

**U.S. Department of Labor**



**Employment and Training Administration  
REGION 5**

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Chicago, IL 60604-1505

<http://www.doleta.gov/regions/reg05>

November 8, 2017

Beth Townsend  
Director  
Iowa Workforce Development  
Des Moines, IA

Dear Director Townsend,

During the period of September 25 – 28, 2017, the U.S. Department of Labor/Employment and Training Administration (USDOL/ETA) Region 5, conducted an on-site monitoring review of your organization's administration and operation of WIOA and Wagner-Peyser grants (AA-28316-16-55-A-19; AA-26779-15-55-A-19; ES-29412-16-55-A-19; and ES-27490-15-55-A-19).

Our report from this review is enclosed. Please respond to the 11 Findings identified in the report within 45 days from the date of the report. Your response should be submitted to the ETA Regional Office at [oss.etal5@dol.gov](mailto:oss.etal5@dol.gov) and to your FPO, Tommy Ouyang, at [Ouyang.tommy@dol.gov](mailto:Ouyang.tommy@dol.gov).

We look forward to meeting with you and your team on November 21<sup>st</sup> to discuss the report in more detail and begin to develop plans for corrective action. If you have any questions, please contact Tommy Ouyang at 312.596.5512.

Sincerely,

A handwritten signature in black ink, appearing to read "Christine Quinn".

Christine Quinn  
Regional Administrator

Enclosure

## **US/DOL ETA Region 5 Monitoring Report**

### **REVIEW SCOPE**

#### **Grantee**

- Iowa Workforce Development (IWD)

#### **Date of Review**

- September 25 – 28, 2017

#### **Grants Covered**

- WIOA and Wagner-Peyser Review
  - AA-28316-16-55-A-19
  - AA-26779-15-55-A-19
  - ES-29412-16-55-A-19
  - ES-27490-15-55-A-19

#### **Time Period for Data Covered in Review**

- July 1, 2016 – June 30, 2017

#### **Site(s) Visited**

- Iowa Workforce Development State Office
- Region 5 Fort Dodge/Webster City IowaWORKS Center

#### **ETA Reviewers**

- Arlene Charbonneau, Federal Project Officer
- James Lambert, Federal Project Officer
- Stacy O'Keefe, Supervisor
- Tommy Ouyang, Federal Project Officer

#### **Date of Exit Conference**

- September 28, 2017

#### **Review Tool(s)**

- ETA's Core Monitoring Guide
- ETA's WIOA Implementation Guide

### **EXECUTIVE SUMMARY**

The report below outlines a number of individual issues that, as a whole, demonstrate that the workforce system in Iowa is in need of significant repair and change. The required actions attached to each of the Findings illustrate the need for leadership, direction and guidance from IWD in order to impact positive change. The State will need to review each of the issues and develop a plan and timeline for corrective action that not only ensures compliance in the short-term, but also addresses the structural issues that will continue to impede progress in the long-

term, if not addressed. The lack of the appropriate structures and engagement of key stakeholders at the local level must be rectified, in order to resolve many of the issues occurring in Iowa. The reviewers, as well as Regional Office leadership, are available to discuss this report and assist with corrective action.

## **COMPLIANCE FINDINGS**

### **Finding 1: Local Areas Not Aligned Appropriately -- State** (Core Component 3.1 – Governance)

The 15 local areas in Iowa do not meet the substantive requirements of a local workforce development area (LWDA) under WIOA. The 15 service areas date back to the Job Training Partnership Act under which States established “Service Delivery Areas” or SDAs. These SDAs were formed to align with service delivery in the State and, in Iowa, this resulted in areas being formed around the Community College locations throughout the State. Subsequent workforce development legislation, first the Workforce Investment Act of 1998 and, most recently, WIOA, allowed for existing service delivery areas to continue to serve as local areas, with only minimal qualifying criteria.

As a result, the current local service areas in Iowa do not align with the characteristics around which the WIOA intends a LWDA to be aligned, such as local labor market areas and/or economic development areas. Furthermore, the division of limited WIOA funds among 15 service areas, particularly in a State that has large rural areas, is stretching the available dollars so thin that the local areas are unable to fund core WIOA functions, such as staff support for the required Local Workforce Development Boards (WDBs) and/or the One-Stop Operators (OSOs). And finally, this structure does not facilitate the development of WIOA-compliant planning regions which, by law and regulation, are aligned with labor markets, commuting patterns, economic development areas, etc.

