

Washington State

Workforce Innovation and Opportunity Act Title I-B Policy

Policy Number: 5414, Revision 2

Policy Title: Compliance Monitoring of WIOA Title I and Related Discretionary Awards

Effective Date: September 24, 2024

1. **Purpose:**

To establish monitoring standards for subrecipients and pass-through entities of Workforce Innovation and Opportunity Act (WIOA) Title I-B and related discretionary awards.

2. **Background:**

Section 184 of Public Law 113-128 requires each state to establish policies to ensure accountability with regard to the proper disbursement and use of WIOA Title I funds. Subrecipients of WIOA Title I funds that are found to be in noncompliance with WIOA guidelines outlined in 20 CFR 683.200, as well as applicable state and agency policies, are subject to sanctions determined by the state.

Therefore, the Employment Security Department (ESD) is committed to fostering a continuous improvement culture through transparency, collaboration and partnership that supports the success and accountability of Local Workforce Development Boards (LWDBs), subrecipients, workforce service providers and other ESD grantees and contractors in maintaining compliance with applicable WIOA law, rules, and guidance.

Monitoring is essential to ensure the integrity of the WorkSource system, by assessing compliance with applicable laws and regulations, and identifying successful practices that serve to enhance the system as a whole.

To do so, ESD performs monitoring activities to:

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

3. **Policy:**

ESD, on behalf of the Governor, is responsible for oversight of the programmatic and financial activities of its grant subrecipients to ensure proper stewardship of federal WIOA

Title I-B, and any discretionary awards identified in the entrance letter. ESD is committed to ensuring the success and accountability of LWDBs, subrecipients, workforce service providers, and other Agency grantees and contractors.

a. Frequency of Monitoring Reviews

ESD's Workforce Monitoring Unit will conduct on-site monitoring of each Workforce Development Area (WDA) on an annual basis in compliance with the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (known as the OMB Super Circular) as adopted by the U.S. Department of Labor (DOL). The State must certify this monitoring process to DOL every two years.

ESD's Workforce Monitoring Unit will work with the LWDBs to establish and distribute an annual schedule of state level monitoring at the beginning of each program year. The initial schedule, subject to modification, will list annual on-site review dates for each WDA. ESD's Workforce Monitoring Unit will not be limited to the initial schedule and may conduct unannounced or unscheduled reviews at its discretion.

b. Scope of Monitoring Reviews

Monitoring activities will encompass both financial and programmatic monitoring. Program and fiscal monitoring activities include on-site visits, off-site desk-level reviews, and analyses of both financial and program outcomes to help identify potential weaknesses before such weaknesses result in substandard performance or questioned costs. On-site visits to various WorkSource offices within the region and interviews with regional management, staff, and clientele may be conducted to observe operations and gain insight into the WorkSource environment, processes and procedures, and overall customer service efforts and effects. As part of defining the scale of a local monitoring review, the ESD's Workforce Monitoring Unit will perform a risk assessment as required by 2 CFR 200.332.

During each monitoring cycle, ESD's Workforce Monitoring Unit will monitor the LWDB's WIOA Title I-B and any additional ESD awarded grants identified in the entrance letter in two major subject areas:

1. **Administrative and Financial Management.** This review area includes, but is not limited to, an evaluation of the LWDB and sub-committees' composition, actions, and governance documents; the WorkSource system and required partners activities and contributions, administrative and financial policies and practices, and subrecipient monitoring and oversight according to applicable federal and state legislation, regulations, policies and guidance, and OMB Circulars and Uniform Guidance. ESD's Workforce Monitoring Unit will conduct this evaluation via document review and sample selection.
2. **Workforce Development Programs.** This review area includes, but is not limited to, an evaluation of the LWDB's programs and services to eligible participants pursuant to WIOA Title I-B, and any additional ESD awarded grants identified in the entrance letter, requirements and related federal and state legislation, regulations, policies and guidance, and OMB Circulars and Uniform Guidance. ESD's Workforce Monitoring Unit staff will utilize random sampling to

examine participant files for proper maintenance and content, inclusion of pertinent forms and data, appropriate and adequate case notes to ensure continuity from time of application through completion of services, as well as verification that all relevant data has been entered into the case management system, including DOL Data Element Validation.

c. Access to Records

It is a requirement that the subrecipient or pass-through entity permit ESD's Workforce Monitoring Unit to have access to records, financial statements, facilities and participants. To facilitate the exchange of records, ledgers, supporting documents, and other items not uploaded directly to the State's MIS, ESD's Workforce Monitoring Unit provides access to a secure file transfer site to all LWDBs. Before and during the review each LWDB receives information concerning access and deadlines for document submissions.

