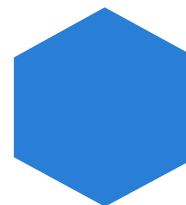


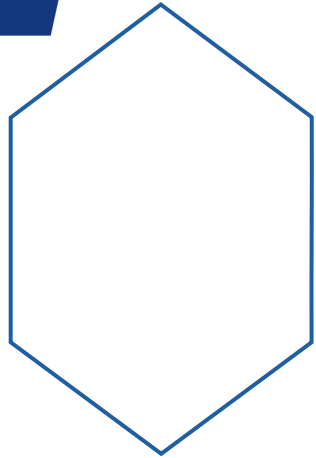


RISK ASSESSMENT

An Overview

June 20, 2024





Training Objectives





**What is it and
what is its
purpose?**





Risk Assessment Methodology

Four Components



Assess risk- Consider which contract(s) involve the most risks that may expose the local board to adverse consequences.



Identify frequency in which to monitor sub-recipients – Consider the level of vulnerability to the local area or local board if a contractor's compliance with programmatic and fiscal system requirements is not systematically and regularly monitored.



Identify the factors used to assess risk – What items do the local board think are important to review and necessary to identify to avoid instances of fraud, waste, and abuse.



Project the risk – Assign well-defined, supported point values to the scoring system. The numerical ratings must be used to determine the overall risk associated with, and how often to monitor each sub-recipient.





Possible reasons for risk assessment failures

1. Lack of a formal process
2. Lack of clearly defined and accepted risk levels
3. Timing of assessment(s)
4. Team member representation
5. Lack of authority to impact change





Federal Risk Assessment Process





WHAT IS ERM?

It is the capability to effectively answer the following questions:



- Circular depiction is highly intentional

- Components are meant to be dynamic (reviewed back/forth in any sequence)

- Having the right culture is key





L&I's Risk Assessment Process



Pre-Risk Assessment



L&I assesses local area risk once per year during the pre-award phase. The pre-risk assessment is done prior to the beginning of a new program year.

| | 2024 | | | | | | | | | | | | 2025 | | | | | | | | | | | |
|-----------------|---------|-----|------------------|-----|-----|-----|---------|-----|------|-----|-----|-----|------|-----|------------------|-----|-----|-----|---------|-----|------|-----|-----|-----|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
| Risk Assessment | | | PY 2024 Pre-Risk | | | | | | | | | | | | PY 2025 Pre-Risk | | | | | | | | | |
| Program Year | PY 2023 | | | | | | PY 2024 | | | | | | | | | | | | PY 2025 | | | | | |



Risk Assessment Factors/Standards

- **Funding Level**

Point values are assigned based on the total level of WIOA funds received by the LWDA. LWDA's receiving more funding are assigned a higher point value up to 10 points.

- **Personnel Changes**

Point values are assigned based on key staffing changes in the last two program years. This includes changes to the LEO, LWDB Chair, LWDB staff director, LWDA fiscal manager/staff, LWDB monitor, and WIOA Title I service provider.

- **Monitoring Findings**

Point values are assigned based on the total number of findings levied in the last monitoring year, for example, which includes the latest completed program year monitoring. There is a one-to-one relationship between the number of findings and the point value.

- **Frequency of Findings**

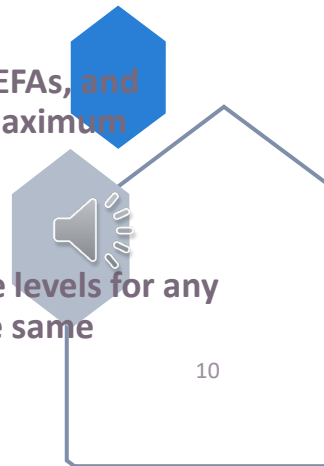
Point values are assigned based on the number of re-occurring findings within the last two completed program years. Unlike the monitoring findings factor, there is a three-to-one relationship between the number of reoccurring findings and the point value, up to a total of 10 points for four or more recurring findings.

- **Previous Audit Results**

Point values are assigned based on the LWDB's ability to submit audit reports timely, reconcile SEFAs, and whether the audit report had findings. These are tallied for the last three audit cycles with the maximum number of points levied for a particular fiscal year being capped at 10 points.