**Required Action:** The State must work with the chief elected officials to establish WIOA-compliant LWDAs that are able to fulfill all of the required roles and functions of a LWDA. The State must submit a plan to address the non-compliant local structure, in its response to this report. The Finding will be resolved when the State has LWDAs that are aligned with the criteria described above and are able to fund and/or administer the core WIOA functions described above.

### **Finding 2: Improper Disbursement of Local WIOA Funds – State** (Core Component 3.1 – Local Area Governance)

IWD improperly disburses WIOA Title I grant funds directly to the WIOA Title 1 Adult, Dislocated Worker and Youth service providers in each designated local area, bypassing the chief local elected officials who are, per statute and regulations, the local grant recipients for WIOA funds. There was no evidence that the State and the CEOs had entered into agreements in which the CEOs designated the Governor to serve as the local fiscal agent.

The statute at section 107(12) states, “The chief elected official in a local area shall serve as the local grant recipient for WIOA funds allocated to the local area under WIOA sections 128 and

133, unless the CEO reaches an agreement with the Governor for the Governor to act as the local grant recipient. “ The statute further states that only the local grant recipient/chief elected official or his/her designated fiscal agent may disburse local WIOA grant funds and this must be done at the direction of the local board.

**Required Action:** The State must establish a process for the allocation of WIOA funds directly to the local grant recipient/chief elected official or to his/her designated fiscal agent in each local area. The State must execute this process beginning with its PY18 WIOA Youth allocation, which the State should receive by April 2018. From that point forward, all WIOA allocations to the local system must be disbursed in accordance with the new process. In its response to this report, the State must submit the steps it will take to ensure that, by April 2018, it will be ready to disburse funds appropriately. This Finding will not be resolved until the PY18 WIOA Youth allocation is properly disbursed to the local system.

**Finding 3: Non-Compliant State Monitoring and Oversight of Local System – State**  
(Objective 2.1 – Administrative Controls)

The State’s monitoring and oversight efforts are inadequate in terms of compliance with WIOA requirements and overall effectiveness and quality. Our review of the State’s Program Year (PY) 2016 monitoring reports for Regions 5, 10, and 12 identified deficiencies in a number of areas. The State also failed to correctly implement its own monitoring policies, and such policies do not ensure that WIOA objectives are met. The following outlines the areas of non-compliance and/or deficiency:

- 1) All monitoring was conducted remotely, with no on-site review. The State’s monitoring reports indicated that State staff completed the review through the data management system and through electronic correspondence with the local office. This was confirmed by the State’s monitoring staff during the site visit. The State’s monitoring policy is also out of compliance in this regard, as it expressly allows for monitoring to be conducted either on-site or remotely (in section 3, under the “process” subheading);
- 2) The scope of the State’s monitoring is not compliant with State policy or WIOA requirements. As reflected in the monitoring reports, the scope of the State’s monitoring was limited to the review of one participant file per program area (Youth and Adult/Dislocated Worker) for each of five months covered (January through May of 2017). This resulted in the review of a total of 15 participant files per local area. State monitoring efforts did not extend past this limited file review. The State is not assessing the overall operation, management, and performance of its One-Stop Centers; it is not reviewing administrative structures, processes and/or systems at the local level for operating and/or evaluating WIOA programs; and the State has not assessed the implementation of key WIOA provisions at the local level.

The State’s monitoring policy identifies eight areas that should be monitored (Activities and services; Applicant and participant process; Customer engagement; Participant eligibility and verification; Participant file review; Management Information Systems; Compliance with state and local policy; and Performance accountability); however, only one of these eight areas, the participant files, were monitored.

- 3) The reviewers found no evidence that the State had issued formal monitoring reports with detailed findings and corrective action requirements. The Comprehensive Monitoring Reports that the State provided to the reviewers include a paragraph establishing a Pass/Observation/ Finding system, which bases the severity of an issue on the number of times it occurred in the files reviewed. It is unclear how this method can be effective with such a small sample size; it requires that a single issue occur 3 or more times in order to generate a Finding, but only 15 files were reviewed in total. This Pass/Observation/Finding system is also not included in the State's policy document.

The findings that are discussed in the reports include very little detail. For example, in the local area 12 report, finding #2 states, "Participant contacts were not occurring according to policy." No further information is provided. Despite multiple occurrences across all programs, no detail was presented regarding the source of the problem or the specific actions needed to resolve the Finding.

