

The letters S, M, A, R, and T are stacked vertically. Each letter is inside a circle. The circles are connected by a dashed line that starts with a small circle at the top and ends with a small triangle at the bottom. The background features a pattern of overlapping circles in light blue and orange.

S
M
A
R
T

Strategies

Monitoring

Accountability

Risk Mitigation

Transparency

Monitoring and Oversight

SMART 4.0

Hosted by the Office of Grants Management
Division of Compliance Assistance and Policy
Employment and Training Administration
U.S. Department of Labor

SMART 4.0 Training Series

- The training modules are focused on: **S**trategies for sound grant management that includes **M**onitoring, **A**ccountability, **R**isk mitigation and **T**ransparency.
- **4.0 focuses on Risk Identification and SMART Practices!**



Disclaimer

SMART 4.0 is part of the catalog of SMART grant management tools. This conference and its materials should be viewed primarily as a support resource. It is not intended to be comprehensive, but rather to provide an understanding of 2 CFR 200, 2 CFR 2900, and the management of ETA grants. The use of these SMART 4.0 modules does not ensure compliance. Any omission of an applicable Federal requirement does not waive a grant recipient or subrecipient's responsibility to comply with that requirement.

If, in any instance, there appears to be a conflict with the program statute, Federal regulations or OMB guidance, such conflict must be resolved in favor of the statute, Federal regulations, or OMB guidance. All the information contained in the SMART 4.0 modules may not be reproduced or distributed for a fee or profit.

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Module Overview

- Applicability and Responsibilities.
- Pre-Monitoring Readiness and Preparation.
- Monitoring Methods and Activities.
- Effective Evidence Based Monitoring Reports.
- DOL's Monitoring Process.
- Risks and SMART Practices.



S
M
A
R
T

Applicability and Responsibilities

Applicability

Monitoring requirements apply to recipients, pass-through entities (PTEs) and subrecipients of a Federal award:

- States and local governments.
- Non-profit organizations.
- Indian tribes.
- Institutions of Higher Education (IHE).
- For-profit or commercial entities.*
- Foreign organizations and foreign public entities.*

*Uniform Guidance revisions and DOL's exceptions both expanded applicability to include for-profits, foreign public entities, and foreign organizations [\(2 CFR 200.101\(a\)\(2\)\)](#) and [\(2 CFR 2900.1\)](#).

Recipient and Subrecipient Responsibilities

Recipients and subrecipients must monitor its activities under Federal awards to:

- Ensure compliance with applicable Federal requirements.
- Performance expectations are being achieved.

Direct grant recipients and subrecipients under WIOA Title I must conduct annual oversight and monitoring of its WIOA and Wagner-Peyser Act programs(s).

See [2 CFR 200.329\(a\)](#) and [20 CFR 683.410\(a\)](#).

Pass-Through Entity (PTE) Responsibilities

- Direct recipients (pass-through entities, PTEs) who have subrecipients must monitor the activities of the subrecipient to ensure the following [\(2 CFR 200.332\)](#):
 - Subaward is used for authorized purposes.
 - Incompliance with Federal statutes, regulations, and the terms and conditions of the subaward.
 - Subaward performance goals are achieved.
 - Reviewing financial and programmatic reports.
 - Following-up to ensure appropriate action on all deficiencies.
 - Issuing a management decision for audit findings.
 - Verify that every subrecipient is audited, if required.

WIOA Applicability

WIOA Sec.184

- Governors are responsible for developing the monitoring system.

20 CFR 683.400(c)(2)

- States are required to:
 - Perform annual on-site monitoring of local areas,
 - For compliance with applicable laws and regulations,
 - In accordance with State monitoring system.



Pre-Monitoring Readiness and Preparation

Readiness: Policies and Procedures

Review policies and procedures for the following:

- **Who:** Who are the key personnel/staff members? Who is performing the review of these procedures?
- **What:** What is the purpose of the policy or procedure?
- **Where:** Where are these procedures being done?
- **When:** How often? Timeframe for each process?
- **How:** What tools, systems, and formats are being used to conduct these policies and procedures? Are processes being done in accordance with written policies and procedures?

