

Arizona Firewall and Conflict of Interest Protections

This checklist is being provided as a tool for you to use to evaluate your current policies, procedures, and practices related to firewall and conflict-of-interest protections. These protections are an integral part of the local workforce area's system of internal controls. The Committee of Sponsoring Organizations (COSO) of the Treadway Commission developed a framework that identifies the five components of an internal control system. This checklist uses the COSO framework to evaluate the status of the firewall and conflict-of-interest protections in your local workforce area. The five components of the COSO framework and their applicability to firewalls and conflict of interest are summarized below.

1. **Control Environment:** Persons in leadership positions set a positive tone at the top by establishing firewall and conflict-of-interest protections as part of an organizational culture that values integrity, ethical behavior, and employee competence.
2. **Risk Assessment:** The Local Workforce Development Board (WDB), and all participating organizations, assess where the roles and functions of organizations and individuals overlap or conflict and thus represent potential firewall and conflict of interest weaknesses.
3. **Control Activities:** Control activities clearly define in writing the specific roles and functions of each organization, division, unit, and individual staff. They include establishing policies and procedures that mitigate the identified risks associated with the lack of adequate firewalls and conflict of interest protections.
4. **Communication and Information:** Policies and procedures are communicated to all organizations and staff, are updated on a regular basis, and require the maintenance of records that document compliance with firewall and conflict of interest requirements.
5. **Monitoring:** All organizations and functions are monitored where firewall and conflict of interest protections need to be enforced, and they establish an independent monitoring system that is separate from the functions being monitored.

The checklist includes regulatory requirements where specific citations are provided, and it also identifies good management practices to consider in developing your firewall and conflict of interest policies and procedures. For each statement below, check "yes" if you have put that provision into place, check "no" if you have not done so yet, and check "NA" if the provision does not apply to you. The aim is for you to get to the point where you can check the "yes" box for each provision that applies to you and eliminate any "no" answers that may exist.

The provisions in this checklist apply to the Local Workforce Development Board (WDB), the organization that serves as staff to the Board, Fiscal Agent, One-Stop Operator, Administrative Entity, and training and service providers. The sections are structured under Firewall Protections and Conflict of Interest Protections and include these sections:

- A. Firewalls Between Organizations
- B. Firewalls Between Divisions and Units within an Organization
- C. Organizational Conflict of Interest
- D. Conflict of Interest Between Separate Units within an Organization
- E. Conflict of Interest and Separation of Duties within Each Unit

Firewall Protections

The purpose of a firewall is to separate the functions and duties performed by organizations and individuals in order to protect against the exercise of undue influence. Firewalls are designed to separate the functions and duties that are incompatible when performed by a single organization or individual. In order to adequately separate incompatible functions and duties, firewalls need to be established between organizations, between divisions and units within an organization, and between staff functions within a division or unit of an organization.

A. Firewalls Between Organizations

Statement	Yes	No	NA
1. The Local Workforce Development Board (WDB), or the Administrative Entity on behalf of the Board, has supported and actively promoted the establishment of an internal control environment that fosters integrity, ethical values, and competence across the entire local workforce system.			
2. The Local Workforce Development Board (WDB), or the Administrative Entity on behalf of the Board, has conducted a risk assessment of the workforce area's systemwide program and administrative operations to identify where the roles and functions of participating organizations overlap and need to be separated by firewalls.			
3. The Local WDB has established system-wide policies and procedures that create those firewalls and incorporate other appropriate internal control safeguards.			
4. The Chief Elected Official (CEO) has clearly defined the roles and specific functions that are to be performed by the Fiscal Agent. 20 CFR 679.420(a)(b)			
5. If applicable, the Local WDB has clearly defined the additional functions for the Fiscal Agent to perform regarding procurement contracts and written agreements, financial monitoring of service providers, and ensuring independent audits of all employment and training programs. 20 CFR 679.420(c)			
6. The Local WDB has clearly defined the roles and specific functions to be performed by the Local WDB and its committees, the staff to the Local WDB, Administrative Entity, and One-Stop Operator (OSO).			
7. The organization has developed a written agreement with the Local WDB and CEO that defines how that organization(s) will carry out its responsibilities and maintain sufficient firewalls -- when that same organization performs more than one of the following functions: Fiscal Agent, Local WDB staff, One-Stop Operator, and direct provider of services. 20 CFR 679.430			
8. If the Local WDB is selected to serve as the OSO, the local CEO and the Governor have approved the selection, and the State has certified the one-stop centers in that region. 20 CFR 679.410(a)(2)(3)			

