

**Indiana Department of Workforce Development - Regulatory Oversight & Compliance  
Fiscal & Administrative Monitoring Tool for PY2018-19**

<b>Date / Time</b>		<b>LWDA &amp; Monitoring Location</b>	
<b>DWD Monitors</b>		<b>Local Participants</b>	

**Overview**

This Fiscal and Administrative Monitoring Tool provides a framework for monitoring programs and activities to be performed within each Local Workforce Development Area (LWDA) under the direction and governance of the Local Workforce Development Board (WDB). The Indiana Department of Workforce Development (DWD) performs annual on-site monitoring of its subrecipients (i.e., WDBs), as required by the Workforce Innovation and Opportunity Act (WIOA) and 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

**Monitoring Goals & Objectives**

DWD Regulatory Oversight and Compliance (ROC) Division staff will examine and evaluate the WDB's capacity to perform the financial management and administrative functions required by federal, state, and local regulations when operating federal and state funded workforce development programs to ensure proper safeguards are in place to protect grant assets. The major areas for monitoring are separated into the two (2) categories: 1) Financial Management and Control, and 2) Administrative Control. Each category is subdivided into sections, and each section is subdivided into objectives. The purpose and projected outcome(s) for each objective are listed below, and the testing procedures described for each are designed to verify and substantiate that objective. The testing procedures, various authorities, and pertinent documentation gathered from the WDB will be used when performing annual desk reviews and on-site visits to evaluate the WDB's compliance with federal, state, and local guidelines.

**Category #1: Financial Management and Control (Objectives 1-5)**

DWD ROC Division staff will evaluate the WDB's capacity to perform the financial management functions required by federal, state, and local guidelines when operating federal and state funded workforce development grants and ensure proper safeguards are in place to protect grant assets. Monitors will focus on financial management systems that relate to budgets, cash management, program income, cost allocation, allowable costs, internal controls, and financial reporting.

**Category 2: Administrative Control (Objectives 6-10)**

Program and grant management systems support grant functions or activities necessary for operation of a project but are not related to the direct provision of services. These grant functions include personnel, administrative and oversight, management information, and reporting systems. Functions not incorporated in Financial Management Systems are included in this section. In addition, activities are included when their purpose is to ensure compliance with applicable statutory, regulatory, and grant requirements common to all ETA grants.

**Category #1: Financial Management and Control**

**Objective #1: Budget Controls** - *The WDB has a method for tracking planned expenditures that allows it to compare actual expenditures or outlays to planned or estimated expenditures.*

- Authority
  - (a) 2 CFR 200.302(b)(5) - Financial management.
- Requirement(s)
  - (a) The WDB has an approved budget that is compared to actual expenditures on a regular basis (e.g., monthly, quarterly) to determine if it needs to modify its budget.
- Test Question(s)
  - (a) How does the WDB review planned vs. actual expenditures?
  - (b) At what frequency are expenses reviewed? (e.g., monthly/quarterly/other)?
  - (c) How are large variances in budgets vs. spending handled?
  - (d) How are investigations conducted to determine the reason for any variance?
  - (e) How are management/administration staff informed of planned vs. actual status?

**Category #1: Financial Management and Control**

**Objective #2: Cash Management** - *The WDB's cash draws are necessary, reasonable, and allocable. The timing and amount of cash draws are planned as close as possible to the planned disbursement date.*

- Authority
  - (a) 2 CFR 200.305(b) - Payment.
- Requirement(s)
  - (a) The WDB has accounting procedures in place to minimize time lapse between cash draws and disbursements, and ensure accountability over all cash-related activities.
- Test Question(s)
  - (a) How often does the WDB draw cash, and how does it determine when and how much cash to draw?
  - (b) Describe the bank statement reconciliation process.
  - (c) Does the reconciliation process account for all check numbers? Investigate outstanding checks after 30 days?
  - (d) What is the process for managing payments received from contractors/vendors?
  - (e) Describe payroll processing (bi-weekly? bi-monthly?) and the payroll contractor, if applicable.
  - (f) Describe how time reporting works. (after-the-fact activity reports? project allocation? certified by employee? reviewed/approved by management?)

