



North Central Texas Council of Governments

***FY 2021 Fiscal Monitoring
Rotational Workplan Methodology Update***
for
Workforce Development Board

Prepared by
Risk & Compliance Division
North Central Texas Council of Governments
September 8, 2020

Table of Contents

<hr/>	
Background, Risk, and Objective	3
Scope and Methodology	4
Summary and Conclusion	5
Appendix A Acronyms, Definitions	6
Attachment A Risk Assessment Polling Template	7

Background

The North Central Texas Council of Governments Risk and Compliance Division, in performance of services provided to Workforce Development Department as Fiscal Monitors, and the Quality Assurance Department are certified by Texas Workforce Commission. As such, TWC relies upon the work of R&C to address fiscal monitoring compliance, in collaboration with the work of QA to address programmatic compliance. In 2017, R&C worked with the WFD Fiscal Manager, and members of QA to design a Workforce Rotational Review methodology to better allow for more efficient and effective annual workplan focus which aligned with the eleven fiscal monitoring activities identified in the Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter D, Rule §802.64, as follows:

- Accounting and reporting systems
- Budget methodologies
- Cash management practices
- Cost allocation plans and processes
- Cash disbursement compliance and documentation
- Program income identification and reporting
- Insurance coverage and risk exposure
- Oversight and monitoring functions
- Payroll administration
- Purchasing and procurement processes and procedures
- Property accountability and safeguarding

Risk

The specific TAC guidance was designed to address the focus of TWC's fiscal monitoring. Since R&C uses the TAC to guide the board level departmental focus, ranking the activities by risk helps to better allow for application of the guidance to the unique areas served by WFD. The Methodology creates a risk-based plan for annual rotation of the eleven fiscal monitoring to ensure that:

- management input is included in the ranking of risk of the eleven fiscal activity areas and is incorporated into the design of the annual fiscal monitoring workplan in a reasonable manner compliant with relevant rules, regulations, and law
- evidence of the annual risk assessment process is documented and presented to TWC during the annual monitoring process
- resources are efficiently and effectively used for authorized purposes, and protected from waste, fraud, and abuse, and misstatement of financial statements

Objective

Implement the second iteration of the Fiscal Monitoring Rotational Workplan Methodology, using a two-phase approach to assess risk of the eleven fiscal monitoring activity areas that increases efficiency and effectiveness. Phase One incorporates a high-level risk ranking method for the eleven TAC fiscal monitoring activity areas that creates a reasonable basis for a three-year rotational work plan design and allows for an annual

checkpoint prior to the beginning of each subsequent fiscal year. Phase Two utilizes resulting activity risk levels to create an annual R&C workplan for projects and activities through defined priorities. Participation in the annual QA collaborative risk assessment process will continue as in the past.

Scope

The rotation plan will span through three fiscal years, beginning in FY 2021 and extending through the end of FY 2023.

Methodology

Phase One

A polling committee consisting of WF Fiscal and R&C management, meets triennially to perform a reassessment of the eleven TAC fiscal monitoring activity interpretations and risk definitions based on emerging events and other relevant factors. Activities not performed in the Workforce Development board area are designated N/A, signifying that the activities do not warrant any review by the fiscal monitors. A weighting system addresses factors such as 1) WFD and TWC hot button areas, 2) most recent known events, and 3) strength of mitigating controls, to result in a risk level of low, medium or high per activity area. Additionally, the committee scores each of the activities utilizing the Activity Risk Assessment Tool in Attachment A and individually assigns risk levels of low, medium and high. A member of the QA team will provide concurrence for these tasks.

Phase Two

The second phase utilizes the annually determined risk levels per activity area to guide the frequency and rotation of monitoring activities in the R&C annual workplan. Prior to the beginning of the second and third year of the Rotational Workplan Methodology, the committee will reconvene to consider the impact of emerging events or other input which may require adjustment of fiscal activity risk levels or an associated acceleration or deceleration of the fiscal monitoring activities noted in the workplan. High-risk activities are planned to be addressed annually, medium-risk activity areas will be addressed during year two of the workplan, and low-risk activities will be addressed every third year. R&C will continue participation in the collaborative annual Workforce risk assessment process with QA to assist with timing of the collaborative monitoring activities. Additionally, FM reserves the right to adjust the workplan during the year based on circumstances or emerging events. The annual fiscal workplan is presented separately to the Senior WFD Fiscal Manager for input prior to the beginning of each fiscal year and to TWC annually in accordance with QA procedures. Certain work plan elements, such as the Fiscal Integrity Review, Side by Side financial statement comparison, and Bonding and Insurance will continue to be examined annually, as are applicable to the Subrecipient, as required by TAC Title 40, Part 20, Chapter 802, Subchapter B, Rule §802.21, and in compliance with applicable Uniform Guidance provisions.

