

DEPARTMENT OF LABOR

CFDA 17.207 EMPLOYMENT SERVICE
CFDA 17.801 DISABLED VETERANS' OUTREACH PROGRAM (DVOP)
CFDA 17.804 LOCAL VETERANS' EMPLOYMENT REPRESENTATIVE
PROGRAM (LVER)

I. PROGRAM OBJECTIVES**Employment Service (ES) - General**

The United States Employment Service (USES) is established within the Department of Labor and promotes the establishment and maintenance of a national system of public employment service offices.

The basic purpose of the Employment Service (ES) system is to improve the functioning of the nation's labor markets by bringing together individuals who are seeking employment and employers who are seeking workers. The objectives of the Employment Service program are to: (1) provide employment-related services to unemployed individuals and other job seekers; (2) refer qualified job applicants and provide workforce solutions to employers; (3) perform a variety of employment-related activities to facilitate the provision of basic services to individuals and employers; and (4) participate in a labor clearinghouse for inter-state activities (20 CFR sections 652.2 and 652.3).

Disabled Veterans' Outreach Program (DVOP)

The objectives of the DVOP are to: (1) provide jobs and job training opportunities for disabled and other veterans through contacts with employers; (2) promote and develop on-the-job training and apprenticeship and other on-the-job training positions within Federal job training (e.g., WIA, VA programs); (3) provide outreach to veterans through all community agencies and organizations; (4) provide assistance to community-based groups and organizations and appropriate grantees under other Federal and federally funded employment and training programs; (5) develop linkages with other agencies to promote maximum employment opportunities for veterans; and (6) provide job placement, counseling, testing, job referral to eligible veterans, especially disabled veterans of the Vietnam era, utilizing a case-management approach to services, wherever applicable.

Local Veterans' Employment Representative Program (LVER)

The objectives of the LVER program are to (1) provide job development, placement, and support services to veterans, eligible persons, and transitioning service members, and (2) ensure that there is local supervision of State Employment Service/Job Service compliance with Federal regulations, performance standards, and grant agreement provisions in carrying out requirements of 38 USC 4104 in providing veterans with the maximum employment and training opportunities.

II. PROGRAM PROCEDURES

ES Program

Federal funds are granted to the States for the delivery of employment and workforce information services through a network of One-Stop Career Centers.

The State agency responsible for the provision of employment services, generically referred to as the State Workforce Agency (SWA), must submit a five-year plan for providing services and activities authorized by Section 7(a) of the Act, through the Governor, to the Department of Labor (20 CFR section 652.211). This part of the State plan is submitted under Section 112 of WIA. The Governor has discretion to choose various approaches to planning the utilization of funds reserved by Section 7(b) of the Act. SWAs were formerly referred to as State Employment Security Agencies (SESAs).

LVER and DVOP Programs

Grant funds are provided to State employment security agencies for employing LVERs and other staff at each Service Delivery Point (SDP) where the public labor exchange function is offered in order to ensure that veterans, eligible persons, and transitioning service members receive maximum employment and training opportunities. Priority is given to disabled veterans and other eligible veterans by giving them preference over non-veterans in the provision of employment and training services available at each SDP where the public labor exchange function is offered (20 CFR section 1001.120).

Source of Governing Requirements

This program is authorized by the Wagner-Peyser Act, (Act) as amended by the Workforce Investment Act of 1999 (WIA) (Pub. L. 105-220) (29 USC 49 *et seq.*; 38 USC chapters 41 and 42 (veterans programs)). Implementing regulations are found in 20 CFR part 652.

Availability of Other Program Information

Other program information is available on the Internet at <http://wdr.doleta.gov/directives/>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Labor Exchange* - Funds allotted to each State may be utilized by the SWA for a variety of activities, consistent with an approved plan pursuant to the Act and implementing regulations (20 CFR sections 652.5 and 652.8(d)). At a minimum, each SWA shall provide the basic labor exchange elements defined in 20 CFR section 652.3.
2. *Section 7(a)* - Services and activities provided for under Section 7(a) of the Act are:
 - a. To unemployed individuals and other job seekers: job search, job placement and job information services, including counseling, testing, occupational and labor market information, assessment, and referral to employers;
 - b. To employers: a source for recruitment of qualified job applicants, and technical assistance in resolving workforce problems; and
 - c. The following employment-related activities:
 - (1) Evaluation of programs;
 - (2) Developing linkages between services funded under this Act and related Federal or State legislation, including the provision of labor exchange services at education sites;
 - (3) Providing employment-related services for workers who have received notice of permanent or impending layoff, and reemployment services for workers in occupations which are experiencing limited demand due to technological change, impact of imports, or plant closures;
 - (4) Developing and providing State and local labor market and occupational information;
 - (5) Developing a management information system and compiling and analyzing reports therefrom; and
 - (6) Administering the work test for the State unemployment compensation system, and providing job finding and placement services for unemployment insurance claimants (29 USC 49f(a); 20 CFR section 652.210).

3. *Section 7(b)* - Services and activities provided for under Section 7(b) of the Act are:
 - a. Performance incentives for public employment service offices and programs, consistent with performance standards established by the Secretary;
 - b. Services for groups with special needs carried out pursuant to joint agreements between the Employment Service and the local workforce investment board and Chief Elected Official(s), or other public agencies or private non-profit organizations; and
 - c. Exemplary models for delivering Employment Service Program services which incorporate activities listed in Section 7(a) of the Act, including but not limited to reemployment services, evaluating programs, developing partnerships with related programs and entities, developing and distributing labor market and workforce information, compiling and analyzing reports, and administering the UI work test (services of the types described in Section 7(a) of the Act (29 USC 49f(b)).
4. *Section 7(d)* - In addition to the activities described under 2 and 3, above, Section 7(d) of the Act authorizes SWAs to perform such other activities as shall be specified in cost-reimbursement agreements with the Secretary of Labor or with any Federal, State, or local public agency, or WIA administrative entity, or private non-profit organization (29 USC 49f(d)).
5. *Section 7(e)* - Section 7 (e) provides that all services authorized under 7(a) shall be provided as part of a one-stop delivery system established by the State (29 USC 49f(e)).
6. *DVOP* - DVOP includes a wide variety of services directly related to meeting the employment needs of disabled and other eligible veterans as defined at 38 USC 4103A(b)(1). These services include, but are not limited to, the following:
 - a. Development of job and job training opportunities through contacts with employers;
 - b. Outreach activities to locate eligible veterans;
 - c. Provision of assistance to community-based organizations and appropriate grantees under other Federal and federally funded employment and training programs in providing such services;
 - d. Provision of vocational guidance and vocational counseling services; and
 - e. Provision of services as a case manager.

A complete list of allowable services appears at 38 USC 4103A(c).

7. *DVOP Unallowable Activities* - DVOP program specialists shall be assigned only to those duties directly related to meeting the employment needs of eligible veterans (38 USC 4103A(b)(1)).
8. *LVER* - LVER supervises the provision of a variety of services to eligible veterans. These services include, but are not limited to the following (38 USC 4104):
 - a. Maintain regular contact with community leaders, employers, labor unions, training programs, and veterans' organizations for the purpose of
 - (1) keeping them advised of eligible veterans and eligible persons available for employment and training, and
 - (2) keeping eligible veterans and eligible persons advised of opportunities for employment and training;
 - b. Provide directly, or facilitate the provision of, labor exchange services including intake and assessment, counseling, testing, job-search assistance, and referral and placement; and
 - c. Assist, through automated data processing, in securing and maintaining current information regarding available employment and training opportunities.

A complete list of allowable services appears at 38 USC 4104(b).

G. Matching, Level of Effort, Earmarking

1. **Matching** - Not Applicable
2. **Level of Effort** - Not Applicable
3. **Earmarking**

Ten percent of each State's Wagner-Peyser Act allotment shall be reserved by the SWA to provide services and activities authorized by Section 7(b) of the Act (29 USC 49f(b)).

L. Reporting

1. **Financial Reporting**
 - a. SF-269, *Financial Status Report* - The SF-269 is used for the ES programs. It is not used for the DVOP and LVER programs.
 - b. SF-270, *Request for Advance or Reimbursement* - Not Applicable

- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System. Reporting equivalent to the SF-272 is accomplished through the Payment Management System and is evidenced by the PSC 272 series of reports.
- e. VETS-300, *Cost Accounting Report, DVOP/LVER Programs (OMB No. 1205-0240)* - A separate quarterly report is required for each of the DVOP and LVER programs.

2. Performance Reporting

a. ETA 9002, *Quarterly Reports (OMB No. 1205-0240)* is used to report services, activities, and outcomes of service for all job seekers and veterans. This report is submitted quarterly. *Key line items* - The following line items in ETA 9002 C (Performance Outcomes - Exits) contain critical information:

- (1) Item 7 - *Entered Employment Rate*
- (2) Item 10 - *Employment Retention Rate at Six Months*

b. *The Veterans' Employment and Training Service VETS 200 Quarterly Reports (OMB No. 1205-0240)* are a subset of the ETA 9002. The data reported contains the similar data elements as the ETA 9002, but only apply to the activities of LVER and DVOP staff. This report is submitted quarterly.

Key line items - The following line item in VETS-200 (C) contain critical information:

- (1) Item b.19 - *Entered Employment Following S/A Services Rate*
- (2) Item b.22 - *Entered Employment Following Intensive Services Rate*
- (3) Item b. 25 - *Employee Retention at Six Months Rate*

The rules and guidelines for ES and Veteran's program reporting are contained in ETA Handbook No. 406 ETA 9002 and VETS 200 Data Preparation Handbook, (OMB No. 1205-0240) available on the Internet at <http://www.doleta.gov/performance/guidance/WIA//ET-406-Handbook-Expiration-022809.pdf>.

3. Special Reporting - Not Applicable

DEPARTMENT OF LABOR

CFDA 17.225 UNEMPLOYMENT INSURANCE (UI)

I. PROGRAM OBJECTIVES

The regular Unemployment Compensation (UC), Unemployment Compensation for Federal Employees (UCFE), and Unemployment Compensation for Ex-Service Members (UCX) programs provide benefits to unemployed workers for periods of involuntary unemployment and help stabilize the economy by maintaining the spending power of workers while they are between jobs. UC programs cover almost all wage and salaried workers. During periods of high unemployment, the Extended Benefits (EB) program pays EB for an additional (or extended) period of time to eligible unemployed workers who have exhausted their entitlement to UC, UCFE, or UCX.

States must ensure full payment of UC “when due,” and must deny payments when not due (42 USC 503(a)(1)).

II. PROGRAM PROCEDURES

The UI program, also referred to as UC, initially consisted solely of the regular State programs. However, UC coverage was extended to Federal civilian employees in 1954 by the UCFE program (Pub. L. 83-767) and to ex-members of the Armed Forces in 1958 by the UCX program (5 USC 8501-8525; Pub. L. 85-848). The Federal-State Extended Unemployment Compensation Act (EUCA) of 1970 (Pub. L. 91-373; 26 USC 3304 note) provided for an EB program (20 CFR part 615).

The structure of the Federal-State UI Program partnership is based upon Federal law; however, it is implemented primarily through State law. Unless otherwise noted, responsibilities of the U.S. Department of Labor (DOL) include: (1) allocating available administrative funds among States; (2) administering the Unemployment Trust Fund (UTF) through the U.S. Department of the Treasury and monitoring activities of the UTF; (3) establishing program performance measures; (4) monitoring State performance; (5) ensuring conformity and substantial compliance of State law and operations with Federal law; and (6) setting broad overall policy for program administration. State UI program operations are conducted by the State Workforce Agency (SWA)—the generic name for the agency that has responsibility for the State’s Employment Security function). SWAs were previously referred to as State Employment Security Agencies (SESAs).

State responsibilities include: (1) establishing specific, detailed policies and operating procedures which comply with the requirements of Federal laws and regulations; (2) determining the State UI tax structure; (3) collecting State UI contributions from employers (commonly called “unemployment taxes”); (4) determining claimant eligibility and disqualification provisions; (5) making payment of UC benefits to claimants; (6) managing the program’s revenue and benefit administrative functions; (7) administering the programs in accordance with established policies and procedures; and (8) enacting State UC law that conforms with Federal UC law.

Note: Informal references are frequently made to eligibility for “weeks” of UC. The auditor is cautioned that eligibility is actually for a maximum dollar amount of UC, which is inaccurately referred to as receipt of UC for a given number of weeks.

Program Funding

UC payments to claimants are funded by State UI taxes on covered employers (three States have provisions for employee taxes), and reimbursements from Federal entities, certain State governments, political subdivisions and instrumentalities of the States, federally recognized Indian tribes, and qualified non-profit organizations. While “experience-rated” UI taxes on employers are the primary source of revenue for benefits, some employers make direct reimbursements to the State for UC payments made on their behalf rather than paying UI taxes. State governments, political subdivisions and instrumentalities of the States, federally recognized Indian tribes, and qualified non-profit organizations may reimburse the State for UC benefits paid by the SWA; however, they may elect to be contributory employers (i.e., remit State UI taxes) in lieu of reimbursing the State. Also, States are reimbursed from the UTF for UCFE and UCX paid by the SWA on behalf of various Federal entities. Program administration is funded by a Federal UI tax on covered employers (see below). Generally, the employment covered by State UI taxes and Federal UI taxes are the same; however, there are specific differences.

