

# U.S. Department of Labor

Employment and Training Administration  
John F. Kennedy  
Federal Building Room  
E-350  
Boston, Massachusetts 02203



Reply to the attention of: R1-MU-GW  
Serial #FY25-014

October 24, 2024

Mr. Michael Harrington  
Commissioner  
Vermont Department of Labor  
5 Green Mountain Drive  
P.O. Box 488  
Montpelier, VT 05601-0488

Dear Commissioner Harrington:

During the period of August 19, 2024, through August 23, 2024, the U.S. Department of Labor, Employment and Training Administration (ETA) conducted monitoring of the Workforce Innovation and Opportunity Act (WIOA) Title I and III; Trade Adjustment Assistance (TAA); Workforce Opportunity Tax Credit (WOTC); and Workforce Information Grant (WIG) programs administered by the Vermont Department of Labor (VDOL). As part of the review, ETA staff also conducted monitoring of grant activities of the Vermont State Workforce Development Board (SWDB).

The grants covered under this review include the following:

Program Name	Grant Number
Workforce Innovation and Opportunity Act (WIOA) Title I	23A55AW000051
	23A55AT000050
	23A55AY000026
	AA385602255A50
WIOA Title III	ES387612255A50
	23A55WP000011
Work Opportunity Tax Credit (WOTC)	WT394292355A50
	24A55WT009018
Workforce Information Grant (WIG)	23A55WG000033
Trade Adjustment Assistance (TAA)	23A55TA000004

This monitoring review provided an opportunity for ETA staff to gain deeper insight into the challenges impacting the Vermont workforce development system given its size and

funding, the opportunities and partnerships VDOL has chosen to engage, and the modernization efforts the state is implementing.

I would like to commend you and your staff for the significant efforts made in the recent year, from reconstituting a new SWDB, to selecting a new One-Stop Operator, to broadening the reach of services through your *Labor on Location* initiative for Adult, Dislocated Worker, and Youth customers and the greater Vermont community.

In addition to the noted practice, the review resulted in fifteen findings that require immediate attention. The review also resulted in four areas of concern. Please submit a response to these findings to [R1Monitoring@dol.gov](mailto:R1Monitoring@dol.gov) within 30 days of receipt of this report.

ETA is available to provide technical assistance to the VDOL and SWDB, as needed.

I would like to thank you and your staff for their assistance during this review. If you have any questions, please contact your Federal Project Officer (FPO), Marjories Uceta at (617) 788-0138 or via e-mail at [Uceta.Marjories.A@dol.gov](mailto:Uceta.Marjories.A@dol.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Gregg H. Wertz". The signature is fluid and cursive, with the first name "Gregg" and last name "Wertz" clearly distinguishable.

Gregg H. Wertz  
Regional Administrator

cc: Dustin Degree  
Jay Ramsey  
Chad Wawrzyniak

## EXECUTIVE SUMMARY

ETA’s review of activities has resulted in fifteen findings. In addition, ETA has noted four areas of concern (AOC) and one noted practice (NP).

Please note that the review did not cover any areas outside the defined scope. Although no material issues came to the reviewers’ attention other than those contained in this report, there is no assurance that other issues may not exist.

Finding 1	The State does not have an active SWDB.
Finding 2	VDOL has not conducted the required yearly evaluation of the workforce system.
Finding 3	VDOL’s Eligible Training Provider List (ETPL) is not compliant with requirements under Registered Apprenticeship (RA).
Finding 4	VDOL does not have a Priority of Service policy for veterans.
Finding 5	The SWDB has not established criteria for adult Priority of Service.
Finding 6	VDOL did not procure its youth service providers.
Finding 7	VDOL does not have written agreements with current youth providers who are providing referrals.
Finding 8	VDOL is not conducting quarterly audits as required by the WOTC program.
Finding 9	VDOL is not issuing Notice of Invalidation (NOI) or Notice of Revocation (NOR) letters as required by the WOTC program.
Finding 10	VDOL WIOA case files contained deficiencies.
Finding 11	VDOL’s Data Validation Policy lacks detail.
Finding 12	VDOL did not meet its Equity Ratio Indicators (ERIs) in PY 2023.
Finding 13	VDOL does not have a signed Memorandum of Understanding (MOU) between the State Workforce Agency (SWA) and the National Farmworker Jobs Program (NFJP) grantee, PathStone.
Finding 14	VDOL policy does not reflect current WIOA ETA-9130 financial reporting processes and the current process does not adequately implement the segregation of duties principle.
Finding 15	VDOL has weak internal controls for the cash drawdown and reconciliation process for their Wagner-Peyser (WP) grants.
AOC 1	Vermont’s One-Stop Delivery System MOU does not include costs for the entire system.
AOC 2	The SWDB is not currently collecting partner contributions for their share of infrastructure costs.
AOC 3	The SWDB has not certified its one-stop centers.
AOC 4	VDOL policies and procedures are outdated within the accounting procedure manual.

