



WORKFORCE IMPLEMENTATION GUIDANCE (WIG) LETTER

DATE: June 26, 2019

NO: WIG GA-19-009

TO: LOCAL WORKFORCE SYSTEM STAKEHOLDERS

FROM: Joe Dan Banker, Assistant Commissioner

SUBJECT: RESPONSIBILITIES AND REQUIREMENTS FOR SUBRECIPIENT FINANCIAL MONITORING

- 1. Purpose:** This Workforce Implementation Guidance has been developed to assist managers in making informed decisions about Subrecipient Financial monitoring to ensure the proper use of federal funds authorized under the Workforce Innovation and Opportunity Act.
- 2. Intended Audience:** Local Workforce Development Board (LWDB) members, Local Workforce Development Area (LWDA) Executive Directors and Finance Directors.
- 3. Introduction:** Federal guidelines require that all recipients of federal funds authorized under the Workforce Innovation and Opportunity Act be subject to financial monitoring to ensure that adequate financial controls are in place. LWDA's may elect to contract out certain functions due to determinations of cost-effectiveness, staffing inadequacies or lack of technical abilities. When certain criteria is met, the contracted party is considered a subrecipient and must comply with the same federal and state laws, rules and regulations that the LWDA is subject to. Just as an LWDA must undergo yearly monitoring by The Technical College System of Georgia, Office of Workforce Development (OWD), the LWDA must perform monitoring for its subrecipients.

CFR

2 CFR §200.328

“Monitoring and reporting program performance

- (a) Monitoring by the non-Federal entity. The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also §200.331 Requirements for pass-through entities.”

2 CFR §200.331(d)

“Requirements for pass-through entities.



(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.”

Subrecipient vs. Vendor Determination

Guidance on identifying a subrecipient and a contractor can be found by reviewing 2 CFR §200.330:

“Subrecipient and contractor determinations.

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) Subrecipients. A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See §200.92 Subaward. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

- (1) Determines who is eligible to receive what Federal assistance;
 - (2) Has its performance measured in relation to whether objectives of a Federal program were met;
 - (3) Has responsibility for programmatic decision making;
 - (4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
 - (5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.
- (b) Contractors. A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See



§200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor:

- (1) Provides the goods and services within normal business operations;
- (2) Provides similar goods or services to many different purchasers;
- (3) Normally operates in a competitive environment;
- (4) Provides goods or services that are ancillary to the operation of the Federal program; and
- (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

(c) Use of judgment in making determination. In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.”

Guiding principles:

- All incurred expenses must be supported by adequate documentation. (Conference or meeting agendas, invoices, hotel bills, receipts, etc.) See 2 CFR §200.302.
- The Technical College System of Georgia, Office of Workforce Development and the LWDA fiscal recipient are custodians of federal funds, which must be safeguarded and used only for legitimate business purposes.
- Use of this Workforce Implementation Guidance (WIG) should not replace adequate and careful study of the Uniform Administrative Guidance.
- Risk assessment. A means to assess risk prior to engaging in monitoring is helpful to determine the sample size, areas of concern and focus. Past performance, including previous monitoring results, size of the federal award, management turnover, audit findings and other criteria can be useful in preparing your visit.
- Report review and analysis. How will audits and other reports inform your decisions? What could findings—even those not related to WIOA—tell you about how conditions will be onsite?
- Desk monitoring guides. Onsite visits may be unnecessary or impractical. What documents can be provided electronically or through other means that will enable you to review your subrecipient’s performance?



- Onsite monitoring guides. Having clear and concise tools to work from while onsite will help keep you and your team focused. If it becomes necessary to revise your tools, be sure to make revisions after the monitoring visit is completed.
- Report formats and templates. Having clear templates to work from will make it easier to issue decisions and govern the monitoring process post-visit. Be clear, and be specific when issuing reports.
- Become familiar with the Uniform Administrative Guidance, your own policies and procedures, and those of your subrecipient.
- Look for opportunities to provide technical assistance before, during, and after visits. Assistance is also available through OWD.

Broad areas to cover while conducting financial monitoring:

Financial Management

LWDA should gain an understanding of the subrecipient's financial management systems and processes.

Internal Controls

LWDA should inquire with management and become familiar with the subrecipient's internal control environment. Are controls in place to prevent fraud and waste? Are there weaknesses that could be exploited?

Cash Management and Revenue Recognition

How does the subrecipient handle their cash flow? Are bank statements reconciled and reviewed by management?