State UI taxes and reimbursements are used almost exclusively for the payment of regular UC and the State share of EB to eligible claimants. UI taxes and reimbursements remitted by employers to the States are deposited in State accounts in the UTF. SWAs periodically draw funds from their UTF accounts for the purpose of making UC payments.

The Federal Unemployment Tax Act (FUTA) imposes a Federal tax on covered employers. Currently, the FUTA tax on covered employment (generally employment subject to a State UI tax) is 6.2 percent of the first \$7,000 of covered employee wages. Employers, however, receive two credits against the FUTA tax. One credit is equal to the amount of State UI tax paid by the employer. The employer receives this credit when the State UI law, and its application, conforms and substantially complies with FUTA requirements. A second credit is awarded only to employers in States which have a federally approved experience-rated State UI tax system. All States currently meet the Federal criteria for both credits to be applicable to the States’ employers. The two credits combined cannot exceed 5.4 percent of taxable employee wages.

FUTA revenues from the remaining 0.8 percent are collected by the IRS and deposited into the general fund of the U.S. Treasury, which by statute are appropriated to the UTF. FUTA revenues are used primarily to finance Federal and SWA administrative expenses, the Federal share of EB, and advances to States whose UTF account balances are low or exhausted. DOL allocates available administrative grant funds (as appropriated by Congress) to States based on forecasted workload and costs and adjusted for increases or decreases in workload during the current year.

Synopsis of Regular Unemployment Compensation Program

The regular UC program provides UC coverage of most wage and salary workers in each State, the District of Columbia, Puerto Rico, and the Virgin Islands. Except for provisions necessary to comply with Federal law, the provisions of State UI laws vary greatly, including their qualifying requirements and methods used to compute UC amounts.

The period during which a claimant may receive UC is referred to as the “benefit year.” In all but one State, a benefit year lasts one year from the effective date of the claim. The total regular UC that a claimant may receive in a benefit year is computed by the SWA in a dollar amount. A claimant may draw UC against the maximum benefit amount allowable for the benefit year during periods of unemployment that occur during the benefit year. Under State UI laws, the total (maximum) UC a claimant is entitled to varies within certain limits according to the worker’s wages in the base period (see III.E, “Eligibility”). Reduced benefits may be paid for weeks of partial unemployment. In some States, the weekly UC benefit payment is augmented by a dependent’s allowance, which may be paid for each dependent up to a maximum number of dependents.

Synopsis of Extended Benefits Program

An interval of high unemployment at a certain level will “trigger on” a period of not less than 13 consecutive weeks during which the State will make extended payments to eligible unemployed workers who have exhausted their entitlement to regular compensation (20 CFR section 615.11). With certain qualifications, EB is payable at the same rate as the claimant’s regular compensation amount (20 CFR section 615.6). The EB period is determined by the State in which the original claim was established (EUCA section 202(a)(2), 20 CFR section 615.2(k)(2)). A reduction in the unemployment rate will “trigger off” the period for the payment of EB.

A claimant may receive EB equal to the lesser of the following amounts: (1) one-half the total amount of regular compensation, including dependent’s allowances, (2) 13 times the weekly amount of regular compensation, or (3) 39 times the weekly amount of regular compensation reduced by the amount of regular compensation paid to the claimant (EUCA, section 202(a)(2), 20 CFR section 615.7(b)). However, the qualifying and benefit provisions of the EB program change if the unemployment rate assumes a benchmark level established in EUCA. While EB are payable under the terms and conditions of State law, FUTA requires that State UI law conform to certain provisions of EUCA (26 USC 3304(a)(11)).

States are reimbursed with Federal funds for one-half the cost of EB paid to claimants by the SWAs, with the following exceptions: (1) EB paid to former UCFE and UCX claimants are 100 percent reimbursable from Federal funds; and (2) EB paid to former employees of the State government, and political subdivisions and instrumentalities of the State, and federally recognized Indian tribes are not reimbursable from Federal funds. Reimbursements will be prorated for claimants who had employment in both the private and public sectors during their “base periods.” The first week of EB is reimbursable to the State only if the State requires the first week in an individual’s benefit year be an unpaid “waiting week” (EUCA section 204; 20 CFR section 615.14). The auditor should refer to 20 CFR section 615.14 for a complete explanation of when EB is not reimbursed to the State.

Employer Experience Rating

States annually compute an “experience rating” for contributing, or tax-remitting, employers. The experience rating is the dominant factor in the computation of an employer’s State UI tax rate. While methods of computation differ, the key factor in most methodologies is the amount of UC benefits paid by the SWA within a time period specified by State UI law, to claimants who are former employees of the employer. Also, various methods are used by the SWAs to identify which one or more of the claimant’s former employers will be “charged” with the UC benefits paid to the claimant.

Synopsis of UCFE and UCX Programs

For UCFE, the qualifying requirements, determination of UC benefit amounts, and duration of UC are generally determined under the applicable State law, which is generally the State in which the official duty station was located (5 USC chapter 85; 20 CFR part 609).

The UCX program combines elements of the applicable State law and factors unique to the UCX program, such as “schedules of remuneration” (20 CFR section 614.12), which must be considered by the SWA in making its determinations of eligibility, UC benefit amounts and duration (5 USC Chapter 85; 20 CFR part 614).

States are reimbursed from the UTF for UC paid to UCFE and UCX claimants. On a quarterly basis, States report the amount of UCFE and UCX paid to the DOL, which is responsible for obtaining reimbursement to the UTF from the appropriate Federal agencies.

Source of Governing Requirements

The Federal-State Unemployment Insurance (UI) program partnership is provided for by Titles III, IX, and XII of the Social Security Act of 1935 (SSA) (42 USC 501, 1101, 1321, *et seq.*) and the Federal Unemployment Tax Act (FUTA) (26 USC 3301 *et seq.*). Program regulations are found in 20 CFR parts 601 through 616.

Availability of Other Program Information

Additional information on the UI programs can be found on the Internet at <http://ows.doleta.gov/>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

Administrative grant funds may be used only for the purposes and in the amounts necessary for proper and efficient administration of the UI program (SSA, section 303(a)(8); 42 USC 503(a)(8)).

E. Eligibility

1. Eligibility for Individuals

- a. *General Audit Approach for UI Benefit Payments* - SWAs are required by 20 CFR 602.11(d) to operate a Benefits Accuracy Measurement (BAM) program to assess the accuracy of UI benefit payments and denied claims. Specifically, the SWA's BAM unit draws a weekly sample of payments and denied claims, reviews the records, and contacts the claimant, employers, and third parties (either in-person, by telephone, or by fax) to verify all the information pertinent to the paid or denied claim that was sampled. For claims that were overpaid, underpaid, or erroneously denied, the BAM investigator determines the amount of payment error or for erroneously denied claims the potential eligibility of the claimant, the cause of and the responsibility for any payment error, the point in the UI claims process at which the error was detected, and actions taken by the agency and employer prior to the payment that is in error. Federal regional office staff review a subsample of completed cases each year in each State. National office staff further review a small sample of cases and provide comments to the regions on their monitoring. BAM covers UC, UCFE, and UCX (20 CFR section 602.11(d)).

Due to the complexity of the UI benefit payment operations, it is unlikely the auditor will be able to support an opinion that UI benefit payments are in compliance with applicable laws and regulations without relying on the SWA's systems and internal controls. Additional information on BAM procedures and historical data can be obtained from the SWA state contacts listed in the August 30, 2002, *Federal Register* notice titled Federal-State Unemployment Compensation Program: Availability of Benefit Accuracy Measurement Program Results (67 FR 55879).

- b. *Regular Unemployment Compensation Program* - Under State UI laws, a worker's benefit rights depend on the amount of the worker's wages and/or weeks of work in covered employment in a "base period." While most States define the base period as the first 4 of the last 5 completed calendar quarters prior to the filing of the claim, other base periods are used. To qualify for benefits a claimant must have earned a certain amount of wages, or have worked a certain number of weeks or calendar quarters within the base period, or meet some combination of wage and employment requirements. A "waiting period" is a noncompensable period of unemployment in which the worker was otherwise eligible for benefits. Most States require a waiting period of one week of total or partial unemployment before UC is payable.

To be eligible to receive UC, all States provide that a claimant must be able and available for work (i.e., must be in the labor force; unemployment must be caused by lack of suitable work; and the claimant

must be legally authorized to work). A claimant must not be unemployed for such acts as leaving voluntarily without good cause, discharge for misconduct connected with work, and refusal of suitable work.

- c. *EB Program* - To qualify for EB, a claimant must have exhausted Regular Compensation (20 CFR section 615.4(a)). To be eligible for a week of EB, a claimant must apply for and be able and available to accept suitable work, if offered. What constitutes suitable work is dependent on a required SWA's evaluation of the claimant's employment prospects. An EB claimant must make a "systematic and sustained effort" to seek work and must provide "tangible evidence" to the SWA that he or she has done so (EUCA section 202(a)(3); 20 CFR section 615.8).
- d. *UCFE and UCX Programs* - For UCFE, the claimant's eligibility and benefit amount will generally be determined in accordance with the UI law of the State of the claimant's last duty station (20 CFR section 609.8). For UCX, a claimant's eligibility is determined in accordance with the UI law of the State in which the claimant files a first claim after separation from active military service (20 CFR section 614.8).

2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable

3. Eligibility for Subrecipients - Not Applicable

G. Matching, Level of Effort, Earmarking

1. Matching - Shareable Compensation Program (EB)

From its UI tax revenues, the State is required to pay zero percent (UCFE, UCX), 50 percent (EB) or 100 percent (regular compensation) of the UC paid by the SWA to eligible claimants.

The State is required to provide 50 percent of the amounts paid to the majority of eligible EB claimants (those not covered by Federal law or special provisions of State law) (20 CFR sections 615.2 and 615.14(a)). Those EB amounts paid by the SWA, and which are not the responsibility of the State, are reimbursable to the State from the UTF (20 CFR section 615.14). The first week of EB is reimbursable to the State only if, in addition to other requirements, the State requires the first week of an individual's benefit year to be an "unpaid waiting week" (EUCA section 204; 20 CFR section 615.14).

The 50 percent share of EB for which the State is responsible is prorated for those claimants whose base period includes wages from both public and private sector employment.

2. Level of Effort - Not Applicable

3. Earmarking - Not Applicable

L. Reporting

1. Financial Reporting

Instructions for reporting financial and program activities are contained in ET Handbook 336, 17th Edition, *State Quality Service Plans for Unemployment Insurance Operations* and in the ET Handbook 401, 3rd Edition, *Unemployment Insurance Reports Handbook 401*. The SWA may file certain reports electronically.

- a. SF-269, *Financial Status Report* - A separate SF-269 is submitted for each of the following: UI Administration, UI National Activities (excluding cooperative agreements), Regular Trade Benefits, NAFTA Benefits, and UA Projects (administration and benefits).
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System (PMS). Reporting equivalent to the SF-272 is accomplished through the PMS and is evidenced by the PSC 272-E, *Major Program Statement*.
- e. ETA 2112, *UI Financial Transaction Summary (OMB No. 1205-0154)* - A monthly summary of transactions, which account for all funds received in, passed through, or paid out of the State unemployment fund (Page II-1-1 of ET Handbook 401).
- f. ETA 581, *Contribution Operations (OMB No. 1205-0178)* - Quarterly report on volume of SWA work, performance in determining the taxable status of employers, and other information pertinent to the overall effectiveness of the tax program (Page II-2-1 of ET Handbook 401).
- g. ETA 191, *Financial Status of UCFE/UCX (OMB No. 1205-0162)* - Quarterly report on UCFE and UCX expenditures and the total amount of benefits paid to claimants of specific Federal agencies (Page II-3-1 of ET Handbook 401).
- h. ETA 227, *Overpayment Detection and Collection Activities (OMB No. 1205-0173)* - Quarterly report on results of SWA activities in principal detection areas of benefit payment control (Page IV-3-1 of ET Handbook 401).

2. Performance Reporting - Not Applicable

3. Special Reporting

ETA 2208A, *Quarterly UI Contingency Report (OMB No. 1205-0132)* - Quarterly report of staff years worked and paid by program category. Key line items are 1 through 7 of Section A. The auditor is not expected to test Sections B through E.

N. Special Tests and Provisions

1. Employer Experience Rating

Compliance Requirement - Certain benefits accrue to States and employers when the State has a federally approved experience-rated UI tax system. All States currently have an approved system. For the purpose of proper administration of the system, the SWA maintains accounts, or subsidiary ledgers, on State UI taxes received or due from individual employers, and the UC benefits charged to the employer.