NP	VDOL has partnered with the J. Warren & Lois McClure Foundation and the Office of Racial Equity to promote good jobs and advance equity in the State.
----	---

## SCOPE OF REVIEW

### Dates of Review:

July 18, Remote Case File Review  
August 19-23, VDOL

### Exit Date:

September 9, 2024

### Reviewers:

Minnie Holleran, Chief, Division of Workforce Investment  
Marjories Uceta, Federal Project Officer (FPO)  
Larica Kintchen, FPO  
Mike Paglia, FPO  
Phoebe Reeves, FPO  
Carmen Rodriguez, FPO  
Conrad Tiedeman-Kohler, Systems Accountant  
Douglas Sylvestre, Systems Accountant  
Ernestina Clark-Castillo, Regional Monitor Advocate

### Federal Partners:

Gregg Weltz, Regional Administrator for Region 1, ETA  
Charlie McNeil, Deputy Regional Administrator, Office of Apprenticeship (OA)  
Tricia Lee Reynolds, Multi-State Navigator, OA  
Bernie Trembl, Regional Director, OA

### Attendees at Exit Conference:

Michael Harrington, Commissioner  
Dustin Degree, Deputy Commissioner  
Jay Ramsey, State Program Director  
Chad Wawrzyniak, Chief Fiscal Officer  
Cindy Robillard, Assistant Director of Workforce Development  
Tracy Verge, Operations & Monitoring  
Danielle Kane, Title I & III Assistant Director  
Coriene Hayes, Financial Administrator III

**Purpose:**

The purpose of the review was to determine if the grants/programs are operating in compliance with all applicable Federal laws, regulations, policies, and other grants management requirements. Additionally, reviewers sought to deepen their comprehension of the workforce development system operating within Vermont, including observation of innovative practices.

**Grants/Programs Reviewed:**

WIOA Title I: Adult, Dislocated Worker, and Youth  
WIOA Title III: Wagner-Peyser  
TAA  
WIG  
WOTC

**Time Period Covered:**

July 1, 2022, to June 30, 2024

**Tools used to Conduct Review:**

ETA Core Monitoring Guide

## FINDINGS

### **Finding 1: The State does not have an active SWDB.**

**Indicator:** 1.a.1 Strategic Planning

**Condition:** The SWDB is not fully operational, resulting in failure to perform the full complement of Board functions as outlined in WIOA.

**Cause:** In June 2024, the Vermont legislature passed Act No. 146, which creates the Office of Workforce Strategy and Development and amends the oversight and membership of the SWDB. Membership of the SWDB was changed from over 60 members to 28 members. The timeline established to constitute the full board is September 2024.

**Criteria:** WIOA section 101(a-h) outlines the Governor's responsibility for establishing a SWDB that carries out the 12 required functions outlined at 20 CFR §679.130. 20 CFR §679.110 defines the requirements of the SWDB membership.

**Corrective Action:** VDOL must work with the Office of Workforce Strategy and Development to finalize the appointment of Board members and convene the SWDB meetings. VDOL must provide an action plan, to include a timeline and milestones, to complete this work. VDOL must provide ETA with monthly updates on the plan progress until the Board has been seated.

### **Finding 2: VDOL has not conducted the required yearly evaluation of the workforce system.**

**Indicator:** 1.a.1 Strategic Planning, 2.e.1 Performance Reporting

**Condition:** VDOL has not conducted the required annual statewide employment and training activities evaluation for PY 2023.

**Cause:** VDOL staff did not understand the difference between assessment and evaluation and thought the regular state monitoring of the workforce system programs qualified as an evaluation.

**Criteria:** CFR 682.220(a) and (c) state, "As required by §682.200(d), States must use funds reserved by the Governor for statewide activities to conduct evaluations of activities under the WIOA title I core programs in order to promote continuous improvement, research and test innovative services and strategies, and achieve high levels of performance and outcomes...(c) States must annually prepare, submit to the State WDB and Local WDBs in the State, and make available to the public (including by electronic means) reports containing the results, as available, of the evaluations described in paragraph (a) of this section."