d. Additional Review / Technical Assistance

In addition to the annual on-site review, some monitoring activities may be conducted remotely, by phone, through desk reviews of documents and reports, and by such other means as deemed necessary by ESD's Workforce Monitoring Unit. If an area of concern or practice is identified at any point, ESD's Workforce Monitoring Unit may offer or coordinate technical assistance as needed. Technical assistance may include additional on-site visits.

e. Monitoring Letters and Reports

ESD's Workforce Monitoring Unit will issue the following documents:

- 1. Entrance Letter.** An entrance letter is sent approximately 6 weeks to the LWDB's monitoring and outlines the scope of the review, dates of the review, items requested in advance, due dates, carry over items from previous reviews requiring follow-up and includes a pre-monitoring questionnaire.
- 2. Observation Reports.** Observation Reports, are issued that summarize the review to date and identify any items to address, questioned costs, disallowed costs, noted practices, observations, recommendations and findings with due dates for corrective actions determined at time of exit. Participant file corrections and Data Element Validation results are included in the Observation Report provided at exit and due back from the LWDB within 30 business days from exit.
- 3. Management Letter.** A management letter is issued following each on-site monitoring visit describing the scope of the visit and identifies any items to address, questioned costs, disallowed costs and findings. The management letter will be emailed to the Executive Director/Chief Executive Officer no later than 45 business days from the date of exit. All items necessary to support resolution must be received and accepted no later than 30 business days from the date of exit to ensure a reflected change in status in the management letter.
- 4. Draft Monitoring Report.** A draft monitoring report includes a summary of the

monitoring review including the scope and scale of the review. It also identifies any findings, unresolved questioned costs, disallowed costs and noted practices. If the LWDB has a relevant audit finding which requires a management decision be issued, a summary and status also appears in the draft monitoring report. The draft monitoring report is issued to the LWDB Executive Director of the organization no later than 75 business days from the date of exit. All items necessary to support resolution must be received and accepted no later than 60 business days from the date of exit to ensure a reflected change in status in the draft monitoring report.

5. Final Monitoring Report. A final monitoring report includes a summary of the monitoring review and responses to the findings, unresolved questioned costs, disallowed costs and noted practices. If the LWDB has a relevant audit finding which requires a management decision be issued, a summary and status also appears in the final monitoring report. The final monitoring report is issued to the Executive Director of the organization being monitored no later than 105 business days from the date of exit. In the case of a LWDB, the final monitoring report is copied to the designated Local Chief Elected Official(s). All items necessary to support resolution must be received and accepted no later than 90 business days from the date of exit to ensure a reflected change in status in the final monitoring report.

f. Local Level Monitoring

LWDBs, on behalf of the Local Chief Elected Official for the WDA, must conduct monitoring of all service providers and subrecipients at least annually or, for contracts lasting less than one year, once during each contract term for financial and programmatic compliance. LWDBs may choose to monitor more frequently than annually.

LWDBs must develop and implement local monitoring policies addressing their subrecipient oversight and monitoring process.

At a minimum, the following items must be addressed either in the local monitoring policies or procedures:

- How the LWDB will be engaged in local monitoring and oversight activities,
- A description of the risk assessment process and how it informs the monitoring process as required by 2 CFR 200.332,
- The review of subrecipient single audits and issuance of management decisions on relevant findings,
- Description of the process to ensure that monitored entities take timely and appropriate follow up action on all identified deficiencies pertaining to the applicable award resulting from reviews.
- Description of the process to verify that every subrecipient is audited as required by 2 CFR 200, Subpart F, when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in [§ 200.501](#).

LWDBs must also ensure that the use, management, and investment of funds for workforce development activities is consistent with 2 CFR 200 and maximize performance outcomes under Section 116 of WIOA. LWDBs who have received

authorization to provide services in their WDA, are also expected to have policies and procedures in place that address local monitoring and oversight of those activities.

As part of the monitoring process, the ESD Monitoring Unit will request and review documents that provide evidence of monitoring and follow through on deficiencies identified by the local monitoring process consistent with the LWDB's local monitoring plan, policy and procedure.

The ESD Monitoring Unit will also request and review documents that provide evidence of follow-through on corrective action plans from prior ESD monitoring which required post-review monitoring of specific items. This evidence may be documented in the form of reports, working papers, completed tools, and communications with monitored entities.

At least annually, LWDBs must provide communication to monitored entities of the monitoring results in the form of a formal report that is distributed to one or more persons with decision making authority at the organization being monitored. This report must include an executive summary, the time period of the review, summary of the scope and scale of the review, identify areas of non-compliance, and steps taken to resolve those, conclusions, and any promising practices. In the case where ESD is the entity being monitored, the report should be sent to the appropriate Workforce Services Division Regional Director.

All policies, monitoring reports and corrective action plans must be made available upon request.

