



Pennsylvania
Department of Labor & Industry
Bureau of Workforce Development Administration

PA Department of Labor & Industry's (L&I's) Sanctions Policy

Mitigation of Risk and
Accountability for Non-compliance

September 18, 2025





Purpose

Presentation Goals

In today's training, you will learn:

1. What are sanctions and sanctionable acts?
2. L&I's non-compliance conditions for the imposition of sanctions.
3. The three levels of sanctions.
4. The sanctions remediation process.
5. The sanctions resolution process.



Definitions



What are Sanctions?

- According to L&I's Workforce System Policy No. 184-02, Change 1, *Sanctions*, a sanction is a penalty imposed or assessed, or a remedial action required for nonperformance or noncompliance with applicable federal, state and local laws, regulations, contract provisions or grant agreements or conditions, policies, official directives, and regional or local plans.
- Sanctions come as a result of a final determination that a sanctionable act occurred.
- Sanctions are not generally considered an initial or routine form of the corrective action process.



What is considered a sanctionable act?

- A sanctionable act is violation of federal, state and local laws, regulations, contract provisions, grant agreements, policies, official directives, and regional or local plans as determined by L&I or the U.S. Department of Labor.
- Such failures may occur during or after the program, grant, fiscal, contract or calendar year and can be financial, programmatic, or administrative in nature.
- Sanctionable acts will increase a LWDB's risk level. If the condition puts the local area in "high-risk" status, risk mitigation efforts may mirror some of the remedial actions taken to resolve the cause of the sanction.



Conditions for Sanctionable Acts



Conditions, remedial actions and penalties will be imposed based on the following criteria:

- L&I will consider the totality of circumstances surrounding the risk-status assignment and the sanctionable act, including:
 - Source, type, nature, and frequency of finding.
 - Severity nature, duration and extent of the sanctionable act and risk.
 - Experience of L&I, or another program entity regarding its ability to administer a program (e.g., occurrences of sanctionable acts, resolution of sanctions and sanctionable acts, efforts to prevent the occurrence of sanctionable acts, oversight results, and previous risk status assignments).
- Other criteria not listed that may be deemed appropriate by L&I (e.g., justification for subrecipient's failure to provide necessary information or take required action or demonstrations of willingness by the subrecipient to cooperate in the sanction process).
- L&I may increase risk-status assignment and impose sanctions on a subrecipient for failure to achieve adjusted levels of overall performance, an individual indicator of performance or any other statutory, program-specific or state-initiated performance-related requirements (i.e., not limited to formula funds).



- **Note:** Notwithstanding any lawful requirements, it is at L&I's discretion to determine the appropriate condition, action and penalty.
- The conditions, actions and penalties regarding sanctionable acts and risk mitigation supplement, but do not supplant, applicable civil and criminal actions under the pertinent federal, state or local laws, regulations, policies or terms and conditions of applicable awards, contracts.