**Corrective Action:** VDOL must create an action plan, to include a timeline and milestones, to complete the required statewide evaluation. Once complete, VDOL must make the evaluation

available to the public. The regional office is available to provide technical assistance.

**Finding 3: VDOL's ETPL is not compliant with requirements under RA.**

**Indicator:** 1.2: Product Development

**Condition:** Vermont's Administrative Memo 034-ETPL Registration Guidelines is not compliant with the WIOA requirements for inclusion of RA on the EPTL. The memo provided did not include a process for the collection of information a sponsor must provide or a process for a biennial review of the ETPL.

Training and Employment Guidance Letter (TEGL) 8-19, Attachment 1, Section C, 1, discusses the process for Registered Apprenticeship sponsors to be added to the list. It includes information sponsors need to provide, including the occupations that need to be included in the Registered Apprenticeship Programs (RAP), the name and address of the sponsor, the name and address of the related instruction provider if different from the sponsor, the method and length of instruction and the number of apprentices. Additionally, in Attachment 1, Section C, 2, TEGL 8-19 requires a biennial review of the ETP list inclusive of RAP programs.

**Cause:** Unknown.

**Criteria:** 20 CFR §680.460(j) requires the Governor to establish, "The procedure for a biennial review of the provider eligibility and must include verification of the registration status and registered apprentice programs and removal of any programs as described in 20 CFR §680.470."

TEGL 8-19 Attachment 1, Section C, 1 notes: "To facilitate this process, the state ETP coordinator should work in conjunction with the state office of apprenticeship. States must have a process for adding RAPs that imposes minimal burden on the RAP, and states must describe the process in their state plan. This process may require that the RAP provide the following basic information: Occupations included within the RAP; The name and address of the RAP sponsor; The name and address(es) of the Related Technical Instruction provider(s) and the location(s) of instruction if different from the program sponsor's address; The method and length of instruction; and the number of active apprentices."

**Corrective Action:** VDOL must submit a revised ETPL policy to include the information a sponsor must provide, as well as a process for a biennial review.

**Finding 4: VDOL does not have a Priority of Service policy for veterans.**

**Indicator:** 1.e.2: Priority of Service

**Condition:** VDOL does not have a Priority of Service policy for veterans.

**Cause:** While VDOL has implemented a Priority of Service process for veterans at their one-stop

centers, they were unclear of the policy requirement.

**Criteria:** Veterans, under WIOA section 3(63)(A) and 38 U.S.C. 101 receive priority of service in all Department of Labor-funded training programs under 38 U.S.C. 4215 and described in 20 CFR 1010.

TEGL 10-09(5) notes, "...States are required to address priority of service in their comprehensive strategic plan for the State's workforce investment system. To meet this requirement, each State, District, or U.S. territory must develop policies for the delivery of priority of service by the State Workforce Agency or Agencies, Local Workforce Investment Boards, and One-Stop Career Centers for all qualified job training programs delivered through the State's workforce system. The policy or policies must require that processes are in place to ensure that veterans and eligible spouses are identified at the point of entry and given an opportunity to take full advantage of priority of service...States' policies must require each Local Workforce Investment Board to develop and include in its strategic local plan, policies and procedures implementing priority of service for the local One-Stop Career Centers and for service delivery by local workforce preparation and training providers. Written copies of local priority of service policies should be maintained at all service delivery points and, to the extent practicable, should be posted in a way that makes it possible for members of the general public to easily access them."

**Corrective Action:** VDOL must provide a copy of its Priority of Service policy for veterans to ETA.

**Finding 5: The SWDB has not established criteria for Adult Priority of Service.**

**Indicator:** 1.e.2: Priority of Service

**Condition:** The SWDB has not established criteria or a policy by which the one-stop centers will apply priority for individualized career services and training services funded with Title I Adult funds.

**Cause:** Due to vacancies and a lack of staff to the Board, the SWDB has not had the capacity to establish Adult Priority of Service criteria and policies.

**Criteria:** WIOA section 134(c)(3)(E) states that priority for individualized career services and training services funded with Title I Adult funds must be given to recipients of public assistance, other low-income individuals, and individuals who are basic skills deficient in the local area.

States and local areas must establish criteria by which the one-stop center will apply the priority under WIOA section 134(c)(3)(E). Such criteria may include the availability of other funds for providing employment and training-related services in the local area, the needs of the specific groups within the local area, and other appropriate factors.