The employer's "experience" with the unemployment of former employees is the dominant factor in the SWA computation of the employer's annual State UI tax rate. The computation of the employer's annual tax rate is based on State UI law (26 USC section 3303).

Audit Objective - To verify the accuracy of the employer's annual State UI tax rate and to determine if the tax rate was properly applied by the State.

Suggested Audit Procedures

- a. Experience rating systems are generally highly automated systems. These systems could contain errors that are material in the aggregate, but which are not susceptible to detection solely by sampling. If errors are detected, sampling may not be the most effective and efficient means to quantify the extent of such errors. For this reason, the auditor should have a thorough understanding of the operation of these systems, and is strongly encouraged to consider the use of computer-assisted auditing techniques (CAATs) to test these systems.
- b. On a test basis, reconcile the subsidiary employer accounts with the State's UI general ledger control accounts.
- c. Trace a sample of taxes received and benefits paid to postings to the applicable employer accounts. Verify the propriety of any non-charging of benefits paid to an employer account.
- d. Trace a sample of postings to employer accounts to documentation of taxes received and benefits paid.
- e. On a test basis, recompute employer experience-related tax rates.

2. Match with IRS 940 FUTA Tax Form

Compliance Requirement - States are required to annually certify for each taxpayer the total amount of contributions required to be paid under the State law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the FUTA tax (26 CFR section 31.3302(a)-3(a)). In order to accomplish this certification, States annually perform a match of employer tax payments with credit claimed for these payments on the employer's IRS 940 FUTA tax form.

Audit Objective - Determine whether the State properly performed the match to support its certification of State FUTA tax credits.

Suggested Audit Procedures

- a. Ascertain the State's procedures for conducting the annual match.
- b. Obtain and examine documentation supporting the annual match process from the group of employers' State unemployment tax payments used by the State in its match process.
- c. For a sample of employer payments:
 - (1) Verify that the tax payments met the stated criteria for FUTA tax credits allowance (e.g., timely state unemployment tax filings and payments).
 - (2) Compare the audit results to the States' reported annual match results.

IV. OTHER INFORMATION

State unemployment tax revenues and the governmental, tribal, and non-profit reimbursements in lieu of State taxes (State UI funds) must be deposited to the Unemployment Trust Fund in the U.S. Treasury, primarily to be used to pay benefits under the federally approved State unemployment law. This Compliance Supplement includes several compliance requirements that must be tested with regard to these State UI funds. Consequently, State UI funds as well as Federal funds shall be included in the total expenditures of CFDA 17.225 when determining Type A programs. State UI funds should be included with Federal funds on the Schedule of Expenditures of Federal Awards. A footnote to the Schedule to indicate the individual State and Federal portions of the total expenditures for CFDA 17.225 is encouraged.

DEPARTMENT OF LABOR

CFDA 17.235 SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

I. PROGRAM OBJECTIVES

To provide, foster, and promote useful part-time work opportunities (usually 20 hours per week) in community service activities for low income persons who are 55 years of age and older. To the extent feasible, the program assists and promotes the transition of program enrollees into unsubsidized employment. Authorized by the Older Americans Act of 1965 (the Act), as amended (42 USC 3056 *et seq.*; 20 CFR part 641).

II. PROGRAM PROCEDURES

To allot program funds for use in each State, the Department of Labor (DOL) utilizes a statutory formula based on the number of persons aged 55 and over, per capita income, and hold-harmless considerations. Program grants are awarded to eligible applicants, which include States, U.S. Territories, and public and private non-profit entities other than political parties (Section 506 of the Act). The relative amount of funding for each type of eligible applicant has historically occurred at proportions of 22 percent to State agencies and 78 percent to 13 national sponsors. The one-year grant period may be extended through a grant modification. The program year is July 1 to June 30.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. Allowable activities include, but are not limited to: outreach, orientation, assessment, counseling, classroom training, job development, community service assignments, payment of wages and fringe benefits, training, supportive services, and placement in unsubsidized employment.
2. Lobbying and building repairs and acquisition costs, except for (1) labor involved in the minor and necessary remodeling of public facilities for the benefit of the project and/or community and (2) the minor rehabilitation or repair of houses of low income persons by enrollees, are specifically prohibited (20 CFR section 641.403).

E. Eligibility**1. Eligibility for Individuals**

Persons 55 years or older whose family is low-income (i.e., income does not exceed the low-income standards defined in 20 CFR section 641.500) are eligible for enrollment. Low-income under ETA's TEGL 13-04, (http://www.doleta.gov/Seniors/html_docs/TEGL.cfm) requires income to be calculated using the preceding 6 months on an annualized basis; family income cannot exceed 125 percent of the poverty levels established and periodically updated by the U.S. Department of Health and Human Services. (The poverty guidelines are issued each year in the *Federal Register* and the Department of Health and Human Services maintains a page on the Internet which provides the poverty guidelines (<http://www.aspe.hhs.gov/poverty/figures-fed-reg.shtml>))

2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable**3. Eligibility for Subrecipients - Not Applicable****G. Matching, Level of Effort, Earmarking****1. Matching**

The grantee must contribute matching, in cash or in-kind, not less than 10 percent of the total cost of the project, except that the Federal Government may pay all costs of any project which is:

- a. An emergency or disaster project;
- b. A project located in an economically depressed area as determined by the Secretary of Labor in consultation with the Secretary of Commerce and the Director of the Office of Community Services of the Department of Health and Human Services;
- c. A project which is exempt by law; or
- d. A project serving an Indian reservation that can demonstrate it cannot provide adequate non-Federal resources (20 CFR section 641.407).

2.1 Level of Effort - *Maintenance of Effort* - Not Applicable

2.2 Level of Effort - *Supplement Not Supplant*

Employment of an enrollee shall be only in addition to budgeted employment which would otherwise be funded by the grantee, subgrantee(s), or host agency(ies) without assistance from the Act, and shall not result in employee displacement (including persons in lay-off status) or substitute project jobs for contracted work or other Federal jobs (20 CFR section 641.844).

3. Earmarking

The amount of Federal funds expended for enrollee wages and fringe benefits shall be no less than 75 percent of the grant (20 CFR section 641.873).

The amount of Federal funds expended for the costs of administration during the program year shall be no more than 13.5 percent of the grant (20 CFR section 641.405). A waiver of this requirement to increase administrative expenditures to 15 percent may be granted by the Secretary (20 CFR section 641.867).

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* - Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System (PMS). Reporting equivalent to the SF-272 is accomplished through PMS and is evidenced by the PSC 272 series of reports.

2. Performance Reporting - Not Applicable

3. Special Reporting - Not Applicable

DEPARTMENT OF LABOR

CFDA 17.245 TRADE ADJUSTMENT ASSISTANCE - WORKERS

I. PROGRAM OBJECTIVES

The purpose of the Trade Adjustment Assistance (TAA) and North American Free Trade Agreement Transitional Adjustment Assistance (NAFTA-TAA) programs is to assist individuals who become unemployed or underemployed as a result of increased imports (or, under NAFTA-TAA program, a shift of production to Mexico or Canada) to return to suitable employment. The Trade Act of 1974, as amended by the TAA Reform Act of 2002 (TAA Reform Act), (Pub. L. 107-210), was enacted on August 6, 2002. The TAA Reform Act repealed the NAFTA-TAA program and created a reformed TAA program. The objective of the reformed TAA program is to assist individuals who become unemployed or underemployed as a direct or indirect result of increased imports or a shift in production to certain foreign countries to return to suitable employment.

II. PROGRAM PROCEDURES

Funds are provided to State Workforce Agencies (SWAs) (previously known as State Employment Security Agencies (SESAs)), which serve as agents of the U.S. Department of Labor (DOL) for administering the worker adjustment assistance benefit provisions of the TAA Reform Act. Funds are awarded for the costs of training, job search and relocation allowances, and administrative costs.

Through their One-Stop Career Centers and other local offices, SWAs arrange for training and provide weekly trade readjustment allowances (TRA) for eligible program participants. In addition, eligible individuals may receive (1) a job search allowance(s), (2) a relocation allowance, and (3) a transportation and/or subsistence allowance for the purpose of attending approved training outside the normal commuting distance of their regular place of residence (20 CFR part 617).

Most new provisions of the TAA Reform Act were effective November 4, 2002. Workers certified under TAA or NAFTA-TAA petitions filed prior to November 4, 2002, will continue to be served under the program regulations as they were in effect before November 4. SWAs will continue to follow the program procedures listed above when serving workers under the reformed TAA program, and additionally serve as agents of DOL for identifying potentially eligible participants and assisting them to apply for the health insurance tax credit and Alternative TAA (ATAA) for Older Worker provisions of the TAA Reform Act.

Source of Governing Requirements

This program is authorized by the Trade Act of 1974, as amended by the TAA Reform Act (Pub. L. 107-210 (19 USC 2271 *et seq.*) Implementing regulations are 29 CFR part 90, subpart B and part 617. Operating instructions for the reformed TAA program are found in Training and Employment Guidance Letter (TEGL) 11-02, and operating instructions for the ATAA program are found in TEGL 2-03.

Availability of Other Program Information

Additional information on TAA, NAFTA-TAA, and reformed TAA program procedures may be obtained through the agency web site at <http://www.doleta.gov/tradeact>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

The following requirements apply to TAA, NAFTA-TAA, and Reformed TAA.

1. *Activities Allowed*

Allowable activities include job search, relocation assistance, training (including payments for transportation and subsistence where required for training), and payment of weekly benefits to eligible participants (20 CFR sections 617.10 through .19).

2. *Activities Unallowed*

Funds must not be used to:

- a. Pay for testing, counseling, and job placement services; however, TAA participants may be receiving these services through other programs (20 CFR part 617).
- b. Assist any eligible individual and such individual's qualifying family members in enrolling in qualified health insurance ((Section 203(b) of Pub. L. 107-210, 116 Stat 963, August 6, 2002; 29 USC 2918(f)).

E. Eligibility

1. Eligibility for Individuals

a. *Department of Labor Certification and Qualifying Separations*

- (1) *TAA and NAFTA-TAA* - In order to be eligible for training and other re-employment services, an individual must meet all of the following:
 - (a) Be an adversely affected worker covered under a DOL certification for which the petition was filed before November 4, 2002.

- (b) Have a qualifying separation which occurred (i) on or after the impact date specified in the certification as the beginning of the import caused unemployment or underemployment and (ii) before the expiration of the two-year period beginning on the date on which the Secretary of Labor issued the certification for his or her group or, if earlier, before the termination date, if any, specified in the certification (Section 123(c)(2) of Pub. L. 107-210, 116 Stat 944, August 6, 2002; 19 USC 2331 note; 29 CFR section 90.16).
 - (2) *Reformed TAA* - In order to be eligible for training and other reemployment services under the reformed TAA program, an individual must meet all of the following:
 - (a) Be an adversely affected worker covered under a DOL certification for which the petition was filed on or after November 4, 2002, as indicated by a petition number of TA-W-50,000 or above.
 - (b) Have a qualifying separation which occurred (i) on or after the impact date specified in the certification as the beginning of the import caused unemployment or underemployment and (ii) before the expiration of the two-year period beginning on the date on which the Secretary of Labor issued the certification for his or her group or, if earlier, before the termination date, if any, specified in the certification (Section 123(c)(1) of Pub. L. 107-210, 116 Stat 944, August 6, 2002; 19 USC 2331 note). (Section 113 of Pub. L. 107-210, 116 Stat 937, August 6, 2002; 19 USC 2272; 29 CFR section 90.16).
- b. *Qualifying Wages, Duration of Employment, and Training*
- (1) *TAA* - To be eligible for weekly TRA payments, the worker must:
 - (a) have been employed at wages of \$30 or more per week in adversely-affected employment with a single firm or subdivision of a firm for at least 26 of the previous 52 weeks ending with the week of the individual's qualifying separation (up to seven weeks of employer-authorized leave, up to seven weeks as a full-time representative of a labor organization, or up to 26 weeks of disability compensation may be counted as qualifying weeks of employment);
 - (b) have exhausted all Unemployment Compensation to which he or she is entitled; and
 - (c) be enrolled in or have completed an approved job training program, unless a waiver from the training requirement has been issued after a

determination is made that training is not feasible or appropriate (20 CFR section 617.11).