- **Performance**

Point values are assigned based on whether a local area failed to meet the adjusted performance levels for any of the WIOA primary indicators in the past two program years. Additional points are added if the same performance indicator was missed for two consecutive program years.

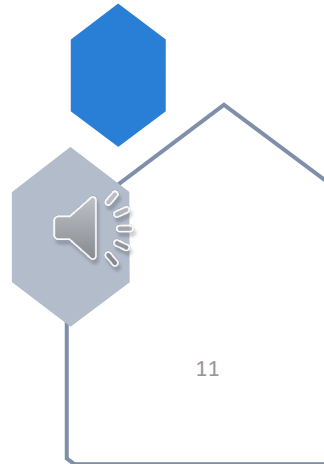




Risk Assessment Protocol

L&I's three risk levels are low risk, medium risk, and high risk and carry the current point values:

- Local areas having a total risk score of 10 or less are designated in the **low-risk category**. When a LWDA is in the low-risk category, there are no additional actions needing to be taken to mitigate the level of risk.
- Local areas having a total risk score between 11 and 30 points are designated in the **medium-risk category**. When a LWDA is in the medium-risk category, there may be a mix of mandatory and voluntary control activities, like additional technical assistance, to assist the LWDA in determining how to lower their risk level for the future.
- Local areas having a total risk score higher than 30 are designated in the high-risk category. When a LWDA is in the **high-risk category**, L&I may impose a series of mandatory control activities, like required trainings, to determine the exact cause of the elevated risk and to more aggressively assist the LWDB in reducing its overall risk level.





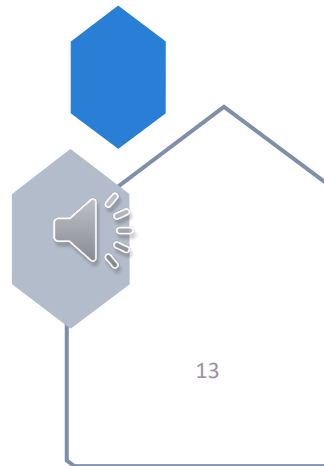
Sub-recipient Risk Assessment Requirements for LWDBs





Local Oversight Plans

- LWDBs are required to have a local oversight plan, which must be updated annually, and designed to demonstrate that an entity can meet the requirements of the grant agreement, on-time, and within cost limits. This plan must incorporate a risk-assessment approach as part of its oversight plan. The results must inform the frequency and manner in which oversight will take place.
- Local risk assessment plans must include the four components identified earlier in this presentation. Those components again are:
 - Assessing the risks
 - Identifying the frequency in which to monitor sub-recipients
 - Identifying the factors used to assess risk
 - Projecting the risk



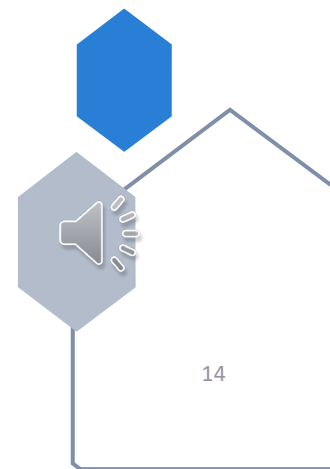
Required Risk Factors



At a minimum, the following factors must be answered and evaluated:

- Is the service provider new to operating or managing state or federal funds, or has not done so in the past five years?
- Whether the sub-recipient has new personnel or new or substantially changed systems.
- The extent and results of Federal awarding agency monitoring (e.g., if the sub-recipient also receives Federal awards directly from a Federal awarding agency).
- Does the provider lack effective operational and fiscal procedures and controls?
- The results of previous audits including whether the sub-recipient receives a Single Audit in accordance with 2 CFR 200, Subpart F—Audit Requirements of this part, and the extent to which the same or similar sub-award has been audited as a major program.
- What is the contractor's share of the local area's allocation?

Local boards may include additional steps, risk factors and questions in developing a comprehensive risk-assessment methodology.