Readiness: Resources and Methods

■ A risk assessment tool:

- A tool used to direct your limited monitoring staff's resources and time.
- Used to determine high-risk areas/areas that need immediate review.
- Also used to identify entities (i.e., subrecipients) that will need to be reviewed.

■ Monitoring tools can include:

- Analytical tools that assist staff in reviewing financial and programmatic reports.
- Interviewing techniques and questions.
- Testing methods, including sampling techniques.
- Desk monitoring guides.
- Customized on-site monitoring guides.

■ Please consider a uniform format for monitoring reports and monitoring-related correspondence.



Monitoring Methods and Activities

Monitoring – Remote or On-Site (1)

Remote Monitoring/Desk Review:

- May use the same monitoring instruments as an on-site review.
- Monitoring methods and activities may have to be adjusted for desk (remote) monitoring.
 - Not a perfect substitute for on-site monitoring.
 - Should only be used when and where deemed appropriate, some considerations:
 - › Utilize risk assessments to determine when a desk review is appropriate monitoring method.
 - › Complexity of review.

Monitoring – Remote or On-Site (2)

On-Site Review

- Use monitoring tools and reports
- Conduct in-person interviews and walkthroughs
- Full access to all documents
- Collection of digital and hard copy documents
- Review materials primarily on-site
- Observe and analyze performance, activities, and services
- Safeguard protected and non-sensitive Personally Identifiable Information (PII)
- Generally limited to 1-2 weeks
- Ad hoc time with staff

Desk Review

- Use monitoring tools and reports
- Video/ telephone interviews that are scheduled
- Access to documents upon request
- Primarily limited to digital documents and if receiving hard copy documents, arrangements need to be made
- Review materials off-site
- Analyze performance, activities, and services remotely
- Safeguard protected and non-sensitive PII
- Flexibility to span several weeks
- Scheduled time with staff

Review and Analysis (1)

- Review program activities.
- Review systems.
 - Program Design.
 - Service Delivery System.
 - Financial and Administrative System.
 - Program/Performance Accountability.
- Review policies and procedures.
 - Required from the Uniform Guidance and your organization's policies.
- Analyze all information gathered.

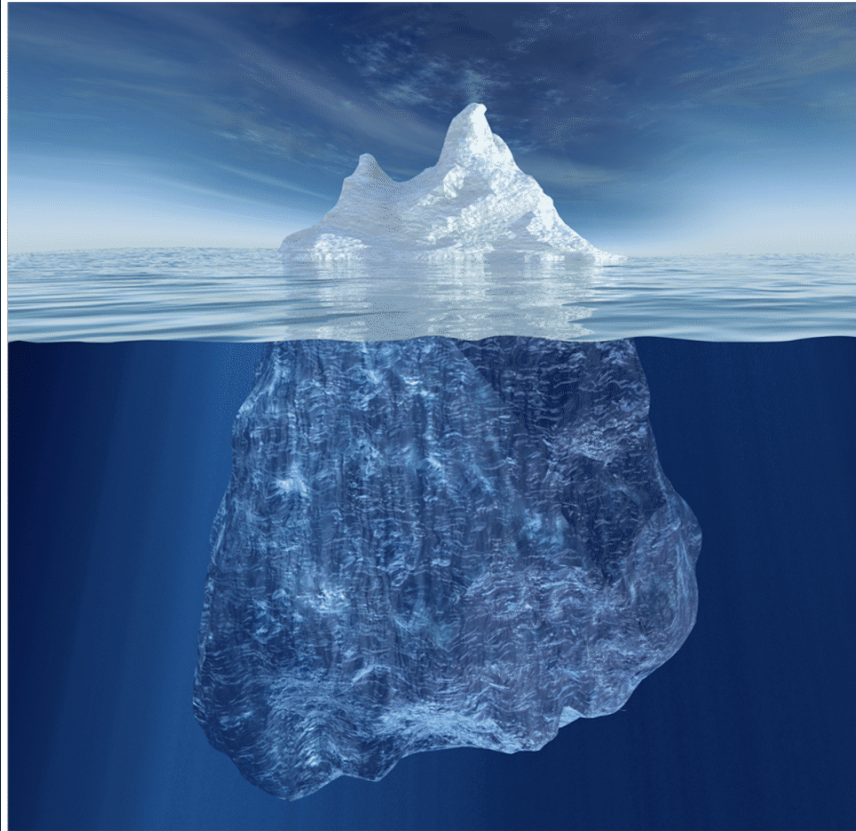
Review and Analysis (2)