- (2) *NAFTA-TAA* - To be eligible for weekly TRA payments under the NAFTA-TAA program, workers must meet all the requirements for the regular TAA program. In addition, workers must be enrolled in their approved training within six weeks of the issuance of the Certification or within 16 weeks of their most recent qualifying separation, whichever is later. Waivers from training are not authorized under the NAFTA-TAA program (Pub. L. 103-182, section 250(d)(3)(B)).
- (3) *Reformed TAA* - To be eligible for weekly TRA payments under the reformed TAA program, workers must meet all the requirements for the regular TAA program. In addition, workers must be enrolled in their approved training within eight weeks of the issuance of the certification or within 16 weeks of their most recent qualifying separation, whichever is later, unless this requirement is waived (Section 114(b) and 115(c) of Pub. L. 107-210, 116 Stat. 939; 19 USC 2291(a)(5)(A) and (c)).

c. *Maximum Combined Number of Weeks for Receipt of UC, EB and TRA*

- (1) *TAA and NAFTA-TAA* - TRA becomes payable to eligible claimants only after they have exhausted their entitlement to regular unemployment compensation benefits (UC), including extended benefits (EB), if applicable. The maximum combined number of weeks for receipt of UC, EB, and TRA cannot exceed 52 weeks, except that up to 26 additional weeks of TRA may be paid to program participants enrolled in approved training (20 CFR sections 617.14 and 617.15).
- (2) *Reformed TAA* - TRA becomes payable to eligible claimants only after they have exhausted their entitlement to regular unemployment compensation benefits (UC), including extended benefits (EB), if applicable. The maximum combined number of weeks for receipt of UC, EB, and TRA cannot exceed 52 weeks, except that up to 52 additional weeks of TRA may be paid to program participants enrolled in approved training and an additional 26 weeks may be paid to program participants enrolled in remedial training (20 CFR sections 617.14 and 617.15; Pub. L. 107-210, section 116(a)).

- d. *Maximum Number of Weeks for Receipt of Approved Training*
- (1) *TAA and NAFTA-TAA* - The maximum duration for any approvable training program is 104 weeks, and no individual shall be entitled to more than one training program under a single Certification (20 CFR section 617.22(f)(2)).
 - (2) *Reformed TAA* - The maximum duration for any approvable training program is 104 weeks, except that an additional 26 weeks may be approved for program participants who require remedial training, and no individual shall be entitled to more than one training program under a single Certification (20 CFR section 617.22(f)(2)).

2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable

3. Eligibility for Subrecipients - Not Applicable

H. Period of Availability of Federal Funds

The following requirement applies to TAA, NAFTA-TAA, and Reformed TAA.

Funds allotted to a State for any fiscal year are available for expenditure by the State during the year of award and the two succeeding fiscal years (Section 130 of Pub. L. 107-210, 116 Stat. 942; 19 USC 2317).

L. Reporting

The following requirements apply to TAA, NAFTA-TAA, and Reformed TAA.

1. Financial Reporting

- a. SF-269, *Financial Status Report* (OMB No. 0348-0039) – SWAs are required to submit this quarterly report to ETA 30 days after the end of each quarter. A separate report is submitted for program and administration accrual expenditures.
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Data equivalent to that which is required on the SF-272 is submitted electronically by the recipient. A PSC 272-E, *Major Program Statement*, is issued by the Department of Health and Human Services, Division of Payment Management as

confirmation of what was electronically submitted to the Federal government for the SF-272.

- e. ETA-9117, *Trade Adjustment Assistance (TAA) Program Reserve Funding Request Form (OMB No. 1205-0275)* – SWAs are required to furnish this form to ETA, in conjunction with the SF-424, with each request for TAA program training funds and/or job search and relocation allowances (20 CFR section 617.61; 29 CFR section 97.41).

2. Performance Reporting

- a. *Trade Act Participant Report (TAPR) (OMB No. 1205-0392)* - SWAs are required to submit quarterly reports on participant characteristics, services and benefits received, and outcomes achieved.

Key Line Items - The following line items contain critical information:

- (1) Item I.2 - *Individual Identifier*
- (2) Item III.2 - *Employed in first full quarter after exit*
- (3) Item III.5 - *Employed in third full quarter after exit*

Total Earnings from Wage Records:

- (4) Item III.6 - *Three quarters prior to most recent qualifying separation*
- (5) Item III.7 - *Two quarters prior to most recent qualifying separation*
- (6) Item III.8 - *First quarter following exit*
- (7) Item III.9 - *Second quarter following exit*
- (8) Item III.10 - *Third quarter following exit*

3. Special Reporting

- a. ETA 563, *Quarterly Determinations, Allowance Activities and Reemployment Services Under the Trade Act (OMB No. 1205-0016)* - This report is due quarterly from each SWA. SWAs submit a report detailing quarterly activities for each petition in their states (20 CFR section 617.57; 29 CFR section 97.40).

DEPARTMENT OF LABOR

CFDA 17.258 WIA ADULT PROGRAM
CFDA 17.259 WIA YOUTH ACTIVITIES
CFDA 17.260 WIA DISLOCATED WORKERS

I. PROGRAM OBJECTIVES

The Workforce Investment Act of 1998 (WIA) reforms Federal job training programs and creates a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. The cornerstone of the new workforce investment system is One-Stop service delivery, which unifies numerous training, education and employment programs into a single, customer-friendly system in each community so that the customer has access to a seamless system of workforce investment services.

Subtitle B programs for adults and dislocated workers seek to improve employment, retention, and earnings of WIA participants and increase their educational and occupational skill attainment, thereby improving the quality of the workforce, reducing welfare dependency, and enhancing national productivity and competitiveness. Subtitle B Youth activities seek to increase the attainment of basic skills, work readiness or occupational skills, and secondary diplomas or other credentials.

II. PROGRAM PROCEDURES

Subtitle B Statewide and Local Workforce Investment Programs

This provides the framework for delivery of workforce investment activities at the State and local levels to individuals who need those services, including job seekers, dislocated workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. Each State's Governor is required to establish a State Board; develop a State Workforce Investment Plan (WIA section 112; 29 USC 2822); designate local workforce investment areas; and oversee the creation of Local Boards and One-Stop service delivery systems in the State.

The Local Workforce Investment Board (Local Board) is appointed by the chief elected official in each local area in accordance with State criteria established under WIA section 117(b), and is certified by the Governor every two years. The Local Board, in cooperation with the chief elected official, appoints a youth council as a subgroup of the Local Board and coordinates workforce and youth plans and activities with the youth council, in accordance with WIA section 117(h). With the chief elected official, the Local Board sets policy for the portion of the Statewide workforce investment system within the local area (29 USC 2832).

Each Local Board, in partnership with the appropriate chief elected officials, develops and submits a comprehensive five-year plan to the Governor which identifies and describes certain policies, procedures and local activities that are carried out in the local area, and that is consistent with the State Workforce Investment Plan and WIA section 118(b) (29 USC 2833(b)). The plan must include a description of the One-Stop delivery system to be established or designated in the local area, including: a copy of the local Memorandums of Understanding (MOU) between the Local Board and each of the One-Stop partners describing the operation of the local One-Stop delivery system; identification of the One-Stop operator or entity responsible for the disbursement of grant funds; and a description of the competitive process to be used to award grants and contracts for activities carried out under this subtitle I of WIA, including the process to be used to procure training services that are made as exceptions to the Individual Training Account process (WIA section 134(d)(4)(G); 29 USC 2864).

The agreement (20 CFR section 662.400(c)) between the Local Board and the One-Stop operator shall specify the operator's role. That role may range between simply coordinating service providers within the center, to being the primary provider of services within the center, to coordinating activities throughout the local One-Stop system. The types of entities that may be selected to be the One-Stop operator include: a postsecondary educational institution; an Employment Service agency established under the Wagner-Peyser Act on behalf of the local office of the agency; a private, non-profit organization (including a community-based organization); a private for-profit entity; a government agency; and another interested organization or entity. The One-Stop operator may be a single entity or a consortium of entities and may operate one or more One-Stop centers. In addition, there may be more than one One-Stop operator in a local area.

The following Federal programs are required by WIA section 121(b)(1) to be partners in the local One-Stop system: programs authorized under Title I of WIA; public labor exchange programs authorized under the Wagner-Peyser Act (29 USC 49 *et seq.*); adult education and literacy activities authorized under title II of WIA; programs authorized under parts A and B of title I of the Rehabilitation Act (29 USC 720 *et seq.*); welfare-to-work programs authorized under sec. 403(a)(5) of the Social Security Act (42 USC 603(a)(5) *et seq.*); senior community service employment activities authorized under title V of the Older Americans Act of 1965 (42 USC 3056 *et seq.*); postsecondary vocational education activities under the Carl D. Perkins Vocational and Applied Technology Education Act (20 USC 2301 *et seq.*); Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance activities authorized under chapter 2 of title II of the Trade Act of 1974 (19 USC 2271 *et seq.*); activities authorized under chapter 41 of title 38, USC (local veterans' employment representatives and disabled veterans outreach programs); employment and training activities carried out under the Community Services Block Grant (42 USC 9901 *et seq.*); employment and training activities carried out by the Department of Housing and Urban Development (WIA sec. 121(b)(1)(B)(xi)); and programs authorized under State unemployment compensation laws (in accordance with applicable Federal law).

WIA also provides that other entities that carry out human resource programs, including Federal, State, or local programs and programs in the private sector, may serve as additional partners in the One-Stop system if the Local Board and chief elected official(s) approve the entity's participation. Additional partners may include: Temporary Assistance for Needy Families programs authorized under part A of title IV of the Social Security Act (42 USC 601 *et seq.*);

employment and training programs authorized under section 6(d)(4) of the Food Stamp Act of 1977 (7 USC 2015(d)(4)) and work programs authorized under section 6(o) of the Food Stamp Act of 1977 (7 USC 2015(o)); programs authorized under the National and Community Service Act of 1990 (42 USC 12501 *et seq.*); and other appropriate Federal, State or local programs, including programs related to transportation and housing and programs in the private sector (WIA sec. 121(b)(2); 29 USC 2841(b)(2)).

All required programs must: make available to participants through the One-Stop delivery system the core services that are applicable to the partner's programs (WIA sec. 121(b)(1)(A)); use a portion of funds made available to the partner's program, to the extent not inconsistent with the Federal law authorizing the partner's program, to create and maintain the One-Stop delivery system and provide core services (WIA sec. 134(d)(1)(B)); enter into a memorandum of understanding (MOU) with the Local Board relating to the operation of the One-Stop system, including a description of services, how the cost of the identified services and operating costs of the system will be funded, and methods for referrals (WIA sec. 121(c)); participate in the operation of the One-Stop system consistent with the terms of the MOU and requirements of authorizing laws (WIA sec. 121(b)(1)(B)); and provide representation on the Local Workforce Investment Board (WIA sec. 117(b)(2)(A)(vi); 20 CFR section 662.230).

The applicable core services may be made available by the provision of appropriate technology at the comprehensive One-Stop center, by co-locating personnel at the center, cross-training of staff, or through a cost-reimbursement or other agreement between service providers at the comprehensive One-Stop center and the partner programs, as described in the State Workforce Investment Plan and the local MOU. Core services may also be made available through the networks of affiliated sites and One-Stop partners described in WIA section 134(c)(2) (20 CFR section 662.250).

The workforce investment system established under WIA emphasizes informed customer choice, system performance, and continuous improvement. The eligible provider process is part of the strategy for achieving these goals. A Local Board may not itself provide training services to adults and dislocated workers unless it receives a waiver from the Governor and meets the requirements of WIA section 117(f)(1) (29 USC 2832(f)(1)). Instead, Local Boards, in partnership with the State, identify training providers and programs whose performance qualifies them to receive WIA funds to train adults and dislocated workers. After receiving core and intensive services and in consultation with case managers, eligible participants who need training use the list of these eligible providers, which contains performance and cost information on eligible providers, to make an informed choice (20 CFR section 663.440).

Individual Training Accounts (ITAs) are established for eligible individuals to finance training through these eligible providers. Payments from ITAs may be made in a variety of ways, including the electronic transfer of funds through financial institutions, vouchers, or other appropriate methods. Payments may also be made through payment of a portion of the costs at different points in the training course (20 CFR section 663.410). Exceptions to the use of ITAs are permissible only where the services provided are for on-the-job or customized training; where the Local Board determines that there is an insufficient number of eligible providers available locally; or in the case of programs of demonstrated effectiveness serving participant populations which face multiple barriers to employment (20 CFR section 663.430).

The ability of providers to successfully perform, the procedures State and Local Boards use to establish training provider eligibility, and the degree to which information, including performance information, on those providers is made available to customers eligible for training services, are key factors affecting the successful implementation of the Statewide workforce investment system (20 CFR section 663.500).

Source of Governing Requirements

The WIA program is authorized by: Title I of the Workforce Investment Act of 1998 (Pub. L. 105-220, 112 Stat. 936-1059; 29 USC 2811 *et seq.*). The regulations are at 20 CFR parts 660-671.

Availability of Other Program Information

Additional information on programs authorized under the Workforce Investment Act can be found on the Internet at <http://www.usworkforce.org/> and <http://www.doleta.gov/>. The *Questions and Answers* and *Policy-Related Information* sections are particularly useful sources of information on compliance issues.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable, and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. Waivers and Work-Flex

- a. The Secretary of Labor may waive statutory or regulatory requirements of the adult and youth provisions of the Act and of the Wagner-Peyser Act (29 USC 2939(i)(4); 20 CFR sections 661.400 through .420).
- b. Under an approved Workforce Flexibility plan, a Governor may be granted authority to approve requests for waivers of statutory or regulatory provisions of Title I submitted by local workforce areas (29 USC 2942; 20 CFR sections 661.430 and .440)).