The regulations, at 20 CFR 683.410(b), outline the State's roles and responsibilities for monitoring and oversight. The regulations indicate, in part:

(2) The State monitoring system must: (i) Provide for annual on-site monitoring reviews of local areas' compliance with 2 CFR part 200, as required by sec. 184(a)(3) of WIOA; (ii) Ensure that established policies to achieve program performance and outcomes meet the objectives of WIOA and the WIOA regulations....(3) The State must conduct an annual on-site monitoring review of each local area's compliance with 2 CFR part 200, as required by sec. 184(a)(4) of WIOA. (4) The [State] must require prompt corrective action be taken if any substantial violation of standards...is found...."

Additionally, the Uniform Guidance requirements at 2 CFR 200.331 state:

All pass-through entities must: ... (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity. (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means....

A monitoring policy centered exclusively on participant file review ignores many critical areas of WIOA Title I compliance and administration and operation of WIOA programs in the local areas. It also fails to comply with even the minimum WIOA and Uniform Guidance requirements around monitoring and oversight.

**Required Action:** The State must develop new policies and procedures for monitoring and oversight that address the purpose and scope of monitoring, establish new and improved monitoring guides/tools, create a standardized report format and institutionalize follow-up and technical assistance activities. Any new processes developed must allow for annual on-site visits to all local areas across the State and ensure that all major grants and programs are monitored in

any given year, as appropriate. The process must result in the issuance of a report that identifies any corrective action needed. Provision of any follow-up or technical assistance needed must also be an integral part of the process. In its response to this report, the State must describe the steps it is taking to address this issue and submit links to any new policies, procedures, or tools that are developed.

**Finding 4: Lack of CEO Agreements – State**  
(Core Component 3.1 – Local Area Governance)

Despite being composed of multiple units of local government, the local areas in Iowa do not have agreements in place between the local elected officials outlining the liability, roles and responsibilities of the local elected officials in their respective jurisdictions.

The regulations at 683.710(2) state, “When a local workforce area or region is composed of more than one unit of general local government, the liability of the individual jurisdictions must be specified in a written agreement between the local elected officials.” This agreement typically outlines roles and responsibilities of the chief elected official(s) under WIOA. This regulation, at subparagraph (3) further requires that, when there is a change in the chief elected official(s), the Local Workforce Development Board (WDB) inform the new CEO(s) of their responsibilities and liabilities and of the need to review and update the written agreement.

This written agreement is a critical governing document, as the local elected officials must be aware of, and agree to, their roles and responsibilities as the grant recipients for local WIOA Title I funds. If WIOA grant funds allocated to a given local area are misused, liability for those funds rests with the chief local elected official(s) in that local area as outlined in the CEO Agreement.

**Required Action:** The State must ensure that the local elected officials in local workforce areas with more than one unit of general local government enter into an agreement in accordance with the regulation cited above. The State must submit copies of these agreements for all local areas, in order to resolve this Finding.

**Finding 5: Non-Compliant State Board - State**  
(Core Component 1.1: State Workforce Development Board Structure)

Based on the membership roster provided by IWD, the State Workforce Board membership structure is not in compliance with WIOA as follows:

- The Board does not have the required business majority.
- The following required board members do not have voting privileges as required:
  - WIOA required core partners;
  - Registered Apprenticeship; and
  - Representatives from each chamber of the State legislature.
- The board does not include the following required board members:
  - A small business representative;
  - Lead State Official for WIOA Title I and Wagner-Peyser Act programs;
  - Two chief elected officials; and
  - The Governor.

The regulations at section 20 CFR 679.110 identify the required members of a WIOA-compliant State Workforce Development Board (WDB). The members listed above are identified in this section as required State WDB members. This section also requires that a majority of members be representatives of businesses in the State. Section 20 CFR 679.110(g) further states, “all required WDB members must have voting privileges.”

**Required Action:** The State must appoint the members needed to bring the State WDB into compliance with WIOA. The must also ensure that all required members have voting privileges, as stated above. In order to resolve this Finding, the State must submit an updated board membership roster demonstrating that the board has all of the required members and that those members have voting privileges.

**Finding 6: Non-Compliant Local Board Membership – Regions 5, 10 and 12**  
(Core Component 3.1: Local Area Governance)

Based on the membership rosters the State provided, the local boards in Regions 5, 10 and 12 do not include all of the WIOA-required members, as follows:

For Region 5:

- The majority of members are not representatives of business.
- It appears there is no Registered Apprenticeship representative.

