

EMPLOY MILWAUKEE SUBRECIPIENT MONITORING POLICIES AND PROCEDURES



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POLICY SCOPE

- EMPLOY MILWAUKEE AGENCY
- WIOA WDA 2 SYSTEM
- WIOA TITLE 1-B PROGRAM(S)
 - ADULT PROGRAM
 - DISLOCATED WORKER PROGRAM
 - YOUTH PROGRAM
- NON-WIOA ADULT PROGRAMS
- NON-WIOA YOUTH PROGRAMS

EMPLOY MILWAUKEE POLICY: POLICY 20-09, CHANGE 1

SUBJECT: MONITORING POLICY & PROCEDURE

EFFECTIVE DATE: 8/26/21

REFERENCES:

- 2 CFR 200, Labor Standards, Equal Opportunity
- OMB Uniform Guidance §200.330
- 2 CFR 200 Subpart F
- 2 CFR 200.501 states, "A non-Federal entity"

I. BACKGROUND

To resolve a finding from the March 20th Department of Labor (DOL) WIOA Key Provisions report, Employ Milwaukee has developed a Monitoring Policy & Procedure for the Executive Committee to review and approve.

While DOL noted that EMI has been monitoring its service providers, EMI does not have formal monitoring policies and procedures in place. EMI fiscal policies touch briefly on risk assessment, but there are no formal monitoring parameters in place around how the Local WDB will fulfill its oversight roles and responsibilities for WIOA Title I services. It was also unclear to DOL how EMI monitors the administration of the WIOA Title I funds, given that the Local WDB staffing entity also serves as the fiscal agent. The response to DOL will include Employ Milwaukee's Board approved Fiscal Policies and Procedures regarding Employ Milwaukee's annual audit requirements. Additionally, to ensure that monitoring and oversight occurs that meets all the requirements established in the regulations and Uniform Guidance, and that addresses the need for an independent/conflict of interest-free fiscal agent, EMI drafted the attached policy which provides additional detail and clarity as it concerns:

- Pre-monitoring activities/actions including a risk assessment of all subrecipients
- Distinction between a subrecipient (substantive work) and a contractor
- Audit requirements and single audit review
- Monitoring activities including identification of the three compliance documents utilized for monitoring
- Conflict of interest in monitoring activities

II. PURPOSE

To ensure that Employ Milwaukee, Inc. (EMI) funds are disbursed for the purposes set forth in EMI's issued contracts with its subrecipients, the Grantors issued grant agreement to EMI's, and per the regulations as stipulated within the grant agreement to EMI.

III. POLICY

Monitoring of EMI's subrecipients is conducted:

- To determine if program activities are progressing in compliance with the contract's specifications and schedule;
- To ensure that the objectives are being met for each eligible activity funded, and

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- To ascertain if the Grantee is in compliance with the other applicable laws, implementing regulations and Executive Orders (i.e., 2 CFR 200, Labor Standards, Equal Opportunity)
- Monitoring is also designed to facilitate funded projects by:
 - Providing technical assistance and developing the management capacity of the subrecipients;
 - Providing guidance to subrecipients in assessing program progress so that projects can be carried out within a reasonable time frame; and
 - Identifying potential problems before they become obstacles to the program and offering solutions to address those problems when they occur.

Monitoring of subrecipient compliance with the agreement will be carried out on a continuing basis from the date the contract is signed. EMI staff will monitor program progress, program benefit and compliance with other applicable laws through written information provided by the subrecipient, telephone and e-mail contact with the subrecipients Program Manager, and on-site monitoring visits. EMI's monitoring plan consists of the pre-monitoring and monitoring activities as follows.

Risk Assessment

Per 2 CFR 200.205, EMI will complete a Risk Assessment to gauge the monitoring requirements of all subrecipients; for every new contract issued and if a subrecipient has any known significant changes to its organization procedures or structure. The Risk Assessment process is two part; the issuance of an **Internal Control Questionnaire** and the use of the returned Internal Control Questionnaire to complete the **Risk Assessment Tool**.