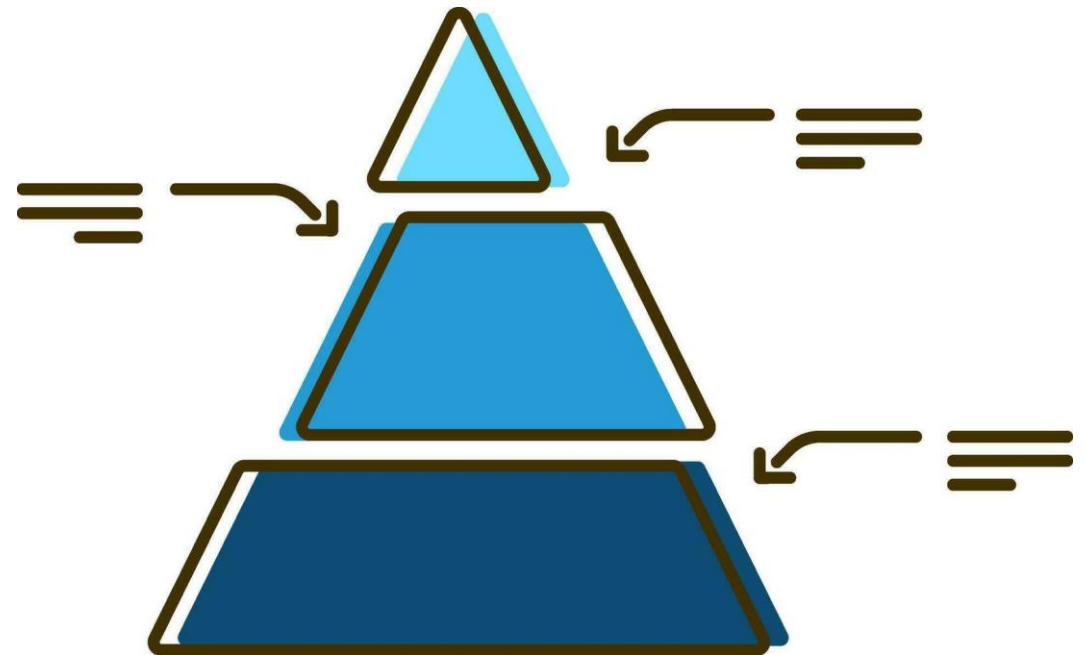


The Three Sanction Status Levels



Levels of Sanctions

There are three sanction status levels that may be assigned by L&I to a subrecipient depending upon the nature and severity of the sanctionable act, mitigating circumstances surrounding the sanctionable act, or other relevant factors. Sanction status levels may change as deemed appropriate by L&I.





Level One

Level one sanction status is assigned for relatively less-significant failure to perform or comply as required by L&I, and may result in the imposition of conditions, remedial actions and penalties.

Examples of sanctionable acts associated with a level one sanction status include, but are not limited to:

- failure to submit timely and accurate financial or performance reports
- failure to take action, within established timeframe, to resolve findings as required
- failure to sufficiently resolve audit findings or questioned costs within required time frames
- failure to submit audits as required by Uniform Guidance and the provisions found in L&I's Workforce System Policy No. 03-2015 attached financial management guide
- breach of administrative, contract or grant agreement provisions
- failure to retain required service-delivery or financial records
- first-year nonperformance



Level Two

Level two sanction status is assigned for significant failure to perform or comply as required and may result in the imposition of more significant conditions, remedial actions and penalties than those assessed to a subrecipient in level one sanction status.

Examples of sanctionable acts associated with a level two sanction status include, but are not limited to:

- failure to observe accepted standards of administration (Acceptable Standards of Administration are a collection of rules, procedures and conventions that define L&I and commonly accepted administrative and fiscal practices. This includes broad guidelines and detailed procedures (e.g., generally-accepted auditing standards and generally-accepted accounting principles))
- failure to sufficiently (as determined by L&I) resolve or implement remedial action on a level one sanction within the time provided and detailed in the notice of intent
- second consecutive of year nonperformance



Level Three

Level three sanction status is assigned for extreme failure to perform or comply as required by L&I. A level three sanction status may result in the imposition of the most severe conditions, extensive remedial actions and penalties.

Examples of sanctionable acts associated with a level three sanction status include, but are not limited to:

- gross negligence
- willful disregard of the requirements of WIOA and other federal and state laws, regulations, policies, guidance and terms and conditions of applicable awards, contracts
- a pattern of mis-expenditure (e.g., as described in WIOA Section 184(c)(2) and (3))
- incidents of fraud, malfeasance, misapplication of funds or other serious violations (e.g., as defined in U.S. Department of Labor Training and Employment Guidance Letter No. 15-23)
- failure to meet adjusted performance levels for the same performance measure for two or more consecutive program years
- third consecutive year nonperformance
- failure to sufficiently (as determined by L&I) resolve or implement remedial action while placed in a level two sanction within 180 calendar days of notice
- committing three or more violations within three consecutive program years



How are Sanctions Determined?



Sanction Determination

- L&I will render a determination regarding any sanctionable act.
- If a sanctionable act occurred and a sanction will be imposed, L&I will provide a written notice of intent to the subrecipient (and as applicable the local board chair and chief elected official) with information regarding the determination.