For Region 10:

- The majority of members are not representatives of business.
- It appears there are no small businesses, Registered Apprenticeship, Wagner Peyser, Adult Education, Vocational Rehabilitation, and Economic Development representatives.

For Region 12:

- Seven of the 14 members’ terms expired in 2016. While we could not verify this from the list provided because it only included individual names, with only seven members, it appears the board does not have all of the WIOA-required members.

The regulations, at Section 20 CFR 679.320, identify the required members of a WIOA-compliant Local Workforce Development Board (WDB). The members identified above are identified in this section as required Local WDB members in this section. This section also requires that a majority of members be representatives of business in the local area.

**Required Action:** The State must ensure that the local boards in these three regions, as well as all other local boards, appoint the members needed to be WIOA-compliant as outlined above. In order to resolve this Finding, the State must submit updated board membership rosters demonstrating that the boards have all of the required members.

## **Finding 7: Local Workforce Development Boards (LWDBs) Are Not Performing WIOA Required Functions - State**

(Core Component 3.1: Local Area Governance)

The local boards are not performing the functions that WIOA requires Local WDBs to perform. Based on the reviewers' discussions with IWD and Region 5 staff, it appears that the Title I Adult and Dislocated Worker service providers are performing these Local WDB functions.

Section 20 CFR 679.370 (a-q) outlines the roles and responsibilities of the local board. Section 20 CFR 679.400(a) grants Local WDBs authority to hire a director and other staff to assist in carrying out the functions of the Local WDB. Neither the statute nor the regulations authorize any entity other than the Local WDB or its staff to perform these required functions. In the absence of the authority to perform these functions, the costs associated with doing so are potentially subject to disallowance.

**Required Action:** The State must ensure that each Local WDB in the State is able to perform all of its WIOA-required functions. The State must also ensure that Title I service providers that are performing local board functions stop doing so immediately. The State must describe the actions it will take to ensure Local WDBs are able to perform the required functions, in its response to this report. To resolve this Finding, the State must submit descriptions of who is performing, and how they are performing, the WIOA-required Local WDB functions in the three Regions sampled – Regions 5, 10 and 12.

## **Finding 8: Nominal Funding Levels in One Stop Operator (OSO) Request for Proposals (RFPs) – State**

(Core Component 3.1: Local Area Governance)

The OSO RFPs issued by Iowa Workforce Development (IWD) were flawed due to insufficient funding levels that were not supported by a cost analysis.

Because the Local Workforce Development Boards are not fully composed, the IWD developed and issued the OSO RFPs. IWD issued four RFPs for the State's four Districts: Central, Western, Eastern and Northern. Each District contains three to four Local Workforce Development Areas (LWDAs). Each of the four RFPs contained an annual funding range of \$32,500 - \$37,500 for the OSO role, using IWD's State set aside funds. Given that each District covers multiple LWDAs, this equates to approximately \$8,000 per LWDA for performing the OSO functions for a year. This funding range was not supported by a cost analysis demonstrating that the OSO roles and responsibilities in each of the four Districts could be performed with the proposed funding level included in the RFPs.

The ETA's FAQ on the OSO RFP published on May 3, 2017 states, "... An RFP or IFB with no funding or nominal funding will restrict competition and result in either no responses or a limited number of responses from entities already receiving Title 1 funds. Such an RFP violates the prohibition on competitive pricing practices under 2 CFR 200.319(a) and 29 CFR 97.36(c)(1)(iii)."

The consequence of such low funding levels in the RFPs that IWD issued was as indicated above; it limited the number of responses received. The Western District secured two bids and the Northern and Eastern Districts secured only one bid each. The Central District, despite issuing the RFP twice, did not receive any bids.

**Required Action:** The State must ensure that OSOs are competitively procured using a process that meets all UG requirements around fair and open competition, as well as all guidance published in ETA's FAQs on this topic. In its response to this report, the State must submit a plan for ensuring this happens, including key steps and timeframes.

**Finding 9: Non-Compliant Memoranda of Understanding (MOUs) – Regions 5, 10 and 12**  
(Core Component 1.3 – Memoranda of Understanding)

The MOUs between the Local Workforce Development Boards (WDBs) and the one-stop partners in Regions 5, 10, and 12 are non-compliant as follows:

- The MOUs from Regions 5 and 12 do not include a partner service matrix or other information related to what services each partner provides and how they provide them.