TEGL 7-20 further stipulates that states are required to “develop criteria, policies, and procedures for applying this priority, including monitoring local areas’ compliance with this priority provision.”

**Corrective Action:** The SWDB must establish criteria, codified in policy, for priority for individualized career services and training services funded with Title I Adult funds and disseminate the criteria to the American Job Centers. A copy of the policy must be provided to ETA.

**Finding 6: VDOL did not Procure its Youth Service Providers.**

**Indicator:** 1.e.1: Service Delivery; 2.d.2: Competition

**Condition:** VDOL has not procured youth service providers.

**Cause:** VDOL currently has no sitting SWDB to initiate and manage the youth service provider procurement process. Further, VDOL indicated that securing in-state youth service providers who could provide the majority of the 14 Youth Program Elements across Vermont’s 12 regions presented multiple hardships; therefore, the State provides specific youth services elements while referring others to WIOA designated partners.

**Criteria:** 20 CFR § 681.400 states, “(a) The grant recipient/fiscal agent has the option to provide directly some or all of the youth workforce investment activities. (b) However, as provided in WIOA sec. 123, if a Local WDB chooses to award grants or contracts to youth service providers to carry out some or all of the youth workforce investment activities, the Local WDB must award such grants or contracts on a competitive basis, subject to the exception explained in paragraph (b)(4) of this section: (1) The Local WDB must identify youth service providers based on criteria established in the State Plan (including such quality criteria established by the Governor for a training program that leads to a recognized postsecondary credential) and take into consideration the ability of the provider to meet performance accountability measures based on the primary indicators of performance for youth programs. (2) The Local WDB must procure the youth service providers in accordance with the Uniform Guidance at 2 CFR parts 200 and 2900, in addition to applicable State and local procurement laws...(4) Where the Local WDB determines there are an insufficient number of eligible youth providers in the local area, such as a rural area, the Local WDB may award grants or contracts on a sole source basis.”

**Corrective Action:** VDOL must ensure that it competitively procures its youth services providers. When the new SWDB is seated, VDOL must provide the Board with technical assistance on the procurement process, ensure said competition is in keeping with full and open competition (2 CFR § 200.319) and selections are made in accordance with procurement policies. VDOL must provide ETA with the executed grants or contract(s), including those awarded on a sole source basis if it has been determined there are an insufficient number of eligible youth providers.

**Finding 7: VDOL does not have written agreements with current youth providers who are providing referrals.**

**Indicator:** 1.e.1: Service Delivery; 2.d.2: Competition

**Condition:** VDOL does not have written agreements with current youth providers who are providing referrals and services; therefore, it is not clear which of the 14 Youth Program Elements are being offered by whom and whether those Elements are being funded with WIOA youth funds.

**Cause:** VDOL was unaware that, when referring WIOA youth participants to service providers to fulfill the provision of any of the 14 Youth Program Elements not funded with WIOA title I youth funds, there must be a written agreement in place with a partner organization to ensure the program element will be offered.

**Criteria:** 20 CFR § 681.470 states, “The Department does not require local programs to use WIOA youth funds for each of the program elements. Local programs may leverage partner resources to provide some of the readily available program elements. However, the local area must ensure that if a program element is not funded with WIOA title I youth funds, the local program has an agreement in place with a partner organization to ensure the program element will be offered. The Local WDB must ensure the program element is closely connected and coordinated with the WIOA youth program.”

**Corrective Action:** VDOL must develop and execute written agreements with its youth services partner network. The agreements must state which of the 14 Youth Program elements are being provided, whether they are being funded with WIOA title I youth funds, and, for those not funded with WIOA title I youth funds, that they are closely connected and coordinated with the WIOA youth program. VDOL must submit copies of the executed agreements to ETA.

**Finding 8: VDOL is not conducting quarterly audits as required by the WOTC program.**

**Indicator:** 3.a.3 Compliance with Applicable Laws and Regulations

**Condition:** VDOL has not conducted quarterly audits of the WOTC determinations for Program Year (PY) 2022 and PY 2023.

**Cause:** VDOL staff were unaware they were required to conduct quarterly audits.

**Criteria:** TEGL 16-20, change 1, section (4)(j) states, “To reduce the chances of erroneously certifying ineligible persons for WOTC, SWAs must conduct quarterly audits. A quarterly audit is a verification activity to examine the quality of the SWA’s certification process.”