Notice of Intent of Sanctions

- The notice of intent will be sent to the LWDB as soon as administratively possible to provide the LWDB with the ability to appeal the sanction determination and sanction (a process described in Appendix C of L&I's Sanctions Policy).
- In most cases the notices are provided within 30 calendar days of the effective date of the sanction.
- In some circumstances, if deemed necessary or prudent, the notification and effective date of sanctions may be imposed at any time and without prior notice.
- The notice of intent should contain the following information:
 - The sanctionable act upon which the sanction is based.
 - The sanction status level into which the subrecipient is placed (Levels 1-3).
 - The nature of the remedial action, the penalty, and its effective date.
 - The timeline for completing the remedial action and penalty.
 - The method for appealing the management decision (i.e., L&I Sanctions Policy, Appendix C: Sanctions Appeals Process)



The Sanctions Remediation Process

Penalties and Other Remedial Actions



Remedial actions and penalties will be applied in accordance with applicable laws, regulations, policies, directives, award or contract provisions

Examples of penalties include, but are not limited to:

- Determination of costs as disallowed.
- Reorganization plan, including of the LWDB/Administrative Entity and its providers.
- Reduction of funds.
- Reallocation of funds.
- Withholding, suspension, and termination of funds.

Penalties and Other Remedial Actions (Cont.)



Examples of remedial actions include, but are not limited to:

- mandatory participation in technical and quality assurance activities
- mandatory participation in training
- L&I-developed and subrecipient-implemented corrective action plan to address identified weaknesses
- specific corrective action plan timeline (i.e., implementation and completion deadline)
- submission of additional or more detailed financial or performance reports
- appearances at Pennsylvania State Workforce Development Board meetings by the local board's executive director, other administrative officer or the subrecipient to report on activities and progress until performance is satisfactory
- on-site visits by L&I or its designee to monitor and help with daily operations of a local board or other subrecipient
- L&I meetings with the local area's chief elected officials, local board chairperson, local board members, local board executive director and subrecipient
- L&I approval of specified actions (e.g., prohibition against entering into specific contracts or engaging in certain activities without explicit prior approval of L&I)

Penalties and Other Remedial Actions (Cont.)



Examples of remedial actions include, but are not limited to (cont.):

- contract cancellation or termination
- prohibiting the use of designated service providers, including workforce system operators
- issuing a notice that the subrecipient has been placed in a no-draw status
- delay, suspension or denial of contract payments
- require evidence of acceptable performance or compliance within a given time period prior to L&I's release of advanced payment
- require payment as reimbursement rather than advanced payments
- ineligibility for additional discretionary or other funds
- financial penalties
- designation as a high-risk subrecipient
- initiation of suspension or debarment proceedings
- other actions deemed appropriate by L&I to help the chief elected official or subrecipient in correcting deficiencies and ensure compliance



The Risk/Sanctions Resolution Process



Risk Process Resolution

- L&I will issue a written notice to the appropriate subrecipient regarding a resolution determination for a sanctionable act and sanction, and changes if any, to an applicable entity's sanction status assignment.
- L&I will issue a sanction resolution determination to the subrecipient (and local board chair and chief elected officials as appropriate) indicating the conclusion of the remedial actions and penalties, and the removal or change in the sanction status associated with the applicable sanction and entity.
- A notice of resolution will be sent to the subrecipient and appropriate local board's chairperson. Notice will include the disposition of the sanction and the sanction resolution date (i.e., official date a specific sanction is determined to be concluded).



Sanctions Process Resolution

- If penalties or conditions were added, or remedial actions imposed, L&I will indicate such penalties, conditions or actions to the subrecipient as described in the determination process. The subrecipient must address each condition and action indicated and submit supporting documentation in response to said condition or action as appropriate and instructed.
- Once the subrecipient submits a response to the penalties or additional conditions and completes the remedial actions imposed, L&I will review the response, documentation and remedial actions and make a determination.
- If L&I determines the subrecipient's response and action are acceptable, L&I will remove the additional conditions that were adequately addressed and make any adjustments as deemed appropriate to the subrecipient's risk level.
- L&I will issue a timely, written notice to the appropriate subrecipient regarding the removal of any penalties or conditions and termination of any required remedial actions imposed.
- If L&I determines that noncompliance or nonperformance cannot or has not been adequately addressed (i.e., continued failure to comply or performance) through penalties, additional conditions or remedial actions imposed, L&I may consider other conditions, actions and penalties as allowable or determined appropriate.



Thank you!



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