Prepaid Program Items

Prepaid program items (bus passes, gift/gas cards, etc.) should be recognized as assets that have a monetary value and should be safeguarded. How are they distributed? Who has custody of them? Is a proper inventory kept, and are the items used promptly?

Salary and Cost Allocation

The subrecipient should have a cost allocation plan that establishes a methodology to distribute costs fairly across funding streams. Costs that cannot be allocated directly should be placed in an indirect cost pool. Cost allocation statistics should also be maintained to demonstrate how costs were computed month to month. Timesheets should also be maintained and prepared after



the fact to demonstrate how time is charged to each grant. The amount of time charged to each grant cannot be based on the subrecipient's budget but must be a record of actual time charged. Salaries and bonuses paid for with WIOA funds must not exceed the USDOL ETA salary and bonus cap (\$183,300).¹

Disbursements

Disbursements of WIOA funds should be necessary, reasonable, directly or indirectly allocable to one or more grants and adequately documented. Disbursements should not exceed the period of availability for the grant, should be allocated correctly and documentation should support the cost. When determining the reasonability of a disbursement, take into account this guidance from the Code of Federal Regulations:

2 CFR §200.404:

“A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

Purchasing

If the subrecipient engages in procurement-level purchasing, they must follow their own policies and procedures, promote open and free competition when going through the bidding process, and must be adequately documented.

Contracting

All contracts paid for in full or in part with WIOA funds must have all required provisions and must be properly managed.

Subrecipient Monitoring

If the LWDA's subrecipient has a subrecipient, monitoring activities must be completed and documented for all subsequent subrecipients.

Findings and Observations

As you review, you may encounter occasions where rules have not been followed. It is important to distinguish between a finding and an observation:

A finding is any specific violation of:

- Law Regulations
- OMB guidance

¹ Effective January 2015 per OPM guidance



- Award agreement
- Formal policy
- TEGL

For a finding to exist, there must be criteria. In addressing the violation in your report, always require an action to correct the finding. It is essential to be clear and specific when detailing the finding.

An observation is an area of concern where no compliance violation has occurred, but could result in a finding if not addressed. Observations may be corrected through adopting best business practices. No corrective action is specified, but suggestions can be made to make improvements.

Writing reports

- Be timely
- Be specific
- Be open
- Be clear
- Be consistent
- Be correct
- Be convincing

Structure of a finding:

1. **Condition:** Describe and document any conditions that constitute a compliance violation that were found during the desk review and onsite monitoring visit.
For example: “No physical inventory of equipment and other capital assets was taken during the last three fiscal years.”
2. **Criteria:** Specify the statutory, regulatory, OMB guidance citation, or formal policy/procedure that was not met. Any gaps identified must be documented, along with recommendations for reconciliation.
For example: “The Uniform Guidance at 2 CFR 200.313(d)(2) states that at a minimum a physical inventory must be conducted every two years.”
3. **Cause:** Determine and document the cause of each condition. If the immediate cause(s) are undeterminable, due to lack of verification/sufficient documentation, omit a description and state that the cause could not be determined.
For example: “The lack of written procedures and proper staff assignment of duties have resulted in the lack of compliance.”



4. **Corrective Action:** It is important to specify what corrective action the subrecipient must take to remedy the problem and the timeframe for completing the recommended changes.

For example: “The agency must implement a policy requiring an annual or biannual inventory of all equipment, identify the staff position responsible for conducting the inventory, and submit a copy of the policy and a completed inventory report to this office within 30 days.”

Corrective Action Plans

Require a corrective action plan from your subrecipient.

- What will they do and when will it be provided? Who will do it?
- What is the intended outcome?
- For questioned costs, the subrecipient must provide missing documentation, make repayment, and transfer cost to non-federal sources

Track all corrective actions until completed. Verify on site if appropriate. If action is not completed within required timeframe, determine appropriate action.

Authorized actions to respond to noncompliance:

- Temporarily withhold cash payments or place on a reimbursement basis
- Disallow all or part of the cost of the activity or action not in compliance
- Wholly or partly suspend or terminate grant
- Recommend suspension or debarment proceeding be initiated by a federal awarding agency
- Withhold further federal awards for the project or program
- Take other remedies that may be legally available, including debt collection²

References:

Electronic Code of Federal Regulations

www.ecfr.gov

For further questions, contact:

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² 2 CFR §200.338