**Corrective Action:** VDOL must submit proof of completed quarterly audits for the WOTC program for quarters ending September 30, 2024, and December 31, 2024. ETA recommends

VDOL create a written policy for conducting quarterly audits for the WOTC program. ETA also recommends that VDOL train staff on this WOTC policy and procedure.

**Finding 9: VDOL is not issuing Notice of Invalidation (NOI) or Notice of Revocation (NOR) letters as required by the WOTC program.**

**Indicator:** 3.a.3 Compliance with Applicable Laws and Regulations

**Condition:** VDOL has not sent NOI or NOR letters for incorrect WOTC determinations made in PY 2022 and PY 2023.

**Cause:** Since VDOL is not conducting internal audits of WOTC determinations, staff are unable to identify the need for determination reversals that require NOI or NOR letters.

**Criteria:** TEGl 16-20, change 1, section (4)(j) states, “For those applications found to be ineligible, the SWA must issue a notice of invalidation (NOI) or notice of revocation (NOR) based on the review of certifications.”

**Corrective Action:** VDOL must provide ETA with copies of any NOI/NORs related to quarters ending September 30, 2024, and December 31, 2024, accompanied by proof of submission to the Internal Revenue Service (IRS). ETA also recommends that VDOL train staff on the NOI/NOR submission procedure.

**Finding 10: VDOL WIOA case files contained deficiencies.**

**Indicator:** 1.e.1 Service Delivery, 1.e.5 Participant Service Plan, 2.e.1 Performance Reporting

**Condition:** Through review of participant files in Vermont JobLink, ETA reviewers observed the following issues:

- Missing required documentation, including date of birth verification, supportive service provision records, and training-related documentation;
- Inadequate case notes;
- Lack of outcomes source documentation;
- Lack of assessments for determination of service and training needs;
- Individual Service Strategies (ISSs) not updated;
- Lack of follow-up services recorded and/or failure to record participant’s formal refusal of follow-up services; and
- Errors in participation, service and exit dates.

**Cause:** Staff turnover, paired with a limited number of case manager positions to assume the data entry workload, and lack of regular training has led to inconsistent case file data entry.

**Criteria:** WIOA section 116(d)(5) states, “In preparing the State reports described in this

subsection, each State shall establish procedures, consistent with guidelines issued by the Secretary, in conjunction with the Secretary of Education, to ensure the information contained in the reports is valid and reliable.”

TEGL 23-19 guides data validation requirements and retention of necessary source documentation as follows, “(d) Source Documentation. In Attachment II of this guidance, programs mentioned above in section 3.B identify acceptable source documentation necessary to validate these selected data elements...” including, but not limited to, the following, “(a) a participant's status for a specific data element, (b) the date on which the information was obtained, and (c) the name of the case manager who obtained the information.”

20 CFR 681.580(c) defines follow-up services for Youth, indicating that “All youth participants must be offered an opportunity to receive follow-up services that align with their individual service strategies” for “a minimum of 12 months.”

20 CFR 677.150(c) defines exit from services. More specifically, 20 CFR 677.150(c)(1) states, “For the adult, dislocated worker, and youth programs authorized under WIOA title I...exit date is the last date of service. (i) The last day of service cannot be determined until at least 90 days have elapsed since the participant last received services; services do not include self-service, information-only services, activities, or follow-up services. This also requires that there are no plans to provide the participant with future services.”

**Corrective Action:** VDOL must ensure that frontline case counselors and career center managers receive case management training that explains program participation and exit dates, record retention requirements, follow-up service provision requirements, and allowable source documentation. VDOL must provide ETA with evidence of training, including attendance records and training materials.

**Finding 11: VDOL’s Data Validation Policy lacks detail.**

**Indicator:** 2.e.1: Performance Reporting

**Condition:** VDOL’s current Data Validation policies (004-2020 Data Validation and 011-WP & JVSG Data Valid Admin Memo) do not include descriptions of all elements required by TEGL 23-19, change 1: *Guidance for Validating Required Performance Data Submitted by Grant Recipients of U.S. Department of Labor (DOL) Workforce programs*. TEGL 23-19, change 1 specifically requires the following:

- i. Written procedures for conducting data validation reviews that contain a description of the process for identifying and correcting errors or missing data, which may include electronic data checks;
- ii. Regular data integrity review of program data (DOL recommends quarterly) for errors, missing data, out-of-range variances in values reported, and other anomalies;

- iii. Documentation that missing documentation and erroneous data identified during the review process have been corrected;
- iv. Documentation processes for maintaining records per the Federal records retention policy, which may include copies of worksheets on data elements or records reviewed, frozen quarterly wage records for wage record matching used for reporting outcomes, trends in common data accuracy issues, error rates, and corrective action efforts made after data validation reviews; and
- v. Regular assessments of the effectiveness of the data validation process (DOL recommends at least annually) and revisions to that policy and process as needed.