Summary and Conclusion

Prior to FY2021, on June 16, 2020, the committee consisting of the WFD Senior Fiscal Manager, R&C Manager and Senior Auditor II met to complete tasks related to the Rotational Workplan Methodology. The Senior WFD Program Manager-Compliance & Continuous Improvement was consulted for concurrence following completion of the polling exercise

R&C presented the Fiscal Monitoring Rotational Workplan Methodology to the WFD Director, Director of Administration, WFD Senior Fiscal Manager, and Senior WFD Program Manager-Compliance & Continuous Improvement for approval. The consensus was that the methodology was reasonable and supportable by the available resources. R&C will continue to apply the methodology during FY 2021 through FY 2023, at which time the methodology will be revisited.

Appendix A

Acronyms

FM	Fiscal Monitors
FY	Fiscal Year
NCTCOG	North Central Texas Council of Governments
QA	Quality Assurance Department
R&C	Risk & Compliance Division, aka fiscal monitors for WFD
TAC	Texas Administrative Code
TWC	Texas Workforce Commission
WFD	Workforce Development Board, aka Workforce Solutions for North Central Texas

Definitions

Risk Assessment - a systematic process of evaluating the potential risks that may be involved in a projected activity or undertaking.

Emerging Event - an unexpected event or occurrence with urgent priority, due to its critical nature.

Objective:	To rank according to risk, the eleven fiscal monitoring activities identified in Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter D, Rule §802.64 in order to establish a reasonable rotational workplan methodology.
Conclusion:	A risk ranking has been determined for each of the activity areas. See Report, page 7, Attachment A Continued, for Instructions, Risk Levels and Associated Definitions, Tickmarks and Other Notes.

Phase One		Weighted Factors				Results			Phase Two	
TAC fiscal monitoring activity	Definition of Fiscal Risks	TWC hot button areas *	WFD hot button areas *	Recent known events *	Strength of mitigating controls *	TM	Results	Priority	Schedule	Examples of Related Tasks/Work
Accounting and reporting systems	Failure to maintain set(s) of interacting or interdependent systems designed to manage accounting information and grant reporting in line with WF Board policies and expectations.	10	10	10	10	--	10	Low	Triennially	Process review/ Limited Substantive Testing
Budget methodologies	Failure to adhere to proper internal controls designed to create and update budget information in a manner that aligns with TWC guidance, WF Board policies and expectations and other relevant rules, law and regulations.	10	10	10	10	--	10	Low	Triennially	Process Review
Cash management practices	Failure to follow best practices for collecting and disbursement of governmental cash balances and ability to make accurate projections of short-term cash inflows and outflows.	20	20	20	20	--	20	Med	Biannually	Process Review
Cost allocation plans and processes	Failure to plan for or adequately design processes for identifying, aggregating, and assigning costs to cost objects.	20	10	20	10	--	14	Low	Triennially	Process review/ Limited Substantive Testing
Cash disbursement compliance and documentation	Failure of tests of compliance with and documentation of rules regulations and laws that govern cash outflows or payment of funds.	30	30	30	30	--	30	High	Annually	Substantive testing of details/ Process reviews/ Data analytics
Program income ID & reporting	Not Applicable to WFD	N/A	N/A	N/A	N/A	A	N/A	N/A	N/A	N/A
Insurance coverage and risk exposure	Failure to adequately manage the state of being subject to the possibility of loss.	10	10	10	10	B	10	Low	Annually	Compliance testing
Oversight and monitoring	Not Applicable to WFD	N/A	N/A	N/A	N/A	C	N/A	N/A	N/A	N/A
Payroll administration	Failure to adequately manage the responsibility for actions, decisions, plans and policies for activities.	30	30	10	30	--	28	High	Annually	Substantive testing of details/ Process reviews/ Data analytics
Purchasing and procurement processes and procedures	Failure to adequately manage the responsibility for actions, decisions, plans and policies for activities.	30	30	10	10	--	25	High	Annually	Compliance Review document preparation / Limited Substantive Testing
Property accountability and safeguarding	Failure to account for, and have required documentation.	30	30	10	10	D	25	High	Annually	Process review/ Limited Substantive Testing

