than assigned to a complete category, and only in very rare instances (when multiple high risk categories or sub-categories have been identified) would a region be deemed high risk.

The second page of **Attachment 9** provides the basis for evaluating whether a category or sub-category is low or high risk. These evaluations will be made utilizing information collected in compliance monitoring reviews, program reviews, and reports that are provided by the region or generated from Joblink and the State Financial System. The assessment of risk will be used to determine where more in-depth monitoring is needed. Areas that are confirmed or uncovered as “at risk” during compliance monitoring will be further evaluated and their level of risk identified in the monitoring report. **In addition, CDLE reserves the right to evaluate and report risk areas as needed throughout the program year, just as it can identify a compliance issue and send a compliance letter to the One-Stop Director and the Workforce Board Chair whenever such an issue occurs.**

C. Compliance Monitoring Review Guides, Required Local Policies and Documents List, and Charts

In addition to the Risk Assessment Categories and Evaluation document, attached to this PGL are four compliance monitoring review guides, which have been organized to reflect the four risk assessment categories, plus file review checklists, a required local policies and documents listing, and quarterly charts. These additional attachments are as follows:

Attachment 1 – WIA and WP Governance: This guide contains questions from previous guides regarding the governance mechanisms for WIA and WP programs.

Attachment 2 – WIA and WP Administration, Program, Grant, and Financial Management Systems: This guide contains questions from previous guides covering administrative topics, as well as newly defined questions related to risk assessment.

Attachment 3 – WIA and WP Program Services and Service Delivery

Systems: This guide contains questions from the previous WIA and Wagner-Peyser program and grant review guides.

Attachment 4 – WIA and WP Performance Accountability: This guide incorporates all questions regarding performance, planned outcomes and deliverables, and includes inquiries regarding the history and resolution of compliance issues. For the first time, CDLE is also including a compliance question regarding the 70% expenditure goal for all WIA funds available for the previous program year. This step has been taken as a direct result of the rescission of \$4.5 million in local formula grants during PY07, and USDOL’s continuing efforts to promote the recapture of unspent carry-in funds through Congressional action. **Failure to meet the 70% goal may be considered high risk and may also be cited as a compliance issue depending on the extent to which the goal has been missed.** A PGL will be forthcoming to further define when a compliance issue can be cited and when funds may be recaptured prior to completion of the period of performance.

Attachment 5 – File Reviews: Contains the file review guides and checklists for WIA, WP, and discretionary/set aside grants.

- **5a** – WIA File Review Documentation Guide
- **5b** – WIA File Review Checklist
- **5c** – Wagner-Peyser File Review Guide

Attachment 6 – Required Local Policies and Documents: Contains a list of required local policies and a list of all documents that need to be provided to the State Workforce Liaison for desk review prior to on-site annual compliance monitoring.

Attachment 7 - Compliance Monitoring Procedures for:

- Per-client expenditures
- ITA and supportive services awards

Attachment 8 – Quarterly Outcomes Chart: This chart contains plan versus actual for expenditures, performance, enrollments, terminations, and activities, and includes breakouts by program and project for each quarter of the program year.

All Regions: Regions are encouraged to study the monitoring guides prior to their annual compliance monitoring review. In preparation for the review, regions may wish to complete written responses to the guide questions. These may be shared with the State Workforce Liaison in advance or may be utilized and shared with the State Workforce Liaison during the on-site reviews.

Rural Consortium: Attachments 1, 2, 4, 6, and 8 will be used during the annual Administrative Compliance Monitoring review conducted with the Rural Consortium administrative staff.

D. Annual Compliance Monitoring Reports

Within 45 days of the exit conference for the annual compliance monitoring, an initial monitoring report will be issued to the One-Stop Director. The report will ideally be issued after October 1st once performance outcome data is official. This report will include:

- Identification of compliance issues
- Recommendations for changes and improvements
- A section defining areas of risk that were confirmed or uncovered during the compliance review
- An attached final quarterly review chart for the previous program year
- An attached bulleted summary of the Program Reviews conducted throughout the previous program year

Local regions will be required to respond in writing to the compliance issues and identified areas of risk, plus provide a plan of action to address both (to include technical assistance needs and requests, as appropriate). This response is due to CDLE within 30 days of receipt of the initial report. A final monitoring report will be issued to the One-Stop Director, the Workforce Board Chair, and local Elected Officials within 30 days of receipt of the local response. The State Workforce Liaisons will be responsible for providing follow-up and technical assistance as needed to assist the region in implementing its action plan.

V. IMPLEMENTATION DATE:

PY08 and forward

VI. INQUIRIES:

Please direct all inquiries to your State Workforce Liaison at Workforce Development Programs.

Thomas J. Looft, Director
Workforce Development Programs

Attachments:

- #1 WIA and WP Governance – Compliance Monitoring Guide
- #2 WIA and WP Program, Grant, and Financial Management Systems - Compliance Monitoring Guide
- #3 WIA and WP Program Services and Delivery Systems - Compliance Monitoring Guide
- #4 WIA and WP Performance Accountability - Compliance Monitoring Guide
- #5 WIA and WP File Review Checklists (5a, 5b, and 5c)
- #6 Required Local Policies and Documents
- #7 Compliance Monitoring Procedures for Per-Client Expenditures and ITA/Supportive Services Awards
- #8 Quarterly Outcomes Chart
- #9 Risk Assessment Categories and Evaluation