The subrecipient will be provided the **Internal Control Questionnaire** and will complete and return to EMI. The Internal Control Questionnaire will only be issued a maximum of once per year but not less than once every five years to each subrecipient; and will be based in part on, but not limited to, the following guidelines:

1. Subrecipients that have not had or maintained a current relationship (within the last 12 months) with EMI.
2. Subrecipients that do not meet the minimum criteria for an annual audit.
3. Subrecipients that have known risk factors, per their annual audit, or any other information transmission (ie. word of mouth).
4. Subrecipients that are applying to receive, or are receiving, any new contractual agreements.

The Risk Assessment Tool will be completed at the start of every new contract and/or start of a new contract term for every subrecipient.

An assigned staff member of EMI will form a Risk Assessment Committee to review and score subrecipients utilizing the **Risk Assessment Tool**. The committee will consist of both Program and Fiscal personnel familiar with the program and the subrecipient (if applicable). The resulting score will determine the extent to which the subrecipient will require monitoring and/or its ability, or lack thereof, to perform the contract requirements.

Subrecipient will be formally notified of total risk assessment scores.

- A score of High Risk levels will require a full annual on-site monitoring visit by Program, EO, and Fiscal representatives of EMI; in addition to other mandated monitoring requirements. The Subrecipient will be required to immediately respond and enact Corrective Actions to mitigate risks that contributed to the High or Moderate score.
- A score of Moderate Risk levels **may** require a full annual on-site monitoring visit by Program, EO, and Fiscal representatives of EMI. However, EMI may choose to complete desk reviews for certain segments it determines are lower risk and/or based on the scope. (i.e.; subrecipient may be Moderate Risk level for

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Fiscal but Low Programmatic risk. Therefore, a Desk Review is completed for program.)

- A score of Low Risk levels will require annual “virtual” or desk-review monitoring of the subrecipient by Program, EO, and Fiscal representatives of EMI; in addition to other mandated monitoring requirements. A LowRisk score does not eliminate or disqualify the subgrantee from the possibility of a full on-site monitoring. EMI reserves the right to require access for review at the subrecipients facility, for any reason, with, or without notice.

Distinction Between a Subrecipient and a Contractor

OMB Uniform Guidance also makes a distinction between a subrecipient (substantive work) and a contractor:

- A subrecipient is defined as “a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.”
- A contractor is defined as “an entity that receives a contract,” which is defined as “a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this Part does not include a legal instrument, even if the non- Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward”.

EMI, as the pass-through entity, must make a case-by-case determination regarding each agreement it makes for the disbursement of Federal funds casting the party receiving the funds in the role of a subrecipient or a contractor. Refer to OMB Uniform Guidance §200.330 for determinations and characteristics which support the classification of the non-Federal entity as a subrecipient.

Not all of the characteristics need to be or will be present to determine whether a non-Federal entity is cast as a subrecipient or a contractor, and the Uniform Guidance states that judgment should be used in each case. While an external entity may be classified as a contractor, it is still subject to compliance rules and regulations.

Audit Requirements

2 CFR 200 Subpart F discusses audit requirements for non-Federal entities in regards to expenditures of Federal awards.

2 CFR 200.501 states, “A non-Federal entity that expends \$750,000 or more during the non-Federal entity’s fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.”

EMI will verify compliance with single audit requirements in 2 CFR 200 Subpart F at various times throughout the grant cycle. Subrecipient audits are requested by EMI during the initial contracting stage and during subrecipient monitoring. If the subrecipient does not have a completed audit, financial documentation will be requested in lieu of. EMI reviews subrecipient audits/financial documentation for the amount of Federal funds expended and negative findings. Additionally, EMI reviews the Federal Audit Clearinghouse for submission of the single audit during the following times throughout the grant cycle to ensure compliance with 2 CFR Subpart F:

- At completion of risk assessment
- At completion of on-site monitoring
- At completion of desk monitoring

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EMI will document its review of the subrecipients single audit and store within the subrecipients overall monitoring file.

Monitoring Activities

Monitoring of a subrecipient will occur at least once per year during the term of a subrecipients contract. The timing, frequency, and method utilized is subject to the determination of the Risk Assessment and Monitoring Plan built per contract. While a Risk Assessment is required for each subrecipient agreement, a Monitoring Plan will be developed dependent on the length and amount of the subrecipient contract. Typically, contracts less than 9 months and/or \$50,000 will not require a monitoring plan.

As a whole, the assigned Monitor/Monitoring team shall have the requisite knowledge, skills, and abilities to plan, conduct, and report on each of the areas within the subrecipient monitoring engagement.