2. Statewide Activities

Statewide workforce investment activities include (20 CFR sections 665.200 and .210):

- a. State administration of the adult, dislocated worker, and youth workforce investment activities.

- b. Providing capacity building and technical assistance to local areas, including Local Boards, One-Stop operators, One-Stop partners, and eligible providers.
- c. Conducting research and demonstrations.
- d. Establishing and implementing innovative incumbent worker training programs, which may include an employer loan program to assist in skills upgrading, and programs targeted to empowerment zones and enterprise communities.
- e. Providing support to local areas for the identification of eligible training providers.
- f. Implementing innovative programs for displaced homemakers, and programs to increase the number of individuals trained for and placed in non-traditional employment.
- g. Carrying out adult and dislocated worker employment and training activities as the State determines are necessary to assist local areas in carrying out local employment and training activities.
- h. Carrying out youth activities Statewide.
- i. Preparing the annual performance progress report and submitting it to the Secretary of Labor, as described in 20 CFR section 667.300(e).
- j. Carrying out required rapid response activities.
- k. Disseminating:
 - (1) The State list of eligible providers of training services, for adults and dislocated workers.
 - (2) Information identifying eligible providers of on-the-job training and customized training.
 - (3) Performance and program cost information about these providers.
 - (4) A list of eligible providers of youth activities.
- l. Conducting evaluations, under WIA section 136(e), of workforce investment activities for adults, dislocated workers and youth, in order to establish and promote methods for continuously improving such activities to achieve high-level performance within, and high-level outcomes from, the Statewide workforce investment system.
- m. Providing incentive grants.

- n. Providing technical assistance to local areas that fail to meet local performance measures.
 - o. Assisting in the establishment and operation of One-Stop delivery systems, in accordance with the strategy described in the State Workforce Investment Plan.
 - p. Providing additional assistance to local areas that have high concentrations of eligible youth.
 - q. Operating a fiscal and management accountability information system.
3. *Local Activities - Subtitle B Adult and Dislocated Worker Programs*
- a. Funds may be used at the local level to pay for core One-Stop system costs as well as for intensive services and training services for program participants.
 - b. *Core Services* - The following are core services (20 CFR section 662.240):
 - (1) Eligibility determination for WIA services.
 - (2) Outreach, intake, and orientation to available information and services.
 - (3) Initial assessment of skill levels, aptitudes, abilities and supportive services needs.
 - (4) Career counseling.
 - (5) Job search and placement assistance.
 - (6) Provision of employment statistics and job information.
 - (7) Provision of performance information on eligible providers of training services, youth activities, and adult education.
 - (8) Provision of information on local area performance.
 - (9) Provision of information on availability of supportive services.
 - (10) Provision of information regarding filing Unemployment Insurance (UI) claims.
 - (11) Assistance in establishing eligibility for welfare to work activities and programs of financial assistance for training and education programs.

- (12) Follow-up services including counseling for individual placed into unsubsidized employment for at least 12 months following placement (20 CFR section 663.150).
- c. *Intensive Services* - The following are intensive services (29 USC 2864(d)(3); 20 CFR section 663.200):
- (1) Specialized assessments including diagnostic testing, in-depth interviewing, and evaluation.
 - (2) Development of employment plan.
 - (3) Group counseling.
 - (4) Individual counseling and career planning.
 - (5) Case management.
 - (6) Pre-vocational services, including workplace behavior skills training.
- d. *Training Services* - The following are training services (29 USC 2864(d)(4); 20 CFR section 663.300):
- (1) Occupational training.
 - (2) On-the-Job-Training (OJT) (Employers may be reimbursed up to 50 percent of the wage rate of an OJT participant for the extraordinary costs of providing the training and additional supervision related to the OJT. The employer is not required to document its extraordinary costs (20 CFR section 663.710)).
 - (3) Skill upgrading.
 - (4) Entrepreneurial training.
 - (5) Job readiness training.
 - (6) Adult literacy.
 - (7) Customized training (Customized training is designed to meet the special needs of an employer. Such employers are required to pay at least fifty percent of the training (20 CFR section 663.715)).
- e. At the discretion of the State and Local Boards the following services may be provided (29 USC 2864(e)):
- (1) Customized screening and referral.

- (2) Supportive services, including needs related payments.

4. *Local Activities - Subtitle B Youth Activities*

- a. Youth activities can provide a wide array of activities relating to employment, education and youth development. With the exception of the design framework component (e.g., services for intake, objective assessment, and the development of individual service strategy), these activities must be obtained by grant or contract with a service provider. The activities include but are not limited to the following (29 USC 2843 and 2854(c)(2); 20 CFR sections 664.405(a)(4) and .410):
 - (1) Tutoring, study skills training, and instruction leading to completion of secondary school, including dropout prevention strategies.
 - (2) Alternative secondary school services.
 - (3) Summer employment opportunities that are directly linked to academic and occupational learning.
 - (4) Paid and unpaid work experience, including internships and job shadowing.
 - (5) Occupational skills training.
 - (6) Leadership development opportunities, including community service and peer-centered activities encouraging responsibility and other positive social behaviors.
 - (7) Supportive services.
 - (8) Adult mentoring for a period of participation and a subsequent period, for a total of not less than 12 months.
 - (9) Follow-up services.
 - (10) Comprehensive guidance and counseling, including drug and alcohol abuse counseling and referral.
- b. Funds allocated to a local area for eligible youth shall be used for programs that (20 CFR section 664.405):
 - (1) Objectively assess academic levels, occupational skills levels, service needs (i.e., occupational, prior work experience, employability, interests, aptitudes), and supportive service needs of each participant;

- (2) Develop service strategies that identify an employment goals, achievement objectives, and the appropriate services needed to achieve the goals and objectives for each participant; and
- (3) Provide post-secondary education preparation, linkages between academic and occupational learning, preparation for unsubsidized employment opportunities, and effective connections to intermediaries with strong links to the job market and local and regional employers.

5. *Activities Unallowed - All WIA Programs*

WIA title I funds may not be used for the following activities:

- a. Construction or purchase of facilities or buildings (20 CFR section 667.260), with the following exceptions:
 - (1) Providing physical and programmatic accessibility and reasonable accommodation, as required under section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990, as amended (20 CFR section 667.260(a)).
 - (2) Repairs, renovations, alterations and capital improvements of SESA real property and JTPA-owned property which is transferred to WIA title I programs (20 CFR section 667.260(b)).
 - (3) Disaster relief employment on projects for demolition, cleaning, repair, renovation, and reconstruction of damaged and destroyed structures, facilities, and lands located within a disaster area (WIA section 173(d); 29 USC 2918(d); 20 CFR section 667.260(d)).
- b. Employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals, with the exception of employer outreach and job development activities, which are considered directly related to training for eligible individuals (WIA section 181(e); 29 USC 2931(e); 20 CFR section 667.262).
- c. The employment or training of participants in sectarian activities. Participants shall not be employed in the construction, operation, or maintenance of a facility that is or will be used for sectarian instruction or as a place for religious worship. However, WIA funds may be used for the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship if the organization operating the facility is part of a program or activity providing services to WIA participants. (WIA section 188(a)(3); 29 USC 2938(a)(3); 20 CFR section 667.266).

- d. Encouraging or inducing the relocation of a business or part of a business from any location in the United States if the relocation results in any employee losing his or her job at the original location (20 CFR section 667.268).
 - e. Providing customized training, skill training, or on-the-job training or company specific assessments of job applicants or employees of a business or a part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation resulted in any employee losing his or her job at the original location (20 CFR section 667.268(a)).
 - f. Paying the wages of incumbent employees during their participation in economic development activities provided through a Statewide workforce investment system (WIA section 181(b)(1); 29 USC 2931(b)(1); 20 CFR section 667.264(a)(1)).
 - g. Public service employment, except to provide disaster relief employment, as specifically authorized in section 173(d) of WIA (WIA sec. 195(10); 29 USC 2945(10); 20 CFR section 667.264(a)(2)).
6. *Activities Unallowed - All Subtitle B Statewide and Local Programs*

Funds available to States and local areas under subtitle B may not be used for foreign travel (29 USC 2931(e)).

B. Allowable Costs/Cost Principles

1. *One-Stop Centers*

The Department of Labor (DOL), in a collaborative effort with other Federal agencies, published in the *Federal Register* dated May 31, 2001 (66 FR 29637) a notice that provides guidance on resource sharing methodologies for the shared costs of a One-Stop service delivery system.

2. *All Subtitle B Statewide and Local Programs*

For those selected items of cost requiring prior approval, the authority to grant or deny approval is delegated to the Governor for youth, adult, and dislocated worker programs (20 CFR section 667.200(c)).

E. Eligibility

1. Eligibility for Individuals

a. All Programs

Selective Service - No participant may be in violation of section 3 of the Military Selective Service Act (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).

b. All Subtitle B Statewide and Local Programs

- (1) An adult must be 18 years of age or older.
- (2) A dislocated worker means an individual who meets the definition in 29 USC 2801(9).
- (3) A dislocated homemaker means an individual who meets the definition in 29 USC 2801(10).
- (4) Before receiving training services, an adult or dislocated worker must have received at least one intensive service, been determined to be unable to obtain or retain employment through intensive services, and met all of the following requirements (20 CFR sections 663.240 and 663.310):
 - (a) Had an interview, evaluation, or assessment and determined to be in need of training services and have the skills and qualifications to successfully complete the selected training program.
 - (b) Selected a training service linked to the employment opportunities.
 - (c) Was unable to obtain grant assistance from other sources, including other Federal programs, to pay the costs of the training.

c. Subtitle B Youth Activities

A person is eligible to receive services under Youth Activities if they are between the ages of 14 and 21 at the time of enrollment (20 CFR section 664.200) and demonstrate at least one of the following barriers to employment: deficient in basic literacy skills; a school dropout; homeless; a runaway; a foster child; pregnant or parenting; offender; or an individual who requires additional assistance to complete an educational program, or to secure and hold employment (20 CFR sections 664.200, .205, and .210).

See III.G.3.d.(2), “Matching, Level of Effort, Earmarking - Earmarking,” for requirement that at least 95 percent of eligible youth participants be disadvantaged low-income youth as defined in 29 USC 2801(25).

2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable
3. **Eligibility for Subrecipients** - Not Applicable

F. Equipment and Real Property Management

Recipients and subrecipients may permit employers to use WIA-funded, local area services, facilities, or equipment on a fee-for-service basis, to provide employment and training activities to incumbent workers if this does not interfere with utilization by eligible participants and the income generated from such fees is treated as program income (29 USC 2945(13); 20 CFR section 667.200(a)(8)).

G. Matching, Level of Effort, Earmarking

1. **Matching** - Not Applicable
2. **Level of Effort** - Not Applicable
3. **Earmarking**

Subtitle B Statewide and Local Programs

a. Statewide Activities

- (1) ***State Reserve*** - A State may reserve up to 15 percent of the amounts allotted for Adult, Dislocated Worker, and Youth Activities. The amounts reserved may be combined and expended on activities described in 20 CFR sections 665.200 and .210 without regard to funding source (20 CFR section 667.130).
- (2) ***Administrative Cost Limits*** - A State may spend up to five percent of the amount allotted for the State’s administrative costs (i.e., one-third of the 15 percent State Reserve described in the preceding paragraph) (20 CFR section 667.210). The term administrative costs is defined at 20 CFR section 667.220. The funds provided for administrative costs by one of the three funding sources (Adult, Dislocated Worker, and Youth Activities) can be used for administrative costs of the other two sources.

b. *Dislocated Worker Activities - Rapid Response*

Statewide Rapid Response - The State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers. The funds are used to plan and deliver services to enable dislocated workers to transition to new employment as quickly as possible, following either a permanent closure or mass layoff, or a natural or other disaster resulting in a mass job relocation (20 CFR section 667.130(b)).

c. *Local Areas*

Administrative Cost Limits - A local area may expend no more than ten percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under sections 128(b) and 133(b) of the Act for administrative costs. The funds provided for administrative costs by one of the three fund sources (Adult, Dislocated Worker, Youth Activities) can be used for administrative costs of the other two sources (20 CFR section 667.210(a)(2)).

d. *Youth Activities*

(1) *Out-of-School Youth* - Thirty percent of the Youth Activity funds allocated to the local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (20 CFR section 664.320).

