



RISK ASSESSMENT POLICY

- 1.0 Purpose.** The Workforce Investment Act requires a system of accountability to ensure an optimum return on Federal funds invested in programs and activities administered by Local Workforce Investment Areas (LWIAs). As part of this responsibility, a risk assessment approach is used to narrow and concentrate the scope of review.
- 2.0 Requirements.** Monitoring reviews are to be conducted on an ongoing basis and should include risk assessments to ensure compliance with Sections 183-185 and 12—134 of the WIA; 20 CFR Part 667, Subpart D; 29 CFR Parts 95 and 97, Uniform Administrative Requirements; One Stop Comprehensive Financial Management and Technical Assistance Guide (USDOL, August 2002), Appendix E; appropriate OMB Circulars; Financial Management Technical Assistance Guide, WIIN 2-00, Change 2, WIIN 3-00, Change 1, and the state WIA plans and policies. The four steps to conducting a risk assessment are:
- (A) Define the scope of risk being assessed. “Which contractors involve the most risk exposing the LWIB to adverse consequences?”
 - (B) Identify areas of possible exposure associated with taking additional risks. “What is the vulnerability of the LWIA and LWIB if contractor compliance with WIA fiscal system requirements is monitored less frequently?”
 - (C) Identify factors used to assess risk. “Has the contractor experienced major changes in personnel or practices since the last review? What is the structure for provision of services? Is there a history of disallowed costs? Is there a significant history of prior monitoring and/or audit findings? What is the contractor’s share of the LWIA’s allocation?”
 - (D) Project the risk. Assign point values to the scoring system. The numerical ratings can then be used to help the LWIB determine how to allocate its monitoring resources.

The risk factors to be considered include:

- (A) Was there a change in provider’s personnel or practices since the last on-site review?
- (B) What is the structure for provision of services?
- (C) Is there any history of disallowed costs?
- (D) What is the extent of recent audit or monitoring findings?
- (E) What is the contractor’s share of the local area’s WIA allocation?



POLICY – 108

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The scoring system for service provider risk assessment includes:

- (A) Was there a change in provider's personnel or practices since last on-site review?
 - 15 points = Extensive change
 - 8 points = Some change, not extensive
 - 0 points = Little or no change

- (B) What is the structure for provision of service?
 - 10 points = No services are provided directly by the contractor
 - 5 points = Contractor provides some services and purchases some services
 - 0 points = Contractor's staff provides all or nearly all services directly

- (C) Is there any history of disallowed costs?
 - 20 points = More than one instance of disallowance
 - 15 points = A single instance of disallowance
 - 0 points = No disallowances have occurred

- (D) What is the extent of recent audit or monitoring findings?
 - 25 points = Substantial audit or monitoring findings within the past two years
 - 20 points = Some audit or monitoring findings within the past two years
 - 0 points = No audit or monitoring findings within the past two years

- (E) What is the contractor's share of the local area's WIA allocation?
 - 15 points = More than 25% of the LWIA's allocation
 - 8 points = 10% to 25% of the LWIA's allocation
 - 0 points = Less than 10% of the LWIA's allocation

RCWE staff should provide quality technical assistance to contractors in enhancing program performance and accountability. If deficiencies or concerns have been identified, it will be necessary to work closely with the contractor in correcting these issues. Contractors that exhibit a pattern of inconsistency in providing quality services should be considered for risk assessment monitoring. This action will allow monitoring staff the opportunity to make adjustments necessary to create a sound oversight system for the LWIA.

3.0. Frequency. Contractors may be classified as either High Risk or Low Risk for the purposes of measuring program accountability. At a minimum, High Risk contractors must be monitored annually. It is recommended that Low Risk contractors be monitored, at a minimum, once every three years. In any case, the LWIB has the discretion to increase monitoring frequency.



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4.0. History.

Name	Date	Rev Level	Description of change	Effective Date
Debra O'Neil	5/01/2009	A	New Policy	7/01/2009

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