The Monitoring team lead shall have an understanding and be able to identify the requirements of each section of the engagement and recognize what is required to determine compliance or effectiveness for each requirement.

In general, prior to the start of an On-site or Desk Review engagement, a visit prep letter will be sent prior to the visit confirming the date and time, and documentation to be reviewed.

EMI utilizes monitoring evaluation tools that have been developed to assess and measure the success of a program providers Fiscal, Programmatic, and Equal Opportunity/ADA processes in relation to the grants SGA/FOA, the funding sources original award, the signed contract with the funding source, and its regulatory responsibilities as are mandated by law (federal and/or state).

The tools EMI's Compliance Department utilizes are:

EMI's Fiscal Monitoring Evaluation Tool

EMI's Program Monitoring Evaluation Tool

EMI's EO Provider Monitoring Evaluation Tool

At the conclusion of the review, the audit representative and Grantor's Contract Monitor will discuss the findings with the subrecipients facilitator and provide him/her with a Follow-Up letter within 30 days of the review. The discussion will include the strengths and deficiencies found in the review.

The Subrecipient shall be required to submit a Corrective Action (CA) within thirty calendar (30) days from the receipt of the Monitor's Follow-Up Letter as a result of not meeting any contractual obligation or federal/state requirement.

- The final report of each year may count towards the subrecipient's rating for following grant years.
- Failure to submit an acceptable CA and/or failure to comply with previously accepted CA measures may result in placement on a Performance Improvement Plan (PIP). Placement on a PIP may require the Subrecipient to submit weekly quality assurance updates to EMI. The specific content required in these weekly updates will be presented in a formal PIP letter; the updates will provide EMI with confirmation that subrecipient staff is making every effort to follow federal, state and local policies, while minimizing errors and preventing deficiencies.
- If at any time EMI identifies a deficiency, the Subrecipient may be subject to a PIP. The PIP includes, but is not limited to: setting up a schedule of ongoing review of cases, on-site quality assurance reviews, providing written and/or on-site technical assistance for improvement until the errors identified have been corrected

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and an acceptable level of improvement has been demonstrated in the quality assurance process and/or the EMI PIP identified reduction in the error rate is met. It is the Subrecipients responsibility to implement best practices, develop corrective actions plans, and correct and prevent deficiencies.

- If the Subrecipient is on a PIP, the EMI staff will conduct a follow-up review (file and/or system) and provide a Quality Assurance Report in order to identify training, provide technical assistance and conduct follow-up reviews to ensure that policies and procedures are correctly implemented.
- Failure to demonstrate compliance with the PIP during the specified timeframe may result in an extension of the PIP or a breach of contract as determined by EMI's management.

Conflict of Interest in Monitoring Activities

Employ Milwaukee will assign Monitors to subrecipient monitoring of providers that are free from conflicts of interest.

No assigned Monitor (Contract Compliance Specialist, Fiscal Compliance Auditor, Equal Opportunity Officer/Specialist) should perform Subrecipient Monitoring of any EMI supplier of goods or services if an association between the assigned Monitor and the supplier might benefit, or appear to benefit, either the provider, or the assigned Monitor in any way.

Assigned Monitors shall not perform, for any personal gain, services to any EMI supplier of goods or services, as employee, consultant, or in any other capacity which promises compensation of any kind, unless the fact of such transaction or contracts are disclosed in good faith, and the Board authorizes such transactions. Similar associations by a family member of the Monitor or by any other close relative may also be inappropriate.

Assigned Monitors shall not accept any gift, entertainment, service, loan, or promises of future benefits from any staff member of an EMI supplier of goods or services; unless the facts of such benefit, gift, services, or loan are disclosed in good faith and are authorized by the Board. Monitors are expected to work out for themselves the most gracious method of declining gifts, entertainment, and benefits that do not meet this standard.

This policy statement is not intended to apply to gifts and/or similar entertainment of nominal value that clearly are in keeping with good business ethics and do not obligate the recipient.

V. ACTION REQUIRED

- Distribution of this policy to all Employ Milwaukee staff.
- Posting of this Policy to the Employ Milwaukee Intranet for open access to all personnel.

REVISIONS:

BOARD APPROVAL DATE: 8/26/21, BOARD OF DIRECTORS EXECUTIVE COMMITTEE

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