Instructions:	Consider the fiscal risk for each TAC fiscal monitoring activity. Apply a risk rating for each of the factor areas for each TAC fiscal monitoring activity using the following risk level definitions. Sum the identified, weighted risks in the Polling Results column. Apply resulting risk level number to determine rotation of monitoring activity using the following scale: 10 through 17 = triennially, 17 through 23 = biannually , and 23 through 30 = annually
----------------------	--

Risk Levels	Associated Definition
10 = Low	A risk that, due to the definition of the activity, or the priority placed on the activity due to the local Workforce Development Board involvement in the activity either by lower percentage of funds expended in the area or lessened risk due to the strength of mitigating controls/factors in place.
20 = Medium	A risk that merits attention based on a combination of amount of funding expended or percentage of total funds per area expended, recent Workforce Development Board or Texas Workforce Commission hot button areas or most recent known events.
30 = High	A risk that merits heightened attention based on a combination of amount of funding expended or percentage of total funds per area expended, recent Workforce Development Board or Texas Workforce Commission hot button areas or most recent known events.
Note	The amount of scrutiny, or workplan time allotment may be adjusted downward due to a less heightened intensity level based on the strength of mitigating controls/factors in place, or upwards due to a upward due to a more heightened intensity level based on the weakness of mitigating controls/factors, or other external factors, as appropriate to the risk level.

Tickmarks and Other Notes	
A	PDW R. Richardson, WFD Senior Fiscal Manager, WFD typically does not record transactions with our general ledger that meets the FMGC criteria for Program Income. Therefore, the risk is noted as N/A.
B	Although this area risks out as low, the area receives an override since this component is required annually by TWC in Texas Administrative Code, Title 40, Part 20, Chapter 802, Subchapter B, §802.21 Board Contracting Guidelines (b) Bonding, Insurance, and Other Methods of Securing Funds to Cover Losses.
C	Oversight and monitoring functions are considered to relate to TWC's annual monitoring of WFD and accordingly, the risk is noted as N/A.
D	For the FY21 risk assessment polling exercise, this TAC area will be readdressed in consideration of hot button areas to address items over \$5,000 such as equipment and vehicles included in NCTCOG inventory. Previously the risk was noted as N/A per discussion with R. Richardson, WFD Senior Fiscal Manager since WFD does not own any real estate property and all such property is leased. Additionally, the Subrecipient does not own any equipment purchased with TWC funding.
*	Weighted Factors are defined below: * TWC hot button areas -- Recent areas of note that have been identified by Texas Workforce Commission as emerging issues through some means of communication. * WFD hot button areas -- Recent areas of note that have been identified by the Workforce Development Board staff as emerging issues or areas that could potentially cause issues. * Recent known events -- Events that have recently been identified to committee members as higher risk areas. * Strength of mitigating controls -- Strength of mitigating controls is inversely related to view of risk, example if mitigating controls are high, the risk would be ranked as low.



North Central Texas Council of Governments

I have reviewed the attached FY 2021 Fiscal Monitoring Rotational Workplan Methodology for Workforce Development Board and the associated Activity Risk Assessment Tool documentation as it relates to the eleven fiscal monitoring activity areas identified in the Texas Administrative Code Title 40, Part 20, Chapter 802, Subchapter D, Rule §802.64 and as monitored by the Risk & Compliance Division.

I approve the methodology described to assess and review fiscal monitoring activity risk as a reasonable basis for the alignment and matching of resources to priorities. The Workforce Development Board Fiscal Monitoring team shall continue to apply the results of the Activity Risk Assessment Tool to design and utilize a rotational workplan.

Sep 15, 2020

Date

Molly Rendon

Molly Rendon (Sep 15, 2020 09:09 CDT)

Signature

Director of Administration

Title

North Central Texas Council of Governments

Sep 8, 2020

Date

David Hall

Signature

Director of Workforce Development

Title

Workforce Development