**Cause:** Through review of VDOL documents, as well as interviews, policies 004-2020 Data Validation and 011-WP & JVSG Data Valid Admin Memo, which were issued on September 10, 2020, and April 4, 2022, respectively, were not updated to include the guidance in TEGL 23-19, Change 1, which was issued on October 25, 2022.

**Criteria:** 20 CFR 677.240(a) stipulates “States must establish procedures, consistent with guidelines issued by the Secretary of Labor or the Secretary of Education, to ensure that they submit complete annual performance reports that contain information that is valid and reliable, as required by WIOA sec. 116(d)(5).”

TEGL 23-19, change 1 provides clarifying language and revisions to data validation requirements specific to grant recipients of DOL workforce programs. Data validation helps ensure the accuracy of quarterly and annual performance reports, safeguards data integrity, and promotes the timely resolution of data anomalies and inaccuracies. DOL recommends that grant recipients incorporate their data validation policies, procedures, and methodology into their data quality assurance process, internal controls, and the 2 CFR 200.328-required monitoring policies and procedures.

**Corrective Action:** VDOL must submit to ETA revisions to data validation policies 004-2020 Data Validation and 011-WP & JVSG Data Valid Admin Memo to include the elements required by TEGL 23-19, change 1, specifically the written procedures for conducting data validation, regular data integrity review, documentation of corrections, record retention, and assessment of the effectiveness of the process.

**Finding 12: VDOL did not meet its Equity Ratio Indicators (ERIs) in PY 2023.**

**Indicator:** 2.e.1 Performance Reporting, 2.e.2 Progress Monitoring

**Condition:** ERIs measure whether services to Migrant and Seasonal Farmworker (MSFW) participants are quantitatively proportionate to services provided to non-MSFWs. VDOL did not meet the following four of the eight ERIs for MSFWs in PY 2023:

<i>Equity Ratio Indicator</i>	<i>Non-MSFWs</i>	<i>MSFWs</i>
<i>Received Basic Career Services</i>	<b>96.8%</b>	<b>76.9%</b>
<i>Received Staff Assisted Job Search Activities</i>	<b>54.6%</b>	<b>46.2%</b>
<i>Received Unemployment Insurance (UI) Claim Assistance</i>	<b>10.8%</b>	<b>0.0%</b>
<i>Referred to Other Federal or State Assistance</i>	<b>10.4%</b>	<b>0.0%</b>

**Cause:** VDOL did not have an Outreach Worker connecting the agricultural workers and employers to the American Job Centers (AJC) until February 2024. Staff are providing the services but are not recording the Participant Individual Record Layout (PIRL) elements that correspond with the ERIs correctly. As a result, VDOL is not receiving credit for the services provided to MSFW participants.

**Criteria:** 20 CFR 653.109(g) requires State Workforce Agencies: “Meet equity indicators that address ES controllable services and include, at a minimum, individuals referred to a job, receiving job development, and referred to supportive or career services.”

**Corrective Action:** VDOL must develop a plan to provide training to all staff that addresses: 1) equitable and appropriate services to MSFWs, 2) methods for tracking progress towards meeting the ERIs, and 3) strategies to meet ERIs. The plan must be submitted to ETA.

**Finding 13: VDOL does not have a signed MOU between the SWA and the NFJP Grantee, PathStone.**

**Indicator:** 1.b.3 Partnerships

**Condition:** VDOL does not have an executed MOU between the SWA and PathStone.

**Cause:** VDOL’s SMA has been in communication with the PathStone since July 2023; however, MOU negotiations have been slow.

**Criteria:** 20 CFR 653.108(l) states, “The SMA must establish an ongoing liaison with WIOA sec. 167 National Farmworker Jobs Program (NFJP) grantees and other organizations serving farmworkers, employers, and employer organizations in the State.”

20 CFR 653.108(n) goes on to note: “The SMA must meet (either in person or by alternative means), at minimum, quarterly, with representatives of the organizations pursuant to paragraphs (l) and (m) of this section, to receive input on improving coordination with ES offices or improving the coordination of services to MSFWs. To foster such collaboration, the SMAs must communicate freely with these organizations. The SMA must also establish Memorandums of Understanding (MOUs) with the NFJP grantees and may establish MOUs with other organizations serving farmworkers as appropriate.”