- Review data from quarterly and/or annual reports.
 - Performance reports.
 - Financial reports.
 - Program narrative reports.
- Analysis of performance and financial reports must include:
 - A comparison of actual accomplishments to the objectives of the award.
 - Computation of the cost for quantifiable goals.
 - Performance trend data and analysis, to include:
 - › Reasons why established goals were not met, if appropriate.
 - › Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs [2 CFR 200.329\(c\)\(2\)](#).

Interviewing and Testing

- Interview/inquire with staff at the organization or subrecipient level.
 - Use open-ended questions to get better information.
 - Utilize the five whys technique to find the root cause of an issue/problem.
- Testing methods:
 - Review policies and procedures.
 - Observe and walkthrough processes with key staff.
 - Examine or inspect evidence.
 - › Review financial documents such as bank statements, financial reports, etc.
 - › Sample transactions.
 - › Tracing back to supporting documentation.
- Test internal controls.
 - Control activities review, policies, segregation of duties, reconciliation.

5 Whys Technique to Finding the Root Cause



Symptoms

Above the water-
this is what you
observe.

Conditions

Below the surface -
this is the condition,
problem or area of
non-compliance
that you identify
behind the
symptom.

Causes

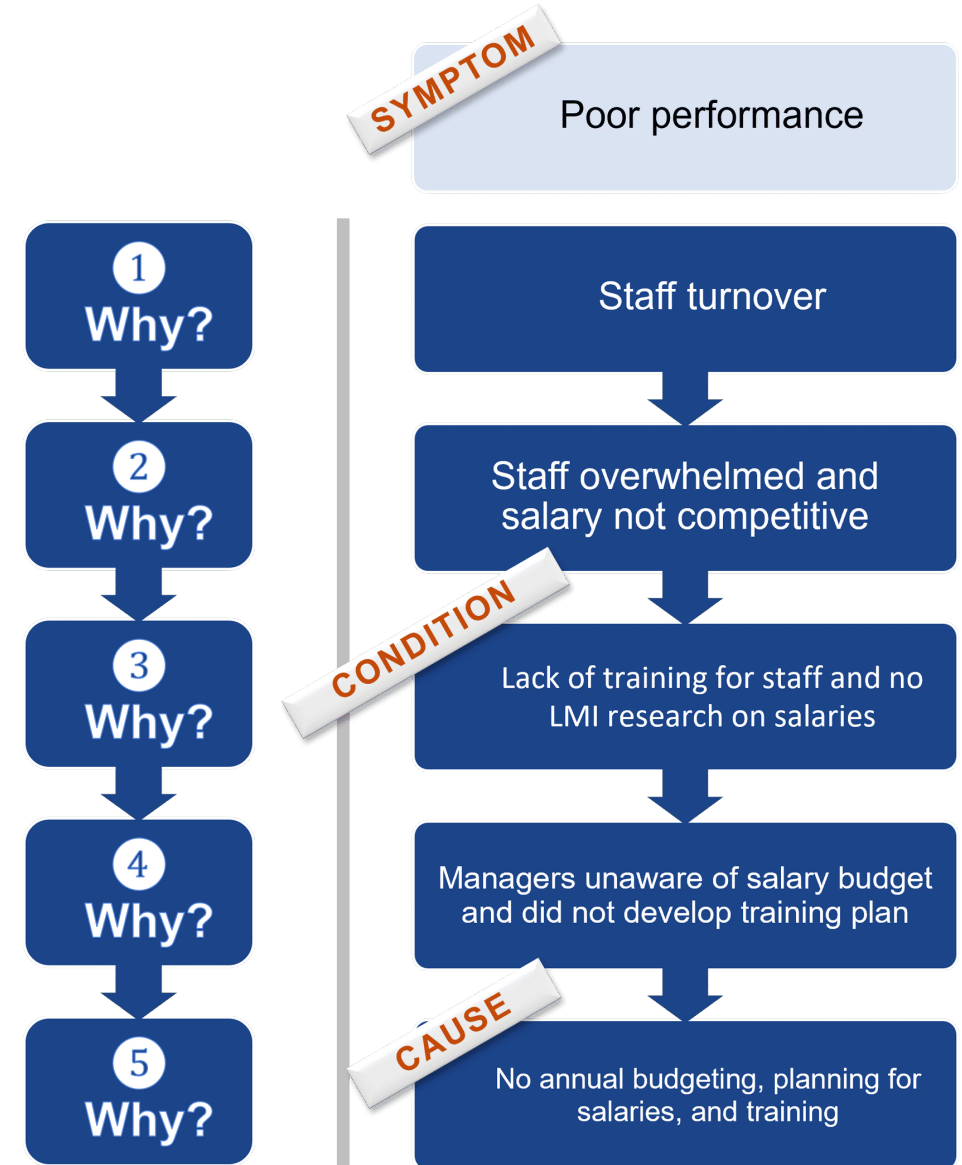
Below the condition
– this is the reason
for the condition
and resulting
symptoms.

