

<b>TULARE COUNTY WORKFORCE INVESTMENT BOARD, INC.</b> <b>WORKFORCE INVESTMENT ACT TITLE I-B ACTIVITIES</b> <b>WELFARE-TO-WORK GRANT ACTIVITIES</b>	<b>DATE:</b> November 15, 2001
	<b>SUBJECT:</b> Risk Management

**WIB DIRECTIVE**

**WIBD-01-9**

**TO:** Service Providers  
WID Staff

**SUBJECT:** RISK Management

**EXECUTIVE SUMMARY**

**Purpose:**

This directive transmits local policy and procedures regarding the designation of Tulare County Workforce Investment Board, Inc. (TCWIB) contractors as “high-risk” organizations.

**Scope:**

This directive requires that all contractors expending Workforce Investment Act (WIA) and/or Welfare-to-Work (WtW) funds shall comply with the application of these local policies and procedures.

**Effective Date:**

This directive is effective upon release.

**REFERENCES:**

- Title 29 CFR (Code of Federal Regulations) Subpart B, Pre-Award Requirements Part 97.12 – Special grant or subgrant conditions for “high-risk” grantees.
- Title 29 CFR Part 97.43 – Enforcement, Post Award Requirements.
- Title 29 CFR Part 97.20 – Standards for financial management systems.
- WIA Section 184 – Fiscal Controls; Sanctions.
- Title 20 CFR, Sections 667.410 (a) and 667.500 (a)(2) – Administrative Provisions
- Title 20 CFR, Section 645.250, General Program and Administrative Requirements, WtW Final Rule
- WIBB-01-2, Debarment or Suspension of Service Providers

**TULARE COUNTY WORKFORCE INVESTMENT BOARD, INC. (TCWIB) – IMPOSED REQUIREMENTS:**

The contents of this directive constitute WIB-imposed requirements developed in accordance with the Board’s responsibility to establish local policy and procedures.

**FILING INSTRUCTIONS:**

Retain this directive until further notice.

**BACKGROUND:**

The WIA regulations provides guidance for the administration of procurement and award management. The guidance includes specific direction and referral to Title 29 CFR Part 97 the administrative requirements for grants to states and local governments.

**DEFINITION:** Subgrantees are contractor’s to the TCWIB.

## **POLICY AND PROCEDURES:**

The TCWIB shall have remedies for non-compliance and to determine the "risk" status of subgrantees.

### **I. Special subgrant conditions for "high-risk" subgrantees (Part 97.12).**

A. A subgrantee may be considered "high-risk" if the TCWIB determines that it:

#### **1. Has a history of unsatisfactory performance:**

The Tulare County Workforce Investment Board or its predecessor the Private Industry Council made an award to the subgrantee within the past three years that resulted in:

- (a) An entered employment rate less than 90 percent of the agreed upon outcome.
- (b) A number of enrollments that was less than 90 percent of number agreed upon.
- (c) An expenditure rate less than 90 percent of the awarded funds.

#### **2. Is not financially stable:**

- (a) Subgrantee award represents more than 75 percent of its annual budget.
- (b) Subgrantee requires an advance of funds greater than 10 percent of the award.
- (c) During a previous award, subgrantee was not able to liquidate a cash advance within 30 days.
- (d) Subgrantee does not have a reliable source of non-federal funds equal to or greater than 25 percent of the subgrant award.

#### **3. Has a management system which does not meet the standards set forth in this part (29 CFR Part 97.20):**

The financial management systems of subgrantees must meet the following standards:

- (a) **Financial reporting:** Subgrantee must demonstrate the ability to provide accurate, current, and complete disclosure of the financial results of financially assisted activities in accordance with the financial reporting requirements of the subgrant.
- (b) **Accounting records:** Subgrantees must demonstrate the ability to maintain records that adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
- (c) **Internal control:** Subgrantees must demonstrate the ability to maintain effective control and accountability for all subgrant cash, real and personal property, and other assets. Subgrantee must demonstrate the ability to adequately safeguard all property purchased with subgrant funds and must assure that it is used solely for authorized purposes.
- (d) **Budget control:** Subgrantee must demonstrate the ability to compare actual expenditures or outlays with budgeted amounts for each subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
- (e) **Allowable cost:** Subgrantee must demonstrate the ability to follow applicable OMB cost principles, agency program regulations, and the terms of the subgrant agreement in determining the reasonableness, allowability, and allocability of costs.
- (f) **Source documentation:** Subgrantee must support accounting records by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.
- (g) **Cash management:** Subgrantee must follow procedures for minimizing the time elapsing between



the transfer of funds from the U.S. Treasury and disbursement whenever advance payment procedures are used. Subgrantees must establish reasonable procedures to ensure the receipt of reports on sub-subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transaction reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the subgrantee must make drawdowns as close as possible to the time of making disbursements.

**4. Has not conformed to terms and conditions of previous awards:**

The subgrantee has, during the past three years, been found out of compliance with any of the following subgrant provisions:

- (a) Reporting in an accurate and timely manner.
- (b) Enrolled individuals who were determined not eligible for the fund source.
- (c) Failed to resolve complaints or findings within 60 working days.