(2) *Low-Income Youth* - A minimum of 95 percent of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth as defined in 29 USC 2801(25) (20 CFR section 664.220).

e. *Adult and Dislocated Workers Funds*

Transfers of Funds – Section 133(b)(4) of the WIA authorizes workforce investment areas, with the approval of the Governor, to transfer up to 20 percent of the Adult Activities funds to Dislocated Workers Activities, and up to 20 percent of Dislocated Workers Activities funds to Adult Activities. Effective for Program Year 2003, the transfer limits were raised to 30 percent by the DOL Appropriations Act (Section 133(b)(4) of the WIA, as amended by Pub. L. 108-7).

H. Period of Availability of Federal Funds

1. *Statewide Activities*

Funds allotted to a State for any program year are available for expenditure by the State during that program year and the two succeeding program years (29 USC 2939(g)(2); 20 CFR section 667.107(a)).

2. *Local Areas*

Funds allocated by a State to a local area for any program year are available for expenditure only during that program year and the succeeding program year. Funds which are not expended by a local area in this two-year period must be returned to the State, which can use the funds for Statewide projects during the third program year of availability, or distribute the funds to local areas which had fully expended their allocation of funds for the same program year within the two-year period (29 USC 2939(g)(2); 20 CFR section 667.107(b)).

I. Procurement and Suspension and Debarment

1. *All Subtitle B Statewide and Local Programs*

All procurement contracts and other transactions between Local Boards and units of State or local governments must be conducted only on a cost-reimbursement basis. No provision for profit is allowed (20 CFR section 667.200(a)(3)).

2. *Subtitle B Youth Activities*

The Local Board for each local such area shall identify eligible providers of youth activities by awarding grants or contracts on a competitive basis, based on the recommendations of the youth council and on the criteria contained in the State plan (WIA section 123; 29 USC 2843).

J. Program Income

1. The addition method is required for use on all program income earned under WIA grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIA program (20 CFR section 667.200(a)(5)).
2. WIA specifically includes as program income: (a) receipts from goods and services, including conferences; (b) funds provided to a service provider in excess of the costs associated with the services provided; and (c) interest income earned on funds received under WIA. Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income earned (29 USC 2945(7)(B) and 20 CFR section 667.200(a)(6)).

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* - Not Applicable

- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System (PMS). Reporting equivalent to the SF-272 is accomplished through the PMS and is evidenced by the PSC 272-E, *Major Program Statement*.
- e. *Financial Status Reports* - The following are electronic reporting formats based on the SF-269, Financial Status Report and used to report accrued income and program and administrative expenditures. For additional information on the following six forms under *OMB Number 1205-0408*, see Training and Employment Guidance Letter No. 16-99 which can be accessed on the Internet at http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=1229. A separate report is required for each allotment by DOL. Thus, for a given funding stream, e.g., Dislocated Worker funds, as many as six reports may be due in a given reporting period - two for each of the three years of availability since, at present, there are two WIA allotments for each funding source for a given program year.
 - (1) ETA-9076-A - *Statewide Activities - Financial Status Report (OMB Number 1205-0408)* - The report is by the State to report the State Reserve up to 15 percent of the amounts allotted for Adult, Dislocated, and Youth Activities.
 - (2) ETA-9076-B - *Statewide Rapid Response - Financial Status Report (OMB Number 1205-0408)* - This report is used by the State to report the Statewide Rapid Response reserve of up to 25 percent of amounts allotted for dislocated workers.
 - (3) ETA-9076-C - *Local Administration - Financial Status Report (OMB Number 1205-0408)* - This report is used by the State to report the aggregate amount of local activities subject to the limit of 10 percent of the State's allocations of Youth, Adult, and Dislocated Worker funds.
 - (4) ETA-9076-D - *Local Youth Program Activities - Financial Status Report (OMB Number 1205-0408)* - This is used by the State to report the aggregated amounts of local activity funded by the State's portion of the Youth Activities which is allocated to a State's local areas and not used for administrative expenditures.

- (5) ETA-9076-E - *Local Adult Program Activities - Financial Status Report (OMB Number 1205-0408)* - This is used by the State to report the aggregated amounts of local activity funded by the State's portion of the Adult funds which is allocated to a State's local areas plus transfers to and from local Dislocated Worker funds which are not used for administrative expenditures
- (6) ETA-9076-F - *Local Dislocated Worker Program Activities - Financial Status Report (OMB Number 1205-0408)* - This is used by the State to report the aggregated amounts of local activity funded by the State's portion of the Dislocated Worker funds which is allocated to a State's local areas plus transfers to and from local Adult funds which are not used for administrative expenditures.
- (7) Subrecipients (e.g., Local Boards) are generally required to report financial information to the pass-through entity (e.g., State). These reports should be tested during audits of subrecipients.

2. Performance Reporting

ETA-9091 - *WIA Annual Report (OMB Number 1205-0420)* - Sanctions related to State performance or failure to submit these reports timely can result in a total grant reduction of not more than five percent as provided in WIA Section 136 (g)(1)(B). This report is accessible on the Internet at:
http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=1263.

- (1) *WIA Tables in Annual Report* - The actual performance level information in the following tables contain critical information.
 - (a) Table B - *Adult Program Results At-A-Glance*
 - (b) Table E - *Dislocated Worker Program Results At-A-Glance*
 - (c) Table H - *Older Youth Program Results At-A-Glance*
 - (d) Table J - *Younger Youth Program Results At-A-Glance*
- (2) *Standardized Record Data (WIASRD)* - The WIASRD data records contain relevant data on individual participants' characteristics, activities and outcomes. They are submitted to DOL in support of the Tables in the Annual Report as required at WIA Section 185(d).

WIASRD Key Line Items - The following line items contain critical information:

- (a) Item 101 - *Individual identifier*

- (b) Item 601 - *Employed in quarter after exit quarter*
- (c) Item 608 - *Employed in third quarter after exit quarter*
- (d) Item 610 - *Employed in fifth quarter after exit quarter*

Total earnings from wage records for the: (Items 612 - 618)

- (e) Item 612 - *Third quarter prior to registration*
- (f) Item 613 - *Third quarter prior to dislocation*
- (g) Item 614 - *Second quarter prior to registration*
- (h) Item 615 - *Second quarter prior to dislocation*
- (i) Item 617 - *Second quarter following the exit quarter*
- (j) Item 618 - *Third quarter following the exit quarter*
- (k) Item 621 - *Type of recognized education/occupational certificate/credential/diploma/degree attained*
- (l) Item 622 - *Other reasons for exit*
- (m) Item 623 - *In postsecondary education or advanced training in quarter after exit*
- (n) Item 624 - *In postsecondary education or advanced training in the third quarter after exit*

3. Special Reporting - Not Applicable

M. Subrecipient Monitoring

1. Recipients and Subrecipients

- a. Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate (20 CFR section 667.400(c)).
- b. Commercial organizations which are subrecipients under WIA title I and which expend more than the minimum level specified in OMB Circular A-133 must have either an organization-wide audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit (20 CFR section 667.200(b)(2)(ii)).

2. *States*

- a. Each State must have a monitoring system which:
- (1) Provides for annual on-site monitoring reviews of local areas' compliance with DOL uniform administrative requirements, as required by WIA section 184(a)(4);
 - (2) Ensures that established policies to achieve program quality and outcomes meet the Act's objectives, including policies relating to the provision of services by One-Stop Centers, eligible providers of training services, and eligible providers of youth activities;
 - (3) Enables the Governor to determine if subrecipients and contractors are in substantial compliance with WIA requirements;
 - (4) Enables the Governor to determine whether a local plan will be disapproved for failure to make acceptable progress in addressing deficiencies; and
 - (5) Enables the Governor to ensure compliance with WIA nondiscrimination and equal opportunity requirements (20 CFR section 667.410(b)).
- b. Each State must conduct an annual on-site monitoring review of each local area's compliance with DOL uniform administrative requirements, including the appropriate administrative requirements and cost principles for subrecipients and other entities receiving WIA funds. The State must require that prompt corrective action be taken if any substantial violations are identified and must impose the sanctions provided in WIA section 184(b) and (c) if a subrecipient fails to take required corrective action. The State may issue additional requirements and instructions to subrecipients on monitoring activities (20 CFR section 667.410(b)).

DEPARTMENT OF LABOR

CFDA 17.263 YOUTH OPPORTUNITY GRANTS

I. PROGRAM OBJECTIVES

The Workforce Investment Act of 1998 (WIA) reforms Federal job training programs and creates a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. The cornerstone of the new workforce investment system is One-Stop service delivery, which unifies numerous training, education and employment programs into a single, customer-friendly system in each community so that the customer has access to a seamless system of workforce investment services.

Subtitle D programs (National programs) serve population segments that typically experience more severe workforce problems. Accordingly, Youth Opportunity Grants (YOG) under Subtitle D of Title I aim at increasing the long-term employment of youth who live in empowerment zones, enterprise communities, and high-poverty areas.

II. PROGRAM PROCEDURES

The Department of Labor (DOL) awards YOG to local areas through a grant competition open to Local Boards and WIA Section 166 Native American Grantees. The legislation restricts YOG to communities designated as urban and rural empowerment zones and enterprise communities (EZ/ECs) under the Internal Revenue Code, Indian Reservations, and Alaskan Native Villages, and high-poverty areas designated specifically by Governors as eligible for this program (29 USC 2914(c) and (d)). Grants are for a one-year period but grantees can receive up to four additional years of funding, with funding levels declining over time (29 USC 2914(a)(3)).

Typically, subgrants are made to community-based organizations, local public schools, and for-profit organizations. Services can be provided in schools outside the target area, as long as the services are limited to youth who reside in the target area. Funds are to be used to affect community-wide issues, including drop-out rates, youth and skills development, and unemployment.

Source of Governing Requirements

The WIA program is authorized by Title I of the Workforce Investment Act of 1998 (Pub. L. 105-220, 112 Stat. 936-1059; 29 USC 2811 *et seq.*). The regulations are at 20 CFR parts 660-671.

Availability of Other Program Information

Additional information on programs authorized under the Workforce Investment Act can be found on the Internet at <http://www.usworkforce.org> and <http://www.doleta.gov>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable, and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Activities Allowed*

YOG grantees shall use funds to provide a wide array of activities relating to employment, education, and youth development, as described in 29 USC 2843 and 2854(c)(2) and 20 CFR sections 664.405(a)(4) and 664.410. These activities include but are not limited to dropout prevention efforts, alternative schools, summer jobs, paid and unpaid work experience, occupational skills training, activities encouraging personal responsibility, supportive services, adult mentoring, follow-up services, and counseling. Activities also may include leadership development, citizenship, community service, and recreation activities (29 USC 2914(b)).

2. *Activities Unallowed*

Funds may not be used for the following activities:

- a. Construction or purchase of facilities or buildings (20 CFR section 667.260), with the following exceptions:
 - (1) Providing physical and programmatic accessibility and reasonable accommodation, as required under section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990, as amended (20 CFR section 667.260(a)).
 - (2) Repairs, renovations, alterations, and capital improvements of SESA real property and JTPA-owned property which is transferred to WIA title I programs (20 CFR section 667.260(b)).
 - (3) Disaster relief employment on projects for demolition, cleaning, repair, renovation, and reconstruction of damaged and destroyed structures, facilities, and lands located within a disaster area (WIA sec.173(d); 29 USC 2918(d); 20 CFR section 667.260(d)).
- b. Employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals, with the exception of employer outreach and job development activities, which are considered

directly related to training for eligible individuals (WIA section 181(e); 29 USC 2931(e); 20 CFR section 667.262):

- c. The employment or training of participants in sectarian activities. Participants shall not be employed in the construction, operation, or maintenance of a facility that is or will be used for sectarian instruction or as a place for religious worship. However, WIA funds may be used for the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship if the organization operating the facility is part of a program or activity providing services to WIA participants. (WIA section 188(a)(3); 29 USC 2938(a)(3); 20 CFR section 667.266).
- d. Encouraging or inducing the relocation of a business or part of a business from any location in the United States if the relocation results in any employee losing his or her job at the original location (20 CFR section 667.268).
- e. Providing customized training, skill training, or on-the-job training or company specific assessments of job applicants or employees of a business or a part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation resulted in any employee losing his or her job at the original location (20 CFR section 667.268(a)).
- f. Paying the wages of incumbent employees during their participation in economic development activities provided through a Statewide workforce investment system (WIA sec.181(b)(1); 29 USC 2931(b)(1); 20 CFR section 667.264(a)(1)).
- g. Public service employment, except to provide disaster relief employment, as specifically authorized in section 173(d) of WIA (WIA sec. 195(10); 29 USC 2945(10); 20 CFR section 667.264(a)(2)).

B. Allowable Costs/Cost Principles

One-Stop Centers - DOL, in a collaborative effort with other Federal agencies, published in the *Federal Register* dated May 31, 2001 (66 FR 29637) a notice that provides guidance on resource sharing methodologies for the shared costs of a One-Stop service delivery system.

E. Eligibility

1. Eligibility for Individuals

- a. Youth between the ages of 14 through 21 at enrollment who reside in the target community specified in the grant document are eligible for services under YOG (20 CFR section 664.820).