5 Whys Technique (1)

- A common monitoring error in developing a finding is to misidentify a symptom as a condition.
- Consider using the “Five Whys” technique to help identify conditions and causes.
 - Helps move beyond symptoms of a problem by repeating the question “Why?” as each answer forms the basis of the next question.

5 Whys Technique (2)

- How does the “5 Whys” technique assist with monitoring?
 1. Why did the grant recipient fail to meet their performance measures?
 2. Why did the grant recipient lose staff?
 3. Why didn't they provide training or a competitive salary?
 4. Why didn't they adjust their salary rates or provide training in-house?
 5. Why wasn't the budget shared with managers responsible for hiring and training?



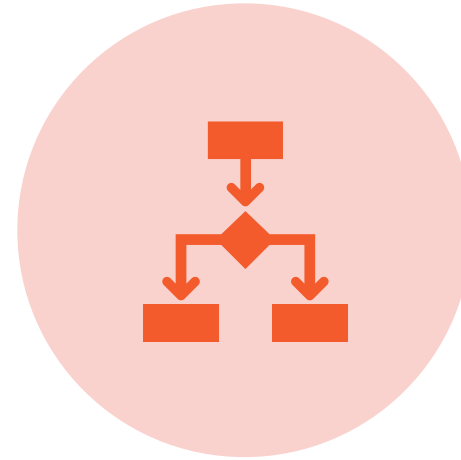
Observation

- Do a walkthrough and make observations of processes.
 - Walk through performance and accounting systems to gauge the systems reliability.
 - Gain a better understanding of the systems and processes.
 - Address weaknesses and deficiencies.
 - Assist in identifying areas where more testing may be needed.

Post Monitoring Activities



Effective Evidence Based
Monitoring Reports



Resolution



Effective Evidence Based Monitoring Reports

Effective Evidence Based Monitoring Report

Report should be:

- Timely.
- Specific.
- Open.
- Clear.
- Consistent.
- Correct.
- Convincing.



Document Your Results (1)

- Record notes and identify issues and what evidence or supporting document was used for the basis for the finding is on record.
 - Critical that any potential findings of compliance issues are supported with evidence: observations and documents that demonstrate and support the finding.
 - Such documentation becomes part of the monitoring file.
- A finding versus an area of concern.
- A 'finding' is any specific violation of:
 - Program authorization/statute.
 - Other applicable Federal statutes.
 - Applicable appropriations.
 - Implementing regulations.
 - Executive Orders.
 - FOA requirements for discretionary awards.
 - Special conditions attached to the award.
 - OMB Circulars (including [2 CFR part 200](#) & [2 CFR part 2900](#)).