4. **Definitions:**

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 reviews of procurement, 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; the protection of personally identifying information; and a review of the conflict of interest policy.

Conflict of Interest - A circumstance in which a Board member, Board employee, 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.

Corrective Action - Action taken by the auditee that corrects identified deficiencies, produces recommended improvements, or demonstrates that audit findings are either invalid or do not warrant auditee action.

Corrective Action Plan - A plan developed and imposed by the Agency (ESD) that requires a Board or Agency grantee to take Agency-identified actions within a specified time frame designed to correct specific instances of noncompliance or other failures.

Observation Report - Includes all observations to date: noted practices, items to address,

recommendations, allowable cost activity including any questioned costs or disallowed costs, items that were resolved on site, or and areas where there were no issues identified.

Disallowed Costs - Disallowed costs include any expenses of grant or contract funds that are determined to be unallowable, unallocable or unreasonable based upon federal or state law or regulations.

Finding(s) - Finding(s) include: (a) any item or combination of items that results in Disallowed Costs above \$25,000; (b) any item, combination of items or process that poses significant risk to the organization's control systems and ability to meet the requirements of federal and state grants and contracts; or (c) any unresolved disallowed costs, unresolved questioned costs, and/or Item(s) to Address or other corrective action plan(s) associated with questioned or disallowed costs identified in a previous year's Management Letter that continue to be a compliance issue with the exception of the MIS element which is up to the discretion of the Monitoring Unit. For reviews occurring within 6 months of the previous monitoring review, Item(s) to Address that have been identified on a previous year's management letter that continue to be compliance issues will not be automatically escalated to a finding but is up to the discretion of the Monitoring Unit.

Item(s) to Address – Item(s) to Address include: (a) clear and direct areas of non-compliance with federal, state and local law and regulations, or (b) items or areas that while not a clear and direct violation of state or federal law or regulation could lead to such a violation if not addressed.

Local Chief Elected Official(s) - The chief elected executive officer of a unit of general local government in a local workforce development area; and in a case in which a local area includes more than one unit of general local government, the individuals designated under the agreement described in WIOA section 107(c)(1)(B).

Local Workforce Development Board (LWDB) - A local workforce development board established under WIOA Sec. 107, to set policy for the local workforce development system.

Management Letter - Includes: no issues identified, Items to Address, Questioned Costs, Disallowed Costs, Findings, and timeframes to resolve them.

Noted Practice - Any approach to service delivery or 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 or administration. These will be identified in the observation report, draft Monitoring report, and final monitoring report.

Participant File Corrections – Participant file corrections are errors identified in individual records that need corrections. An analysis of the participant file corrections under each program will determine the need for corrective action plan to be issued as either an Item to Address or a Finding.

Pass-Through Entity - A non-federal entity that provides a sub-award to a subrecipient to carry out part of a federal program.

Questioned Costs - Costs questioned by the monitor as being unallowable, unallocable or unreasonable. Questioned costs are costs which (a) resulted 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); (b) where the costs, at the time of the monitoring visit, are not supported by adequate documentation (unallocable); or (c) where 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 and identified as a disallowed cost

Subrecipient - An entity that receives federal assistance passed through from a prime recipient or another subrecipient to carry out or administer a WIOA 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;
- Use of the funds passed through to carry out a program of the sub-entity as compared to providing goods or services for a program of the prime recipient.

5. **References:**

- [P.L. 113-128 Section 184](#); - Fiscal controls; sanctions
- [2 CFR §200](#) – Primary regulations governing grants issued by the U.S. Government
- [20 CFR §683.200](#) - General fiscal and administrative rules for WIOA title I and Wagner-Peyser Act funds
- [20 CFR §683.220](#) - Internal controls requirements for recipients and subrecipients of WIOA title I and Wagner-Peyser Act funds
- [20 CFR §683.400](#) - Federal and State monitoring and oversight responsibilities
- [20 CFR §683.410](#) - Oversight roles and responsibilities of recipients and subrecipients
- [20 CFR §683.420](#) - What procedures apply to the resolution of findings arising from audits, investigations, monitoring, and oversight reviews
- [20 CFR §683.430](#) - How does the Secretary resolve investigative and monitoring findings
- [20 CFR §683.440](#) - What is the Grant Officer resolution process?

6. **Supersedes:**

WIOA Title I-B Policy 5414, Revision 1, WIOA Title I Monitoring, dated December 1, 2020.

7. **Website:**

[Workforce Professionals Center](#)

8. **Action:**

Local Workforce Development Boards and their contractors, as well as Employment Security Regional Directors, must distribute this policy broadly throughout the system to

ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

ESD Monitoring Unit – Monitoring Tools - <https://wpc.wa.gov/monitoring/tools>

Direct Policy Inquiries To:

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