**Category #1: Financial Management and Control**

**Objective #3: Internal Controls** - *Effective control, integrity, and accountability are maintained for all grant cash, personal property, and other grant assets.*

- Authority
  - (a) 29 CFR 95.21(b)(3) - Effective control over and accountability for all funds, property and other assets.
  - (b) 2 CFR 200.303 - Internal controls.
- Requirement(s)
  - (a) WDB has adequate safeguards for all grant property and ensures that it is used solely for authorized purposes; has mechanisms in place to prevent unauthorized purchases and disbursements of grant funds; and safeguards its cash and other assets so no one person controls the order, receipt, payment, and reconciliation of an asset.
- Test Question(s)
  - (a) Describe the journal entry and approval process. Where is this documented?
  - (b) Describe how duties are adequately separated to ensure a single individual is not requesting, authorizing, issuing, and reconciling payments. Where is this documented?
  - (c) Describe how assets, equipment, and property are safeguarded. Where is this documented?
  - (d) Describe the security strategies in place for computer systems and employee access, and how these are monitored to minimize threats or breaches. Where is this documented?

**Category #1: Financial Management and Control**

**Objective #4: Cost Allocation** - *The WDB only allocates costs to the grant to the extent that the cost is reasonable and necessary.*

- Authority
  - (a) 2 CFR 200.403 - Factors affecting allowability of costs.
  - (b) 2 CFR 200.404 - Reasonable costs.
  - (c) 2 CFR 200.405 - Allocable costs.
- Requirement(s)
  - (a) The WDB has written policies and procedures for distributing program costs, staff time, and general and administrative costs among programs. There are timesheets or other written evidence that costs being allocated to the grant are necessary and reasonable and are allocated to the grant based on benefit received. The WDB has an approved indirect cost rate or cost allocation plan.
- Test Question(s)
  - (a) Does the WDB have an approved Cost Allocation Plan (CAP)?
  - (b) Does the WDB have an approved indirect cost rate?
  - (c) On what basis are costs allocated?
  - (d) How does the WDB maintain documentation to support the allocations?

**Category #1: Financial Management and Control**

**Objective #5: Cost Classification** - *The entity maintains a system to ensure that grant costs are charged to the appropriate cost category.*

- Authority
  - (a) 2 CFR 200.412-414 - Direct and Indirect (F&A) Costs.
- Requirement(s)
  - (a) The WDB has a methodology for accounting separately for administrative and program costs.
- Test Question(s)
  - (a) Does the WDB's chart of accounts provide a method to track costs by Administration and Program categories?
  - (b) How does the WDB track administrative expenditures against administrative limits to ensure they will not exceed their allowable admin cap?
  - (c) Is there concern that admin activities are being improperly classified as program activities, or vice versa?

**Category 2: Administrative Control**

*Objective #6: Audits and Audit Resolution - The WDB has a system in place for an annual audit of financial activity.*

- Authority
  - (a) 2 CFR Part 200, Subpart F - Audit Requirements.
  - (b) DWD Policy 2016-03 - Grantee and Grantee Sub-Recipient Audit Requirements.
- Requirement(s)
  - (a) The WDB maintains a system for audit in compliance with 2 CFR 200.501 - Audit requirements.
- Test Question(s)
  - (a) Was the WDB's Single Audit completed in a timely manner, no later than 9 months after the end of the entity's fiscal year?
  - (b) Was the WDB's Single Audit submitted to DWD within 30 days of issuance, but no later than 9 months after the end of the audit period?
  - (c) Explain any "significant deficiencies" or "material weaknesses" identified in the WDB's most recent Single Audit.

## Category 2: Administrative Control

**Objective #7: Subrecipient Monitoring & Audit Oversight** - The WDB is responsible for the administration and oversight of the federal award supporting programs and activities. The WDB must monitor these programs and activities funded by federal awards to assure compliance with applicable federal requirements and performance expectations are being achieved. The WDB, as a pass-through entity, must monitor and ensure required audits are conducted and resolved for its subrecipients.

- Authority
  - (a) 2 CFR 200.330 - Subrecipient and contractor determinations.
  - (b) 2 CFR 200.331 - Requirements for pass-through entities.
  - (c) 2 CFR 200.345 - Collection of amounts due.
  - (d) 2 CFR 200.410 - Collection of unallowable costs.
  - (e) DWD Policy 2015-06 - Interim Monitoring Policy.
- Requirement(s)
  - (a) The WDB maintains policies and procedures for core management functions and program operations.
  - (b) Written monitoring tools and procedures are used to monitor all elements of the grant Statement of Work (SOW) against performance objectives and compliance with uniform administrative requirements.
  - (c) The WDB has a system in place to ensure required subrecipient audits are timely conducted and properly resolved.
  - (d) The WDB is aware of and has met the financial system requirements, including established processes for debt collection.
- Test Question(s)
  - (a) Describe the WDB's subrecipient monitoring process.
  - (b) Describe the process the WDB uses to assess RISK for each of its subrecipients.
    - (1) Provide risk assessment tool to [oversight@dwd.in.gov](mailto:oversight@dwd.in.gov).
  - (c) Are there FISCAL \*and\* PROGRAM components within subrecipient monitoring process?
  - (d) Does the WDB monitor its subrecipient(s) on at least an annual basis?
  - (e) Who conducts PROGRAM monitoring of the OSO?
  - (f) Who conducts FISCAL monitoring of the OSO?
  - (g) Who conducts PROGRAM monitoring of the SPs?
  - (h) Who conducts FISCAL monitoring of the SPs?
  - (i) Does the WDB issue WRITTEN monitoring reports to its subrecipients?
  - (j) How soon after subrecipient monitoring are reports issued?
  - (k) Describe how subrecipient MONITORING findings resolved.
  - (l) Describe the system the WDB has in place to ensure subrecipient AUDITS are conducted and resolved.
  - (m) Describe the procedures in place to ensure debts (e.g., disallowed costs) are collected.