Document Your Results (2)

Area of Concern:

- Activities related to effectiveness objectives or indicators have not been met and could possibly result in a finding at some later point if not addressed.
- Not specific compliance violations but may have negatively impacted program or could lead to a finding in the future.
- Traditionally, no corrective action is specified but suggestion for improvement may be made.

Document Your Results (3)

- Questioned costs are Federal funds expended in **violation** of provisions of the applicable **laws, regulations, or award terms**, or an expenditure that is **not supported** by adequate documentation to show that it is an **allowable cost**.
- Questioned costs also include what appear to be unreasonable costs, even if they are not specifically unallowable.
- Includes a cost questioned by (DOL's exception [2 CFR 2900.3](#)):
 - An auditor.
 - A Federal project officer.
 - A grant officer.
 - Other authorized DOL representative.

4 Cs – Condition, Criteria, Cause, & Corrective Action (1)

Components of a well-written finding.

- Your monitoring team must collect and process information to facilitate writing **clear** and **concise findings** with **corrective actions** that fix the **cause** of the identified **condition** and **prevent** it from **happening again**.
- The **4 C's**: Condition, criteria, cause, and corrective action.
 - Condition: Describe the problem.
 - Criteria: Specify the regulation/policy in question.
 - Cause: Explain why the problem exists.
 - Corrective action: Propose needed remedy.
- Look to the Core Monitoring Guide (Page 25) for the 4 C's discussion.

4 Cs (2)

- **Condition:** Describe and document any conditions that constitute a compliance violation that was found during the desk review and on-site monitoring visit.
- For example:
 - No physical inventory of equipment and other capital assets was taken during the last three fiscal years.
- **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 to account for and safeguard assets.

4 Cs (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 assignment of staff duties have resulted in the lack of compliance.
- **Corrective Action:** It is important to specify what corrective action the recipient and/or 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.

Resolution (1)

WIOA 20 CFR 683.420

- The Governor or direct grant recipient is responsible for resolving findings that arise from the monitoring reviews, investigations, other Federal monitoring reviews, and audits.
- A State or direct grant recipient must use the audit resolution, debt collection, and appeal procedures that it uses for other Federal grant programs to resolve audits, investigations, monitoring, and oversight findings.
- If no such procedures exist, a State or direct grant recipient must prescribe standards and procedures to be used for the grant program.

Resolution (2)

- Must have policies and procedures for resolving areas of non-compliance and ineffectiveness.
- A corrective action should outline:
 - What will be done and by when.
 - Who will do it.
 - What is the intended outcome.
 - When will the corrective action be evaluated for compliance and effectiveness.
- Resolve questioned costs.
 - Provide missing documentation.
 - Make repayment.
 - › Transfer cost to non-Federal source.
- Track until corrective action is completed. Verify on-site, if appropriate.
- If action is not completed within required timeframe, determine appropriate actions.

Resolution (3)

Management Decisions ([2 CFR 200.521](#))

- The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.
 - This applies to audits and compliance monitoring reports.
- PTEs are responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients ([2 CFR 200.332\(d\)](#)).

Resolution (4)

Pass-through Entity Management Decision Responsibilities ([2 CFR 200.332\(d\)](#)):

- Ensure corrective action.
- Allow or disallow costs.
- Establish debt.
- Provide appeal rights.
- No prescribed system of resolution in the Uniform Guidance.

Resolution (5)

If corrective action is not completed:

- Take formal action.
- Recommended to use DOL's process:
 - Initial determination.
 - Informal resolution.
 - Final determination.
 - Establish debt.
 - Require corrective action.
 - Determine liability, restitution, and sanctions.
 - Opportunity for hearing.

Resolution (6)

Remedies for noncompliance ([2 CFR 200.339](#)).