**Corrective Action:** VDOL must meet with the NFJP grantee on a regular basis until such time as the MOU is signed and provide monthly status updates to the Regional Monitor Advocate. Once

the MOU is signed, VDOL must furnish ETA with a copy.

**Finding 14: VDOL policy does not reflect current WIOA ETA-9130 financial reporting processes and the current process does not adequately implement the segregation of duties principle.**

**Indicator:** 3.a.1 Effectiveness and Efficiency of Operations, 3.a.2 Reliability of Reporting for Internal and External Use

**Condition:** VDOL currently has one individual who creates and oversees the entire reporting process for the WIOA grants. This employee extracts the General Ledger (GL) data from the Financial Accounting Research System (FARS) and maps out the transactions to Excel, manually calculating the ETA-9130 line items, then taking those calculations and using them to complete the ETA- 9130 report. Once completed, the ETA- 9130 reports are certified by the same employee. Having one team member conducting all functions within the process is deficient of adequate internal oversight.

Additionally, due to the antiquated FARS system, all information is generated manually, which is not only time consuming, but also makes the process susceptible to error.

**Cause:** Based upon the review of VDOL's policies and procedures, and conversation with staff, the retirement of staff at the beginning of 2024 combined with the tight Vermont workforce market has contributed to an untenable workload burden upon VDOL.

**Criteria:** 2 CFR 200.303(a) stipulates the non-federal entity must, "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework,' issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

TEGL 16-22(4)(d) Grant Recipient Data Entry stipulates, "The secondary contact designated by the recipient organization is responsible for entering the required ETA-9130 financial data into PMS. Most often, the secondary contact is a designated finance/reporting person with a limited role in program/grant implementation. In these instances, it may be necessary for the secondary contact to collaborate with staff responsible for program/grant implementation (and/or reporting) to facilitate complete and accurate financial reporting. This applies particularly when recipients utilize separate systems for financial and grant activity tracking, or when recipients' accounting systems operate on a cash basis."

TEGL 16-22(4)(d) Data Certification states, "The primary contact is responsible for certifying the accuracy of the financial data the secondary contact enters into PMS. The primary contact serves a different role than the secondary contact and hence the certification authority should

be held by a different individual than the individual that holds the secondary contact role.”

**Corrective Action:** VDOL must update and submit the ETA-9130 reporting policies and procedures to reflect the current staffing pattern of VDOL’s financial office, using compensating alternative controls, if necessary. The revised policy must ensure the segregation of duties in financial reporting. The submission and certification of the ETA-9130 reports cannot be performed by the same person.

**Finding 15: VDOL has weak internal controls for the cash drawdown and reconciliation process for their WP grants.**

**Indicator:** 3.a.1 Effectiveness and Efficiency of Operations, 3.c.1 Cash Disbursements

**Condition:** VDOL has only one employee in charge of the entire cash drawdown process from beginning to end, with no cash reconciliation process used to ensure the drawdown was performed successfully and accurately. The cash drawdown process is sensitive and prone to risk. One employee conducting this process from beginning to end, without a reconciliation performed, is a violation of segregation of duties and increases the risk for fraud. Further, cash reconciliation is an essential internal control tool and is necessary in preventing and detecting fraud. It helps identify accounting and/or bank errors by providing explanations on discrepancies between the accounting record's cash balances and the bank balance position per the bank statement.

**Cause:** Based upon the review of VDOL’s policies and procedures, and conversation with staff, the retirement of staff at the beginning of 2024 combined with the tight Vermont workforce market has contributed to an untenable workload burden upon VDOL.

**Criteria:** 2 CFR §200.303(a) stipulates the non-Federal entity must, “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in ‘Standards for Internal Control in the Federal Government’ issued by the Comptroller General of the United States or the ‘Internal Control Integrated Framework,’ issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

**Corrective Action:** VDOL must update and submit the state’s cash disbursement policies to reflect the short-staffed nature of VDOL’s current resources until additional resources become available. Additionally, VDOL must provide support documentation to ETA which proves cash reconciliations are being regularly performed.



## AREAS OF CONCERN

### **Area of Concern 1: Vermont's One-Stop Delivery System MOU does not include costs for the entire system.**

**Condition:** Vermont's One-Stop Delivery System MOU, which is effective from July 1, 2022, through June 30, 2025, only reflects the infrastructure costs of the comprehensive one-stop in Burlington, rather than the 12 centers that make up the system. The requirements that govern infrastructure costs apply to each one-stop center in the local delivery system, whether the center is a comprehensive, affiliate, or specialized one-stop center.

