



## Corrective Action Policy

Department: Office of Economic & Workforce Development

Effective Date:  
August 11, 2014

Directive#: 40-14

Supersedes:  
August 1, 2013

### Overview

OEWD has adopted a Corrective Action Policy for situations when grantees consistently fail to meet monitoring standards or performance measures agreed upon by contract. All OEWD-funded grantees will be subject to these Corrective Action Guidelines. OEWD has aligned these guidelines with recommendations from the Controller's Office. The guidelines include three status levels:

1. Corrective Action Status
  - Consequence: Grantees must submit and implement a plan to resolve performance or reporting challenges
2. Elevated Concern Status
  - Consequence: Grantees will be less competitive for new grants or contracts
3. Red Flag Status
  - Consequence: Grantees are at risk of losing funding

### 1. Corrective Action Status

OEWD may require a Corrective Action Plan for any of the following instances:

- A grantee fails to meet minimum performance outcomes in any given quarter, particularly enrollment and placement measures as well as funding-specific requirements (e.g. For WIA Youth programs: Literacy and Numeracy Gains, Attainment of a Degree or Certificate, and Placement in Employment or Education). Annual goals or quarterly projections will be used to determine corrective action:
  - Grantee is below 80% of any projected quarterly goal OR
  - Grantee is below 20% of annual goal at the end of the first quarter
  - Grantee is below 40% of annual goal at the end of the second quarter
  - Grantee is below 60% of annual goal at the end of the third quarter
  - Grantee is below 80% of annual goal at the end of the fourth quarter
- OEWD identifies concerns about the validity of reporting methods or outcomes (e.g. inadequate documentation of placements)
- A grantee has consistently failed to meet their obligation to bill accurately or timely in a given quarter as evidenced by:
  - Two or more invoices in the preceding quarter submitted more than five days late without OEWD grant coordinator approval



- Two or more invoices in the preceding quarter required significant downward revisions (more than 10% of the initial amount submitted)
- A grantee is projected to significantly over spend the allocated dollars. Unless projections have been provided otherwise or the funding dictates a non-linear spending pattern, the following thresholds are examples of concern levels:
  - After Q1 billings are complete, grantee has requested reimbursement for more than 35% of the total grant amount or of any fund source within the grant (excluding project-based line items such as OJT, ITA, and consultants).
  - After Q2 billings are complete, grantee has requested reimbursement for more than 70% of the total grant amount or of any fund source within the grant (excluding project-based line items such as OJT, ITA, and consultants).
  - After Q3 billings are complete, grantee has requested reimbursement for more than 85% of the total grant amount or of any fund source within the grant (excluding project-based line items such as OJT, ITA, and consultants).
- Grantee is underutilizing budgeted resources/under spending if other programmatic concerns are also present.
- A grantee fails to demonstrate compliance with applicable directives, laws, or grant requirements during their program monitoring, facility review, financial monitoring, and/or City Wide team audit.
- Other instances when the grantee fails to comply with OEWD directives, policies and procedures.

If a Corrective Action Plan is required, OEWD will send the agency's executive director a notice explaining the issue for which a plan is required. The notice may include specific required or recommended actions for the removal of this Corrective Action Status. Grantees must respond with a Corrective Action Plan that outlines specific steps that will be taken to resolve the performance, compliance, and/or reporting issue and include a timeline showing when steps will be taken or results achieved. Corrective Action Plans are due no later than 15 business days from the date of the notice.

When an agency is implementing a Corrective Action Plan, OEWD staff will follow up with the grantee to ensure the Corrective Action Plan is being followed and that progress is being made. OEWD may consider technical assistance to help the grantee come into compliance.

## 2. Elevated Concern Status

OEWD may designate Elevated Concern Status to a grantee under the following circumstances:

- A grantee requires Corrective Action Plans in two consecutive quarters
- A grantee has not responded to OEWD's request for information by a designated deadline
- A grantee has not provided a Corrective Action Plan that is acceptable to OEWD by a designated deadline
- A grantee fails to comply with the implementation of their Corrective Action Plan by the designated deadline



Until performance issues have been resolved and Elevated Concern Status has been removed, an agency that has received this designation will be less competitive for new grants or contracts with OEWD, as it may not meet the minimum qualifications for new grants or contracts. When an agency receives Elevated Concern Status, OEWD will notify the agency's executive director and the executive leadership of the Board of Directors in writing. The designation letter will include the issues leading to Elevated Concern Status; specific actions required for the removal of this status; the deadline for completion of each action item; and the ramifications of Elevated Concern Status. Upon receipt of the designation letter, the agency has 15 business days to respond with an Action Plan.

The Action Plan for an agency placed on Elevated Concern Status may include a request to OEWD to re-negotiate its performance outcomes and budget to lower amounts if that is a more feasible option for resolving performance issues.

Elevated Concern Status is meant to be temporary. The agency will remain in Elevated Concern Status until it completes the actions required by OEWD. Upon receiving proof of the required activity, OEWD will send a written response within one month. OEWD's response will detail either a de-designation of Elevated Concern Status or a clear plan the agency should follow to remove the status.

### 3. Red Flag Status

When OEWD designates Red Flag Status to an agency, it is at imminent risk of losing funding due to mismanagement or for being unable or unwilling to perform services per its contract. Red Flag Status can be conferred to an agency at any time. Depending on the severity of mismanagement, OEWD may confer this status to an agency that has not yet received a Corrective Action or Elevated Concern Status.

For example, the following issues can lead to Red Flag Status:

- Failure to complete the actions requested by OEWD after receiving a Corrective Action and/or Elevated Concern Status
- Consistently low units of service; far below the agreed upon outcome/output measurements
- Financial mismanagement
- Critical safety and legal concerns
- Licensing or facilities problems threatening continued delivery of service
- State/federal investigations documenting serious concerns
- Proven cases of fraud or discrimination
- Significant unresolved client complaints

Once a grantee is designated as having Red Flag Status, OEWD will notify the agency's executive director and executive leadership of the Board of Directors in writing. The designation letter will include the issues leading to Red Flag Status; specific actions required; the deadline for completion of each action item; the ramifications of Red Flag Status, such as being less competitive for grants and losing funding; and the process for removal from this status. The



agency must respond with an Action Plan no later than 15 business days after OEWD notifies the grantee of the change of status.

Grantees will remain on Red Flag Status until they provide a satisfactory response to OEWD's requests for information or action. Upon submission of information or proof of activity, OEWD will send a written response within one month. OEWD's response will detail either a de-designation of Red Flag Status or additional steps the agency must take to remove the status. De-funding is a possible ultimate sanction for agencies that are out of compliance with OEWD requirements.

#### Internal City Communication

OEWD will keep an ongoing list of those agencies with Elevated Concern and Red Flag Status and the reasons why, as well as regularly notify the Controller's Office and relevant oversight bodies as necessary. The Controller's Office will distribute a consolidated list semi-annually to other City departments, the Mayor's Budget Office, and the Board of Supervisors. When considering Red Flag Status in instances of multi-department funding, OEWD will coordinate with the Controller's Office and other City departments to determine if a grantee should be placed on Red Flag Status.

#### INQUIRIES

Inquiries should be addressed to the OEWD Director of Operations at 415-701-4848 or [workforce.development@sfgov.org](mailto:workforce.development@sfgov.org).

*OEWD and its service providers shall follow this policy. This policy will remain in effect from the date of issue until such time that a revision is required.*