- b. *Selective Service* - No participant may be in violation of section 3 of the Military Selective Service Act (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).

2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable
3. **Eligibility for Subrecipients** - Not Applicable

F. Equipment and Real Property Management

Recipients and subrecipients may permit employers to use WIA-funded, local area services, facilities, or equipment on a fee-for-service basis, to provide employment and training activities to incumbent workers if this does not interfere with utilization by eligible participants and the income generated from such fees is treated as program income (29 USC 2945(13); 20 CFR section 667.200(a)(8)).

G. Matching, Level of Effort, Earmarking

1. **Matching** - Not Applicable
2. **Level of Effort** - Not Applicable
3. **Earmarking**

Administrative Cost Limits - The percentage of grant funds that may be expended on administrative costs is specified in the grant or contract award document (20 CFR section 667.210(b)). The term administrative costs is defined at 20 CFR section 667.220.

H. Period of Availability of Federal Funds

The period of availability for expenditures is set out in the terms and conditions of the award document (20 CFR section 667.107(e)).

I. Procurement and Suspension and Debarment

All procurement contracts and other transactions between Local Boards and units of State or local governments must be conducted only on a cost-reimbursement basis. No provision for profit is allowed (20 CFR section 667.200(a)(3)).

J. Program Income

1. The addition method is required for use on all program income earned under WIA grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the

grants when these costs have not been charged to the WIA program (20 CFR section 667.200(a)(5)).

2. WIA specifically includes as program income: (1) receipts from goods and services, including conferences; (2) funds provided to a service provider in excess of the costs associated with the services provided; and (3) interest income earned on funds received under WIA. Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income earned (29 USC 2945(7)(B) and 20 CFR section 667.200(a)(6)).

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* - Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System (PMS). Reporting equivalent to the SF-272 is accomplished through the PMS and is evidenced by the PSC 272-E, *Major Program Statement*.

2. Performance Reporting

ETA-9087, *Youth Opportunity Quarterly Program Progress Report*, (OMB No. 1205-0414) which reports total participants entering employment, skill attainment, credentials received, retention in employment, retention in school, and diploma received.

Key Line Items - The following line items contain critical information:

Section B. Status of Contacted Youth at Follow-Up

- a. *B.1 Working Full-time Only*
- b. *B.3 In School Only*
- c. *B.5 Working FT & Participating in Education or Training*
- d. *B.6 Working PT & Participating in Education or Training*
- e. *B.7 Not Working, Not in School or Training*

- f. *B.8 In Correctional Institutions*
- g. *B.9 Other*

M. Subrecipient Monitoring

1. Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate (20 CFR section 667.400(c)).
2. Commercial organizations that are subrecipients under WIA title I and which expend more than the minimum level specified in OMB Circular A-133 must have either an organization-wide audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit (20 CFR section 667.200(b)(2)(ii)).

DEPARTMENT OF LABOR

CFDA 17.264 **MIGRANT AND SEASONAL FARMWORKERS (National Farmworker Jobs Program)**

I. PROGRAM OBJECTIVES

The Workforce Investment Act of 1998 (WIA) reforms Federal job training programs and creates a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. The cornerstone of the new workforce investment system is One-Stop service delivery, which unifies numerous training, education and employment programs into a single, customer-friendly system in each community so that the customer has access to a seamless system of workforce investment services.

Programs under Subtitle D of Title I of WIA (National programs) serve population segments which typically experience more severe workforce problems. Accordingly, the National Farmworker Jobs Program seeks to assist eligible migrant and seasonal farmworkers and their families to achieve economic self-sufficiency.

II. PROGRAM PROCEDURES

The National Farmworker Jobs Program (NFJP) provides funding to assist migrant and seasonal farmworkers and their families achieve economic self-sufficiency by providing supportive services to them while they work in agriculture or by assisting them to acquire new job skills in occupations offering better pay and a more stable employment outlook. The Department of Labor (DOL) awards grants competitively to eligible applicants that submit two-year strategic plans for operating the NFJP in State, substate and multi-State service areas (20 CFR sections 669.200 through 669.210). Awards are for a two-year period, with provision for an additional two-year period without competition when performance is satisfactory .

The NFJP is a required One-Stop partner. Grantees must therefore negotiate Memorandums of Understanding (MOUs) with the local workforce investment boards in the areas of the State where the program operates (20 CFR section 669.220(a)).

Source of Governing Requirements

The WIA program is authorized by: Title I of the Workforce Investment Act of 1998 (Pub. L. 105-220, 112 Stat. 936-1059; 29 USC 2811 *et seq.*). The regulations are at 20 CFR parts 660-671.

Availability of Other Program Information

Additional information on programs authorized under the WIA can be found on the Internet at <http://www.usworkforce.org> and <http://www.doleta.gov>. The *Questions and Answers* and *Policy-Related Information* sections are particularly useful sources of information on compliance issues.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable, and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Activities Allowed*

Activities allowed are in accordance with a service delivery strategy described in the grantee's approved two-year grant plan (20 CFR section 669.300). The services available from the NFJP for assisting migrant and seasonal farmworkers are organized as Core Services, Intensive Services, Training Services, and Related Assistance Services (20 CFR section 669.310).

- a. *Core Services* include skills assessment, job search, WIA program eligibility determination, and access to the other core services of the Local One-Stop Center (20 CFR sections 669.340 and 350).
- b. *Intensive Services* include objective assessment, employment development planning, basic education, dropout prevention, allowance payments, work experience, and Literacy and English-as-a-Second language (20 CFR section 669.370).
- c. *Training Services* include occupational skills and job training (which includes On-The-Job Training (OJT)), and classroom training (20 CFR section 669.410).
- d. *Related Assistance Services* are short-term forms of direct assistance that support farmworkers and their families to retain or stabilize their agricultural employment or participation in an Intensive or Training Services activity (20 CFR section 669.430).

2. *Activities Unallowed*

WIA title I funds may not be used for the following activities:

- a. Construction or purchase of facilities or buildings (20 CFR section 667.260), with the following exceptions:
 - (1) Providing physical and programmatic accessibility and reasonable accommodation, as required under section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990, as amended (20 CFR section 667.260(a)).

- (2) Repairs, renovations, alterations and capital improvements of SESA real property and JTPA-owned property which is transferred to WIA title I programs (20 CFR section 667.260(b)).
 - (3) Disaster relief employment on projects for demolition, cleaning, repair, renovation, and reconstruction of damaged and destroyed structures, facilities, and lands located within a disaster area (WIA sec.173(d); 29 USC 2918(d); 20 CFR section 667.260(d)).
- b. Employment generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals, with the exception of employer outreach and job development activities, which are considered directly related to training for eligible individuals (WIA section 181(e); 29 USC 2931(e); 20 CFR section 667.262).
- c. The employment or training of participants in sectarian activities. Participants shall not be employed in the construction, operation, or maintenance of a facility that is or will be used for sectarian instruction or as a place for religious worship. However, WIA funds may be used for the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship if the organization operating the facility is part of a program or activity providing services to WIA participants. (WIA section 188(a)(3); 29 USC 2938(a)(3); 20 CFR section 667.266).
- d. Encouraging or inducing the relocation of a business or part of a business from any location in the United States if the relocation results in any employee losing his or her job at the original location (20 CFR section 667.268).
- e. Providing customized training, skill training, or on-the-job training or company specific assessments of job applicants or employees of a business or a part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation resulted in any employee losing his or her job at the original location (20 CFR section 667.268(a)).
- f. Paying the wages of incumbent employees during their participation in economic development activities provided through a Statewide workforce investment system (WIA sec.181(b)(1); 29 USC 2931(b)(1); 20 CFR section 667.264(a)(1)).
- g. Public service employment, except to provide disaster relief employment, as specifically authorized in section 173(d) of WIA (WIA sec. 195(10); 29 USC 2945(10); 20 CFR section 667.264(a)(2)).

E. Eligibility**1. Eligibility for Individuals**

- a. *Selective Service* - No participant may be in violation of section 3 of the Military Selective Service Act (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).
- b. To be eligible for participation in the NFJP, individuals must (20 CFR section 669.320):
 - (1) Have been a migrant or seasonal farmworker whose family was disadvantaged (see definition of “disadvantaged” as defined in 20 CFR section 669.110) during any consecutive 12-month period within the 24-month period preceding application for enrollment.
 - (a) A “seasonal farmworker” is a person who, for 12 consecutive months out of the 24 months prior to application for the program, has been primarily employed in agricultural labor that is characterized by chronic unemployment or underemployment (29 USC 2912(h)(4)).
 - (b) A “migrant farmworker” is a seasonal farmworker as described in (a) above whose agricultural labor requires travel to a job site such that the farmworker is unable to return to a permanent place of residence within the same day (29 USC 2912(h)(3)).
 - (2) Be a dependent of the seasonal or migrant farmworker in (1)(a) or (1)(b) above.

2. Eligibility for Group of Individuals or Area of Service Delivery - Not Applicable

3. Eligibility for Subrecipients - Not Applicable

F. Equipment and Real Property Management

Recipients and subrecipients may permit employers to use WIA-funded, local area services, facilities, or equipment on a fee-for-service basis, to provide employment and training activities to incumbent workers if this does not interfere with utilization by eligible participants and the income generated from such fees is treated as program income (29 USC 2945(13); 20 CFR section 667.200(a)(8)).

G. Matching, Level of Effort, Earmarking

1. **Matching** - Not Applicable
2. **Level of Effort** - Not Applicable
3. **Earmarking**

Administrative Cost Limits - The percentage of grant funds which may be expended on administrative costs is specified in the grant or contract award document (20 CFR section 667.210(b)). The term “administrative cost” is defined at 20 CFR section 667.220.

H. Period of Availability of Federal Funds

The period of availability for expenditures is set out in the terms and conditions of the award document (20 CFR section 667.107(e)).

I. Procurement and Suspension and Debarment

All procurement contracts and other transactions between Local Boards and units of State or local governments must be conducted only on a cost-reimbursement basis. No provision for profit is allowed (20 CFR section 667.200(a)(3)).

J. Program Income

1. The addition method is required for use on all program income earned under WIA grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIA program (20 CFR section 667.200(a)(5)).
2. WIA specifically includes as program income: (a) receipts from goods and services, including conferences; (b) funds provided to a service provider in excess of the costs associated with the services provided; and (c) interest income earned on funds received under WIA. Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income earned (29 USC 2945(7)(B) and 20 CFR section 667.200(a)(6)).

L. Reporting

1. **Financial Reporting**
 - a. SF-269, *Financial Status Report* - Not Applicable
 - b. SF-270, *Request for Advance or Reimbursement* - Not Applicable

- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System (PMS). Reporting equivalent to the SF-272 is accomplished through the PMS and is evidenced by the PSC 272-E, *Major Program Statement*.
- e. ETA-9092, *NFJP Financial Status Report (OMB No. 1205-0428)* - Grantees report cumulative net outlays/accrued expenditures, refunds/rebates, and program income on an accrual basis quarterly and annually for each fiscal year of appropriation, as well as grantee obligations and Total Federal Funds Authorized.

2. Performance Reporting

ETA 9095 - *NFJP Program Status Summary (OMB No. 1205-0425)* - Grantees report cumulative data on participants on a quarterly and annual basis. This data is used to determine the levels of program service and accomplishments for the program year.

Key Line Items - The following line items contain critical information:

- a. Line II A - *Entered Unsubsidized Employment*
- b. Line II B - *Completed Training Services*

M. Subrecipient Monitoring

Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate (20 CFR section 667.400(c)).

IV. OTHER INFORMATION

The CFDA number for this program was listed in the 2002 Compliance Supplement as CFDA 17.247. This is only a change in the CFDA numbering and not a change in the basic program. Funds expended under both CFDA numbers should be considered one program, i.e., a cluster for determining Type A programs.

CFDA 17.247 as described in the March 2001 Supplement is under JTPA requirements, which differ significantly from the NFJP program described in this Supplement under WIA requirements.

Therefore, as part of the Type A program risk assessment under OMB Circular A-133, this program shall only be considered as having been audited in the prior two years if it was audited under the March 2002 Compliance Supplement using the requirements listed in that Supplement under CFDA 17.247 or under the March 2001 Compliance Supplement using the requirements listed in that Supplement under CFDA 17.255 applicable to NFJP.

The Schedule of Expenditures of Federal Awards should reflect separately the amount expended under each CFDA number.

DEPARTMENT OF LABOR

CFDA 17.265 NATIVE AMERICAN EMPLOYMENT AND TRAINING

I. PROGRAM OBJECTIVES

The Workforce Investment Act of 1998 (WIA) reforms Federal job training programs and creates a new, comprehensive workforce investment system. The reformed system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers. The cornerstone of the new workforce investment system is One-Stop service delivery, which unifies numerous training, education and employment programs into a single, customer-friendly system in each community so that the customer has access to a seamless system of workforce investment services.