**Cause:** The infrastructure costs of the affiliate sites were not considered when the MOU was established in July 2022.

**Consequence:** Failure to have all partners share in the costs that are necessary for the general operation of the one-stop centers places the financial responsibility exclusively on the VDOL and could impact the provision of key services.

**Recommended Action:** The SWDB should assess the operating budget of the entire one-stop system, identify the infrastructure costs accordingly, and develop an MOU which reflects these costs.

### **Area of Concern 2: The SWDB is not currently collecting partner contributions for their share of infrastructure costs.**

**Condition:** Although the MOU establishes the contribution amount for each one-stop partner, the SWDB is not collecting these payments.

**Cause:** The SWDB did not establish a mechanism for collecting partner contributions.

**Consequence:** All one-stop partners, whether they are required partners or additional partners, must contribute to the infrastructure cost funding of the one-stop centers based on proportionate use and relative benefits received. The lack of financial contribution from the one-stop partners places the financial responsibility exclusively on VDOL to support the infrastructure costs of the one-stop system.

**Recommended Action:** VDOL must work with the Office of Workforce Strategy and Development to develop a mechanism for the collection of one-stop partner contributions.

### **Area of Concern 3: The SWDB has not certified its one-stop centers.**

**Condition:** The SWDB has not certified the twelve one-stop centers in the last four years.

**Cause:** Vermont does not have a one-stop certification policy or one-stop certification assessment tool in place.

**Consequence:** One-stop centers must be certified for effectiveness, physical and programmatic accessibility, and continuous improvement. The certification process is critical in setting the base level of quality and consistency of services in the one-stop centers across the state. Failure to establish a certification process can compromise the provision of high-quality customer service to all job seekers, workers, and businesses in Vermont.

**Recommended Action:** ETA recommends the new SWDB develop the certification criteria for the one-stop system and develop a one-stop certification policy. Once completed, the SWDB should submit a letter asserting full certification of all one-stop centers and its plan for how it will provide oversight in the future.

**Area of Concern 4: VDOL policies and procedures are outdated within the accounting procedure manual.**

**Condition:** While reviewing VDOL’s financial policies and procedures, ETA observed several issues indicating the policies and procedures are in need for an update. For example, VDOL’s policies and procedures still make reference to WIA grants and there are employees within the procedures who no longer work at VDOL. Additionally, the policies and procedures can be enhanced to safeguard the continuity of operations.

**Cause:** Due to shortage of personnel in the fiscal department, fiscal operations have changed but have not been codified in VDOL’s accounting manual.

**Consequence:** Outdated policies and procedures could lead to inconsistencies, an interruption to the continuity of operations, and non-compliance.

**Recommended Action:** VDOL should update its accounting manual to reflect actual procedures performed, updated language and staffing roles, to include clearly articulated responsibilities.

**NOTED PRACTICE**

*The practices described below are noted for the record to provide a fuller picture of grant activities. Their inclusion here constitutes neither a specific endorsement nor a recommendation for future funding.*

**Noted Practice: VDOL has partnered with the J. Warren & Lois McClure Foundation and the Office of Racial Equity to promote good jobs and advance equity in the State.**

Since 2014, VDOL has partnered with the J. Warren & Lois McClure Foundation to produce Vermont’s “Most Promising Jobs” brochure which identifies jobs that pay above the state

median wage and are projected to have 500+ openings over the next decade. As part of this collaboration, VDOL provides the jobs data and analysis, and the J. Warren & Lois McClure Foundation produces the graphics, the online content, and physical brochure. The J. Warren & Lois McClure Foundation also distributes the brochure to the 12 career centers in the state, Vermont schools, the Career Technical Education Centers, and any partner organizations where jobseekers might be in contact. These brochures are requested widely throughout the state by different stakeholders.

VDOL also partnered with the Office of Racial Equity and their Racial Equity Advisory Panel to compile population focused data for the benefit of select municipalities. These municipalities are participating in the Inclusion, Diversity, Equity, Action, Leadership (IDEAL) Vermont program to “advancing racial and other forms of equity across the state through shared learning and tangible action.” The labor market data developed by VDOL helped provide context and understanding about the existing populations within these communities. As a result, local leaders have prioritized social justice and advanced equity in these communities through workshops, technical assistance, grant opportunities, and facilitated spaces to share with and learn from peers around the state.