Pass-through entity may take action:

- Impose specific conditions per [2 CFR 200.208](#).
- Take one or more specific actions authorized in the Uniform Guidance ([2 CFR 200.339\(a-f\)](#)).
 - Temporarily withhold cash payments pending correction of the deficiency.
 - Disallow all or part of the cost of the activity or action not in compliance.
 - Wholly or partly suspend or terminate the Federal award.
 - Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a 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.

Check Your Knowledge in 60 Seconds

Answer True or False

- 1) A questioned cost is subject to disallowance when it is a violation of law, regulation, and subaward terms and conditions.
- 2) Once the subaward has expired, there is no further need for resolution of findings.





DOL's Monitoring Process

Why We Monitor

- To assist and ensure grant recipients are in compliance with Federal grant requirements.
 - Programmatic.
 - Financial and Administrative.
- To assist and ensure grant recipients efficiently and effectively administer the grant.
 - Processes.
 - Operationally.
 - Reporting.
- To ensure grant recipients meet program performance measures.
 - Federal Outcomes.
 - Secretary's Measures.
 - Agency/Grant Recipient Measures.
- To provide technical assistance.

The Core Monitoring Guide

- ETA uses the **Core Monitoring Guide (CMG)** as a tool for monitoring to assess for compliance.
- If you do not have a monitoring process in place, consider using the Core Monitoring Guide for structure.
- The Core Activities include Service Design and Delivery, Grant Operations, and Financial Management which all contain:
 - Objectives- address a specific requirement or topic contained in statutes, regulations, the Funding Opportunity Announcement, Grant Terms and Conditions, and Uniform Guidance.
 - Indicators - including citations to appropriate Federal guidance, regulation, and/or law.
- **Do not reference the CMG as an authoritative document.**



Risks and SMART Practices

Common Risks

- Lack of policies and procedures to monitor grant activities and subrecipients.
 - Over reliance on common practices vs written policies and procedures.
 - Lack of information and guidance on how to implement policies and procedures.
- Lack of progress monitoring tools that cover each program function or activity.
- Not following through on the resolution of corrective action plans.
- Not identifying increased risk and adjusting the type/level of monitoring required.
- Lack of staff having necessary access to critical documents and information.
- Lack of communication between fiscal and program staff.

SMART Practices

- Develop monitoring tools, train staff, and install a process for regularly monitoring your federal award (and your subrecipient if applicable).
- Outline steps for timely corrective action of monitoring-related findings and areas of non-compliance or ineffectiveness.
- Identify and address risk in your organization.
- Maintain effective internal controls and test them on a frequent basis.

Any Questions?



Testing For Compliance

The purpose of ETA monitoring is to assess for compliance using the Core Monitoring Guide (CMG). Here is a list of indicators that are tested by discussed in this module.

■ **Objective 2.f: Subrecipient Management & Oversight.**

- If applicable and as a pass-through entity (PTE), the grant recipient manages all of its subrecipients and tracks their performance and compliance in meeting the terms and conditions of the subaward.
 - › Indicator 2.f.1: Subrecipient and Contractor Determination
 - › Indicator 2.f.2: Pre-Award Risk Analysis
 - › Indicator 2.f.3: Post Subaward Responsibilities
 - › Indicator 2.f.4: Subrecipient Monitoring

■ **Indicator 3.b.3: Subrecipient's Financial Reporting.**

■ **Indicator 3.h.2: Subrecipient's Audit.**

- Also, consider utilizing the entire **Core Monitoring Guide** as a resource.

Monitoring and Oversight Resources

- [Core Monitoring Guide](#)
- [One-Stop Financial Management Guide \(TAG\)](#)
- DOL Exceptions [2 CFR Part 2900](#)
[2 CFR 2900.3](#)
- WIOA Administrative Provisions [2 CFR 683.400-440](#)
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards [2 CFR Part 200](#)
[2 CFR 200.1](#)
[2 CFR 200.207](#)
[2 CFR 200.303](#)
[2 CFR 200.329](#)
[2 CFR 200.331](#)
[2 CFR 200.332](#)
[2 CFR 200.338](#)
[2 CFR 200.343](#)
[2 CFR 200.521](#)

Thank You!