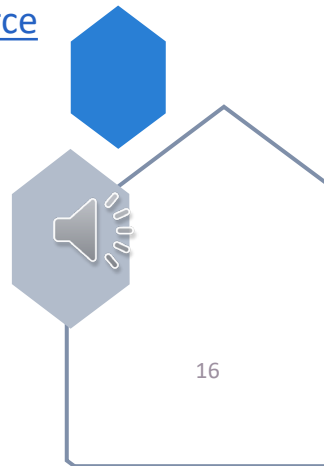
Additional Resources



Federal Legislation Reference



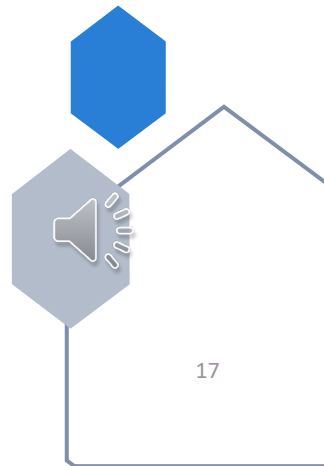
- ❑ **2 CFR Part 200** - <https://www.ecfr.gov/current/title-2/part-200>
- ❑ **Title 2 Subtitle A Chapter II Part 200 Subpart D § 200.303 Internal controls** – <https://www.ecfr.gov/current/title-2/section-200.303>
- ❑ **§ 200.507 Program-specific audits** – <https://www.ecfr.gov/current/title-2/section-200.507>
- ❑ **§ 207.8 Management cost funding oversight** - <https://www.ecfr.gov/current/title-44/section-207.8>
- ❑ **Title 20 Chapter V Part 618 Subpart H § 618.860 General fiscal and administrative requirements and cost classification** - <https://www.ecfr.gov/current/title-20/section-618.860>
- ❑ **Title 20 Chapter 5 Part 683 Subpart B § 683.220 Internal controls** - [eCFR :: 20 CFR 683.220 -- What are the internal controls requirements for recipients and subrecipients of Workforce Innovation and Opportunity Act title I and Wagner-Peyser Act funds?](#)
- ❑ **Title 45 Subtitle A Subchapter C Part 164 Subpart C § 164.308** - [eCFR :: 45 CFR 164.308 -- Administrative safeguards.](#)
- ❑ **Title 29 Subtitle A Part 97 Subpart B § 97.12** - [eCFR :: 29 CFR 97.12 -- Special grant or subgrant conditions for “high-risk” grantees.](#)
- ❑ **Title 20 Chapter V Part 679 Subpart C** - [eCFR :: 20 CFR Part 679 Subpart C -- Local Workforce Development Boards](#)



Commonwealth References



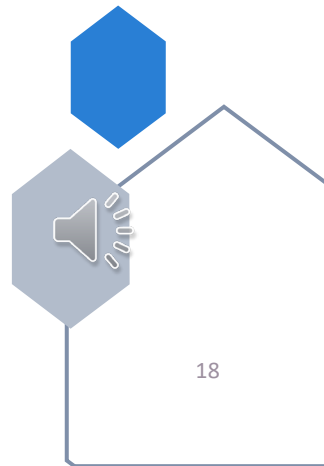
- ❑ **Internal Control Management and Evaluation Tool (August 2001)** - [GAO-01-1008G Internal Control Management and Evaluation Tool](#)
- ❑ **Workforce System Policy (WSP) No. 183-01 (C1)** – Administration, Oversight and Monitoring (April 15, 2019) - [WSP No. 183-01 \(C1\).pdf \(pa.gov\)](#)
- ❑ **Workforce System Policy (WSP) No. 03-2015, December 22, 2015** – Financial Management Policy - [WSP 03-2015.pdf \(pa.gov\)](#)
- ❑ **Financial Management Guide (FMG – 2021)** - [Financial-Management-Guide-2021.pdf \(pa.gov\)](#)
- ❑ **Workforce System Policy (WSP) No. 184-02 (Change 1)** - [WSP-No-184-02-Sanctions-Change-1.pdf \(pa.gov\)](#)



Example Risk Assessments



- ❑ Federal Financial Institutions Examination Council (FFIEC) - [FFIEC CAT May 2017 Inherent Risk Profile.pdf](#)
- ❑ Housing & Urban Development (HUD) - [IC QUESTIONNAIRE ATOOL.PDF \(hud.gov\)](#)
- ❑ Alameda County, CA - [AppendixB-InternalControlQuestionnaires.pdf \(acgov.org\)](#)
- ❑ Florida Dept. of Economic Opportunity - [2019-20-icq-and-assessment.pdf \(floridajobs.org\)](#)





Thank you

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