Programs under Subtitle D of Title I of WIA (National programs) serve population segments which typically experience more severe workforce problems. Accordingly, Indian and Native American Employment and Training grants also seek to promote the economic and social development of Indian, Alaskan Native, and Native Hawaiian communities in accordance with the goals and values of such communities.

II. PROGRAM PROCEDURES

The Department of Labor (DOL) awards Indian and Native American Employment and Training Grants to local areas, to federally recognized Indian tribes, tribal organizations, Alaskan Native entities, Indian-controlled organizations, and Native Hawaiian organizations (20 CFR Subpart B, sections 668.200 through 668.294). Funds are made available for comprehensive workforce investment activities for Indians, Alaskan Natives, and Native Hawaiians (29 USC 2911(d)(2)(A)(i)). Supplemental Youth Services funding is made available to entities serving Native American youth “on or near Indian reservations and in Oklahoma, Alaska, or Hawaii” (29 USC 2911(d)(2)(A)(ii)).

Grantees are required to submit a Comprehensive Services Plan for DOL approval. The Plan must identify program emphasis areas, designate a specific target population to be served by the grant, select appropriate performance measures and standards, establish specific plans for serving youth (if they receive Supplemental Youth Services funding), develop a budget and identify the level of administrative costs needed for the two-year plan, and identify appropriate program linkages with other agencies (20 CFR section 668.720). Services provided under the Plan may include any of the core services (20 CFR section 668.340(b)), intensive services (20 CFR section 668.340(c)), training services (20 CFR section 668.340(d)), and youth services (20 CFR section 668.340(e)) which other Title I grantees may provide, as well as tribal job development, outreach, and related services (20 CFR section 668.340(f)). Grantees are required to negotiate Memorandums of Understanding (MOUs) with the local workforce investment board(s) which operate in whole or in part within the grantee’s service area (29 USC 2841(c)).

Source of Governing Requirements

This program is authorized by Title I of the Workforce Investment Act of 1998 (Pub. L. 105-220, 112 Stat. 936-1059; 29 USC 2811 *et seq.*). The regulations are at 20 CFR parts 660-671.

Availability of Other Program Information

Additional information on programs authorized under the Workforce Investment Act can be found on the Internet at <http://www.usworkforce.org> and <http://www.doleta.gov>. The *Questions and Answers* and *Policy-Related Information* sections are particularly useful sources of information on compliance issues.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable, and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Activities Allowed*

- a. Indian and Native American Employment and Training Grantees can provide a wide array of activities relating to employment, training, education, supportive and community services, and youth development as outlined in 20 CFR section 668.340.
- b. *Core Services* include skills assessment, job search, WIA program eligibility determination, and access to the other core services of the Local One-Stop Center (20 CFR section 668.340(b)).
- c. *Intensive Services* include objective assessment, employment development planning, basic education, dropout prevention, allowance payments, work experience, and Literacy and English-as-a-Second language (20 CFR section 668.340(c)).
- d. *Training Services* include, but are not limited to, occupational skills and job training, including On-The-Job Training (OJT), and classroom training (20 CFR section 668.340(d)).
- e. *Youth Activities* include, but are not limited to, improving educational and skill competencies, adult mentoring, training opportunities, supportive services, incentive programs, opportunities for leadership development, preparation for post-secondary education, tutoring, alternative secondary school services, summer employment opportunities, work-experiences, occupational skill training, follow-up services, and comprehensive guidance and counseling (20 CFR section 668.340(e)).

- f. *Job Development Activities* include, but are not limited to, support of the Tribal Employment Rights Office (TERO) program, job development contacts with employers, and linkages with education and training programs and other service providers (20 CFR section 668.340(f)).

2. *Activities Unallowed*

WIA title I funds may not be used for the following activities:

- a. Construction or purchase of facilities or buildings (20 CFR section 667.260), with the following exceptions:
 - (1) Providing physical and programmatic accessibility and reasonable accommodation, as required under section 504 of the Rehabilitation Act of 1973, as amended, and the Americans with Disabilities Act of 1990, as amended (20 CFR section 667.260(a)).
 - (2) Repairs, renovations, alterations and capital improvements of SESA real property and JTPA-owned property which is transferred to WIA title I programs (20 CFR section 667.260(b)).
 - (3) Disaster relief employment on projects for demolition, cleaning, repair, renovation, and reconstruction of damaged and destroyed structures, facilities, and lands located within a disaster area (WIA sec.173(d); 29 USC 2918(d); 20 CFR section 667.260(d)).
- b. Employment-generating activities, economic development activities, investment in revolving loan funds, capitalization of businesses, investment in contract bidding resource centers, and similar activities not directly related to training for eligible individuals, with the exception of employer outreach and job development activities, which are considered directly related to training for eligible individuals (WIA section 181(e); 29 USC 2931(e); 20 CFR section 667.262):
- c. The employment or training of participants in sectarian activities. Participants shall not be employed in the construction, operation, or maintenance of a facility that is or will be used for sectarian instruction or as a place for religious worship. However, WIA funds may be used for the maintenance of a facility that is not primarily or inherently devoted to sectarian instruction or religious worship if the organization operating the facility is part of a program or activity providing services to WIA participants (WIA section 188(a)(3); 29 USC 2938(a)(3); 20 CFR section 667.266).
- d. Encouraging or inducing the relocation of a business or part of a business from any location in the United States if the relocation results in any employee losing his or her job at the original location (20 CFR section 667.268).

- e. Providing customized training, skill training, or on-the-job training or company-specific assessments of job applicants or employees of a business or a part of a business that has relocated from any location in the United States, until the company has operated at that location for 120 days, if the relocation resulted in any employee losing his or her job at the original location (20 CFR section 667.268(a)).
- f. Paying the wages of incumbent employees during their participation in economic development activities provided through a Statewide workforce investment system (WIA sec.181(b)(1); 29 USC 2931(b)(1); 20 CFR section 667.264(a)(1)).
- g. Public service employment, except to provide disaster relief employment, as specifically authorized in section 173(d) of WIA (WIA sec. 195(10); 29 USC 2945(10); 20 CFR section 667.264(a)(2)).

E. Eligibility

1. Eligibility for Individuals

- a. *Selective Service* - No participant may be in violation of section 3 of the Military Selective Service Act (50 USC App. 453) by not presenting and submitting to registration under that Act (29 USC 2939(h)).
- b. A person is eligible to receive services under the INA program if they meet the definition of an Indian, as determined by a policy of the Native American grantee, and are also one of the following (20 CFR section 668.300).
 - (1) Unemployed.
 - (2) Underemployed as defined in 20 CFR section 668.150.
 - (3) Low-income individual as defined in 29 USC 2801(25). (See III.G.3.b, "Matching, Level of Effort, Earmarking - Earmarking," for requirement that at least 95 percent of eligible participants in supplemental youth services be disadvantaged low-income youth.)
 - (4) The recipient of a bona fide lay-off notice which has taken effect in the last six months or will take effect in the following six month period, who is unlikely to return to a previous industry or occupation, and who is in need of retraining for either employment with another employer or for job retention with the current employer.
 - (5) An individual who is employed, but is determined by the grantee to be in need of employment and training services to obtain or retain employment that allows for self-sufficiency.

2. **Eligibility for Group of Individuals or Area of Service Delivery** - Not Applicable

3. **Eligibility for Subrecipients** - Not Applicable

F. Equipment and Real Property Management

Recipients and subrecipients may permit employers to use WIA-funded, local area services, facilities, or equipment on a fee-for-service basis, to provide employment and training activities to incumbent workers if this does not interfere with utilization by eligible participants and the income generated from such fees is treated as program income (29 USC 2945(13); 20 CFR section 667.200(a)(8)).

G. Matching, Level of Effort, Earmarking

1. **Matching** - Not Applicable

2. **Level of Effort** - Not Applicable

3. **Earmarking**

a. *Administrative Cost Limits* - The percentage of grant funds which may be expended on administrative costs is specified in the grant or contract award document (20 CFR section 667.210(b)). The term “administrative costs” is defined at 20 CFR section 667.220.

b. *Supplemental Youth Services* - A minimum of 95 percent of eligible participants in supplemental youth services activities must meet the low-income criteria as defined in 29 USC 2801(25) to participate in the program (20 CFR sections 668.300 and 668.430(b)).

H. Period of Availability of Federal Funds

The period of availability for expenditures is set out in the terms and conditions of the award document (20 CFR section 667.107(e)).

J. Program Income

1. The addition method is required for use on all program income earned under WIA grants. When the cost of generating program income has been charged to the program, the gross amount earned must be added to the WIA program. However, the cost of generating program income must be subtracted from the amount earned to establish the net amount of program income available for use under the grants when these costs have not been charged to the WIA program (20 CFR section 667.200(a)(5)).

2. WIA specifically includes as program income: (a) receipts from goods and services, including conferences; (b) funds provided to a service provider in excess

of the costs associated with the services provided; and (c) interest income earned on funds received under WIA. Any excess of revenue over costs incurred for services provided by a governmental or non-profit entity must be included in program income earned (29 USC 2945(7)(B) and 20 CFR section 667.200(a)(6)).

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* - Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* - Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* - Not Applicable
- d. SF-272, *Federal Cash Transactions Report* - Payments under this program are made by the Department of Health and Human Services, Payment Management System (PMS). Reporting equivalent to the SF-272 is accomplished through the PMS and is evidenced by the PSC 272-E, *Major Program Statement*.
- e. ETA-9080, *Indian and Native American Programs-Workforce Investment Act-Grantee Activities (OMB No.1205-0423)*. This electronic reporting format is based on the SF-269 Financial Status Report and used to report accrued income and program and administrative expenditures funded by grants under WIA section 166. Tribes participating in the "477" program authorized by the Indian Employment, Training, and Related Services Demonstration Act of 1992 (Pub. L. 102-477) are required to submit a single financial report covering all Federal formula programs covered by their 477 plan to the Bureau of Indian Affairs.

2. Performance Reporting

- a. ETA-9084, *Indian and Native American Comprehensive Services Report (OMB No. 1205-0422)* - Reports cumulative data on participation, termination, performance measures outcomes, and the socio-economic characteristics of all terminees on a semi-annual and annual basis. The information is used to determine the levels of program service and program accomplishments for the Program Year. Grantees receiving these funds are required to submit a semi-annual and annual report except federally recognized Indian tribes participating in the demonstration under Pub. L. 102-477 (as is the case for ETA-9080 and ETA-9085).

Key Line Items - The following line items contain critical information:

- (1) Line 2 - *Entered Employment with Enhancement*

- (2) Line 3 - *Entered Employment without an Enhancement*
- (3) Line 23 - *Classroom Training: Basic Education*
- (4) Line 24 - *Classroom Training: Job Skills*
- (5) Line 25 - *On-the-Job Training*
- (6) Line 26 - *Work Experience*

- b. ETA-9085, *Indian and Native American Supplemental Youth Services Program Report (OMB No. 1205-0422)* - Reports cumulative data on participation, termination, performance outcomes, and socio-economic characteristics of participants. Grantees receiving these funds are required to submit a semi-annual and annual report except federally recognized Indian tribes participating in the demonstration under Pub. L. 102-477 (as is the case for ETA-9080 and ETA-9084).

Key Line Items - The following line items contain critical information:

- (1) Line 1 - *Total Participants*
- (2) Line 2 - *Total Terminations*
- (3) Line 3 - *Total Current Participants*
- (4) Line 18 - *Entered Unsubsidized Employment*
- (5) Line 23 - *Attained High School Diploma*
- (6) Line 24 - *Attained GED*
- (7) Line 28 - *Total Participants who Attained 2 or More Goals*

M. Subrecipient Monitoring

1. Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate (20 CFR section 667.400(c)).

2. Commercial organizations which are subrecipients under WIA title I and which expend more than the minimum level specified in OMB Circular A-133 must have either an organization-wide audit conducted in accordance with OMB Circular A-133 or a program specific financial and compliance audit (20 CFR section 667.200(b)(2)(ii)).

IV. OTHER INFORMATION

The CFDA number for this program was listed in the 2002 Compliance Supplement as CFDA 17.251. This is only a change in the CFDA numbering and not a change in the basic program. Funds expended under both CFDA numbers should be considered one program, i.e., a cluster for determining Type A programs.

CFDA 17.251 as described in the March 2001 Compliance Supplement is under JTPA requirements which differ significantly from the Native American Employment and Training program described in this Supplement under WIA requirements.

Therefore, as part of the Type A program risk assessment under OMB Circular A-133, this program shall only be considered as having been audited in the prior two years if it was audited under the March 2002 Compliance Supplement using the requirements listed in that Supplement under CFDA 17.251 or under the March 2001 Compliance Supplement using the requirements listed in that Supplement under CFDA 17.255 applicable to Indian and Native American Employment and Training Grants.

The Schedule of Expenditures of Federal Awards should reflect separately the amount expended under each CFDA number.