**Category 2: Administrative Control**

**Objective #8: Record Retention** - Record retention practices must comply with applicable federal and state laws and regulations.

- Authority
  - (a) 2 CFR 200.333 - Retention requirements for records.
  - (b) 2 CFR 200.82 - Protected Personally Identifiable Information (Protected PII).
  - (c) 2 CFR 200.303 - Internal controls.
  - (d) TEGL No. 39-11 - Guidance on the Handling and Protection of Personally Identifiable Information.
  - (e) DWD Policy 2007-46 - Guidance on the Proper Handling of Social Security Numbers.
- Requirement(s)
  - (a) The WDB maintains and follows record retention guidelines that meet federal and state requirements.
- Test Question(s)
  - (a) Describe the WDB's record retention policies and practices.
  - (b) Describe specifically how Protected PII is handled.

## Category 2: Administrative Control

**Objective #9: Equipment** - WDBs that purchase equipment with grant funds have a system in place, including written policies and procedures, to ensure written approval is received prior to purchasing said equipment. The WDB maintains a property management system in accordance with federal and state guidelines.

- Authority
  - (a) 2 CFR 200.310 - Insurance coverage.
  - (b) 2 CFR 200.313 - Equipment.
  - (c) 2 CFR 200.314 - Supplies.
  - (d) 2 CFR 200.420-200.475 - General Provisions for Selected Items of Cost
  - (e) 2 CFR 200.439 - Equipment and other capital expenditures (prior approval).
  - (f) 2 CFR 200.459 - Professional service costs.
  - (g) DWD Policy 2015-02 - Property Management/Surplus Property Policy.
- Requirement(s)
  - (a) The WDB has a system in place for the acquisition, management, and disposition of equipment purchased with grant funds.
  - (b) The WDB, as applicable and required, seeks and receives written approval prior to purchasing equipment, and maintains written evidence of prior approval received for items purchased with grant funds.
- Test Question(s)
  - (a) Describe the WDB's inventory control system and how it ensures adequate safeguards to prevent loss, damage, and theft of the property.
  - (b) Describe the process the WDB uses to determine when pre-approval is required, and how pre-approval is obtained.
  - (c) Describe the WDB's property disposition procedure.

## Category 2: Administrative Control

*Objective #10: Procurement - All procurement actions are conducted in a manner that provides for full and open competition.*

- Authority
  - (a) 2 CFR 200.317-200.326 - Procurement Standards
  - (b) 2 CFR 200.317 - Procurements by states.
  - (c) 2 CFR 200.318 - General procurement standards.
  - (d) 2 CFR 200.326 - Contract provisions.
- Requirement(s)
  - (a) The WDB follows their own procurement procedures which reflect applicable federal, state, and local laws, regulations, and standards.
  - (b) The WDB maintains a system for the administration of contracts, including appropriate contract or subrecipient clauses.
  - (c) The WDB and LWDA maintain written standards for conflict of interest (COI) that govern the actions of its officers, employees, and agents engaged in the selection, award, and administration of contracts, and provide for disciplinary actions to be applied for violations.
- Test Question(s)
  - (a) Describe the WDB's procurement activities and processes, and how it ensures full and open competition.
  - (b) Describe how procurement activities are separated so there is no conflict of interest.
  - (c) How often are the WDB and LWDA procurement policies/procedures reviewed and updated?
  - (d) Who within the WDB and LWDA are involved in procurement/RFP, selection, award, or contract administration processes?
  - (e) Who specifically is covered by a WDB or LWDA COI policy/procedure?
  - (f) How often are signed COI statements collected from these officers, employees, and agents?