In accordance with 20 CFR 678.500(b)(1), “The MOU must include:(1) A description of services to be provided through the one-stop delivery system, including the manner in which the services will be coordinated and delivered through the system....” The ETA established a deadline of July 1, 2017 for this component of the MOU in an FAQ published on December 21, 2016.

- The MOUs do not include the ‘additional costs’ component related to shared services and operating costs.

In accordance with 20 CFR 678.500(b)(2)(ii), MOUs must include a description of how the partners will fund the costs of shared services, operating costs of the system, and infrastructure costs. The ETA established a deadline of July 1, 2017 for this cost component in the FAQ referenced in number 1 above.

- The Region 5 MOU did not have any signatures and Region 10’s MOU was missing multiple partner signatures. Region 12’s MOU did not include a signature from the Local Board Chair and none of the MOUs included a signature from the chief elected official in the relevant Region.

In accordance with 20 CFR 678.500 (d), “When fully executed, the MOU must contain the signatures of the Local WDB, one-stop partners, and the chief elected official(s)....”

- The Region 10 MOU did not include the local area’s required discretionary grant one-stop partner – the Reentry Employment Opportunities (REO) grant, and the MOUs in all three Regions incorrectly included the Dennison and/or Ottumwa Job Corps Center(s) as required partner(s).

The regulations at 20 CFR 678.400 identify the required one-stop partners to include programs authorized under WIOA Title I, which include the Job Corps program and under section 212 of the Second Chance Act of 2007, which are the Reentry Employment Opportunities (REO) grant programs. For Job Corps, the required partner is the Job Corps Center Operator and, for the REO grant, it is the entity that administers the program in the local area. The regulations at 678.415(a) further clarify that the requirements relating to a required partner (20 CFR 678.420), which include entering into the MOU with the local board, only apply if the required partner program operates in the local area.

**Required Action:** The State must ensure that Regions 5, 10 and 12, and all Regions in the State, execute WIOA-compliant MOUs in accordance with the requirements above. To resolve this Finding, the State must provide copies of revised MOUs for Regions 5, 10 and 12.

**Finding 10: Stand-Alone Wagner-Peyser (W-P) Offices Not Allowable - State**  
(Core Component 3.3: Service Delivery Design)

The State continues to maintain a stand-alone W-P office in Region 5 in Webster City, despite WIOA's prohibition on such offices.

In accordance with 20 CFR 678.315, stand-alone Wagner-Peyser Act Employment Service offices are not permitted. This regulation further states, "If W-P services are provided at an affiliate site, there must be at least one or more other partners in the affiliated site with a physical presence of combined staff more than 50 percent of the time the site is open."

**Recommendation:** The State must develop a plan to address the stand-alone W-P office in Webster City in accordance with the regulation cited above. The State must also ensure that there are no other stand-alone W-P offices in the State. In its response to this report, the State must indicate what action(s) it plans to take with the Webster City office. The State must also indicate its plans to address any other stand-alone W-P offices that may exist.

**Finding 11: One-Stop Certification Not Completed -- State**  
(Core Component 3.2: One-Stop Certification)

At the time of the review, none of the local one-stop centers in the State had been certified.

In accordance with 20 CFR 678.800, the State WDB, in consultation with chief elected officials and Local WDBs, must establish objective criteria and procedures for Local WDBs to use when certifying one-stop centers. TEGL 10-16 establishes the deadline for the completion of the certification process as June 30, 2017.

The inability to complete the one-stop certification effort is likely due to a few factors, including:

- 1) The State did not provide guidance or criteria until August 2017 after the Regional Office notified the State in writing of the missed deadline;
- 2) The tool the State developed for one-stop certification, at 127 pages, is cumbersome and does not facilitate an efficient and timely completion of the certification effort; and
- 3) The local boards in Iowa are not fully composed and do not have any staff. As a result, Title I Adult and Dislocated Worker service providers are attempting to complete the

certification process. This is not only slowing down the process, but it also presents a conflict of interest.

**Required Action:** The State must ensure that its local boards have the tools and resources needed to complete one-stop certification as soon as possible. The State must streamline the certification tool and develop a proposed process for completion of the certification effort that is free from any real or perceived conflict of interest. The Regional Office will provide examples from other States. In its response to this report, the State must provide a copy of revised processes and tools for One-Stop Certification.

--End of Report--