**5. Is otherwise not responsible:**

The subgrantee cannot demonstrate that it has:

- (a) A defined method to account for and report program income where appropriate.
- (b) A working understanding of the legislation, implementing regulations, circulars, and state and local policies impacting the award.
- (c) Sufficient staffing to ensure separation of duties.
- (d) Conducted an audit of its activities during the past year.
- (e) Resolved administrative findings resulting from monitoring, audit, or other means.

**6. A change in provider's key personnel or practices:**

The subrecipient has a vacancy or during the past year replaced staff in any of the following positions which affect program performance:

- (a) Program Director/Administrator
- (b) Chief Financial Officer/Accountant
- (c) Other principle staff

**7. History of disallowed costs:**

The subrecipient has an audit, monitoring report, or other report that questions or disallows costs associated with a program funded with federal, state, or local funds.

B. If the TCWIB determines that an award will be made, special conditions and/or restrictions shall correspond to the high-risk condition and shall be included in the award.

C. Special conditions or restrictions may include but are not limited to:

- 1. Payment on a reimbursement basis;
- 2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given funding period;
- 3. Requiring additional, more detailed financial reports;
- 4. Additional project monitoring;
- 5. Requiring the subgrantee to obtain technical or management assistance, or

6. Establishing additional prior approvals.

D. If the TCWIB decides to impose such conditions, the TCWIB Administrator will notify the subgrantee as early as possible, in writing, of:

1. The nature of the special conditions/restrictions;
2. The reasons(s) for imposing them;
3. The corrective actions which must be taken before they will be removed and the time allowed for completing the corrective actions and
4. The method of requesting reconsideration of the conditions/restrictions imposed (Part 97.43). Which shall consist of:
  - (a) A request for review, in writing, to the TCWIB Administrator for reconsideration within 5 (five) working days of notification of the conditions to be imposed;
  - (b) Information and/or data in support that the high-risk condition either does not or no longer exists. The information and/or data shall be subject to verification by TCWIB.
  - (c) The determination of the TCWIB Administrator shall be transmitted, in writing, and shall be final.

II. Subgrantees which demonstrate no history of contracting with the TCWIB shall be placed on probationary status the first six months of the award period provided regular technical assistance and both program and fiscal monitoring during that period. No other restrictions or conditions shall accompany this designation unless the subgrantee is determined to be "high-risk" by use of the Risk Assessment Matrix (Attached), and the TCWIB determines an award shall be made. Results of technical assistance and both program and fiscal monitoring shall determine whether the probationary status should be extended. Subgrantees on extended probationary status shall provide copies of their detail ledger for the program and/or copies of supporting documentation for payroll and expenditures.

III. Relationship to debarment and suspension: The enforcement remedies identified in Sections I and II of this directive, including suspension and termination, do not preclude grantee or subgrantee from being subject to "Debarment and Suspension" under Executive Order 12549 (See 29 CFR Part 97.35 and WIBB-01-02.).

**ACTION:**

Bring this directive to the attention of all affected staff and all grantees and subgrantees.

**INQUIRIES:**

Please direct inquiries about this directive to the Workforce Investment Department Administration, at (559) 513-5200.



JOSEPH H. DANIEL  
Administrator

Attachment: Risk Assessment Matrix

JD:VT:BC:vmt



## RISK ASSESSMENTS FOR SERVICE PROVIDERS

Risk Factors	*Provider 1	*Provider 2	*Provider 3	*Provider 4	*Provider 5
Has a history of unsatisfactory performance					
Is not financially stable					
Has a management system that does not meet standards					
Has not conformed to terms and conditions of previous awards					
Is otherwise not responsible					
A change in provider's key personnel or practices					
History of disallowed costs					
Totals					

\*Insert provider/contractor name.

### Scoring:

1. Has a history of unsatisfactory performance:
  - 15 points – Meets 3 or more of the criteria listed
  - 8 points – Meets 1 or 2 of the criteria listed
  - 0 points – Meets none of the criteria listed
  
2. Is not financially stable:
  - 10 points – Meets 3 or more of the criteria listed
  - 5 points – Meets 1 or 2 of the criteria listed
  - 0 points – Meets none of the criteria listed
  
3. Has a management system that does not meet standards:
  - 25 points – Unable to support compliance with 5 or more of the system components listed
  - 15 points – Unable to support compliance with 1,2,3 or 4 of the system components listed
  - 0 points – Able to support compliance with all of the system components listed
  
4. Has not conformed to terms and conditions of previous awards:
  - 20 points – Meets all of the criteria listed
  - 15 points – Meets 1 or 2 of the criteria listed
  - 0 points – Meets none of the criteria listed
  
5. Is otherwise not responsible:
  - 10 points – Unable to demonstrate compliance with 4 or 5 of the criterion listed
  - 5 points – Unable to demonstrate compliance with 1,2 or 3 of the criterion listed
  - 0 points – Able to demonstrate compliance with all of the criterion listed
  
6. A change in provider's key personnel or practices:
  - 10 points – Subrecipient experienced changes in all three key positions
  - 5 points – Subrecipient experienced changes in 1 or 2 key positions
  - 0 points – Subrecipient experienced no changes in key positions
  
7. History of disallowed costs:
  - 10 points – Subrecipient meets the criteria listed
  - 0 points – Subrecipient does not meet the criteria listed

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**Risk Level**

58 - 100 High Risk

25 - 57 Noteworthy Risk

0 - 24 Low Risk