Statement	Yes	No	NA
9. If the Local WDB is selected as the OSO through sole source procurement, the local CEO and the Governor have given prior approval, and the Local WDB has established sufficient conflict of interest policies and procedures that have been approved by the Governor. 20 CFR 679.410(d)			
10. If the Local WDB acts as a provider of career services, the local CEO and Governor have approved this arrangement. [20 CFR 679.410(b)]			
11. If the Local WDB provides training services, the Governor has granted a waiver to do so. 20 CFR 679.410(c)			
12. There are safeguards in place so that the OSO does not convene system stakeholders to assist in the development of the local plan; prepare and submit local plans; be responsible for oversight of itself; manage or significantly participate in the competitive selection process for one-stop operators; select or terminate one-stop operators, career services, and youth providers; negotiate local performance accountability measures; and develop and submit the budget for activities of the Local Board in the local area. (An entity serving as a one-stop operator may perform some or all of these functions if it also serves in another capacity, if it has established sufficient firewalls and conflict of interest policies.) 20 CFR 678.620(b)			
13. There are safeguards in place so that, if the OSO also serves as a service provider, the OSO does not develop, manage or conduct the competition of a service provider in which it intends to compete, and does not perform subsequent oversight, monitoring, and evaluation of performance of itself as a service provider. 20 CFR 678.625			
14. If the OSO is also a service provider, the OSO has established firewalls and internal controls within the OSO-service provider entity, and the Local WDB has implemented specific policies and procedures regarding oversight, monitoring, and evaluation of performance of the OSO-service provider. 20 CFR 678.625			
15. The Local WDB requires the One-Stop Operator (OSO) to disclose any potential conflict of interest with particular training and other service providers. 20 CFR 678.600(e)(1)			
16. The Local WDB requires that the OSO not establish practices that create disincentives to providing services to individuals with barriers to employment. 20 CFR 678.600(e)(2)			
17. The Local WDB requires that the OSO comply with Federal regulations and procurement policies relating to the calculation and use of profits. 20 CFR 678.600(e)(3)			
18. There are firewalls in place preventing an entity that develops, manages or conducts a competition from also competing for that award or being involved in the selection, award, and administration of the award. 2 CFR 200.318(c)(1)			
19. Guidelines and training on separation of duties and firewall protections have been provided to all participating organizations.			
20. The Local WDB has established a comprehensive system of oversight and monitoring which covers all entities that provide WIOA program services and perform administrative functions.			

Statement	Yes	No	NA
21. The entity that conducts oversight and monitoring is separate from and independent of any of the entities which provide the program services or administrative functions that are being monitored.			
22. In instances where firewall separations between organizations in the local workforce area are not complete and sufficient, the WDB, or the administrative entity acting on behalf of the WDB, has established a system of compensating controls that detect, prevent, and overcome any firewall weaknesses that may exist.			

B. Firewalls Between Divisions and Units within an Organization

Statement	Yes	No	NA
23. Each organization has an organizational chart and functional plan that describes, and differentiates among, the duties and responsibilities performed by each division and unit within the organization.			
24. Each organization has conducted a risk assessment of its internal operations to identify any vulnerabilities that may exist that can be mitigated by establishing appropriate firewalls and other internal control procedures.			
25. The organizational plan creates firewalls between divisions and units in order to maintain internal controls by separating incompatible duties and functions. For example: ____ The program unit that initiates a purchase requisition does not perform all the other functions involved in approving, ordering, receiving, and accounting for those purchases ____ List any other examples that you have implemented			
26. Guidelines and training on separation of duties and firewall protections have been provided to each division and unit within your organization.			
27. Each organization conducts oversight and monitoring of its own internal program operations and administrative functions.			
28. Within each organization, the oversight and monitoring function is performed by a unit or staff position that is separate from and independent of the activity being monitored.			
29. In instances where firewall separations between units with an organization are not complete and sufficient, the WDB, the organization has established a system of compensating controls that detect, prevent, and overcome any firewall weaknesses that may exist.			

Conflict of Interest Protections

A conflict of interest exists when there is a real or apparent conflict between the official responsibilities and the private interests of a person or entity. A conflict of interest can arise when actions are taken, or appear to be taken, by an entity or person performing more than one role, such that the performance of that entity or person in one role affects its interest in another role. A conflict of interest would arise when an individual or organization has a financial or other interest in and participates in the selection or award of funding for, an organization. Conflict of interest protections need to be established between organizations, between divisions and units within an organization, and between staff functions within a division or unit of an organization. These provisions apply to the organizations that serve as staff to the Board, Fiscal Agent, One-Stop Operator, Administrative Entity, and training and service providers.

C. Organizational Conflict of Interest

Statement	Yes	No	NA
30. The Local WDB and participating organizations in the one-stop system have supported and actively promoted the establishment of an internal control environment that addresses the importance of avoiding conflict of interest across the entire local workforce system.			
31. The Local WDB, or the Administrative Entity on behalf of the Board, has conducted a risk assessment of the workforce area's system-wide program and administrative operations to identify where potential conflict of interest may exist in the roles and functions performed by participating organizations.			
32. The Local WDB has established system-wide policies and procedures that provide protections against potential conflict of interest and incorporate other appropriate internal control safeguards.			
33. There is a policy and procedure in place that requires each organization that receives Federal funds to disclose in writing any potential conflict of interest to the pass-through entity that provides the funding. 2 CFR 200.112 That is, local workforce organizations funded by the State must disclose any potential conflict of interest to the State, and subrecipients must disclose any potential conflict of interest to their awarding agency. 20 CFR 683.200(c)(5)(iii)			
34. Each organization has established and maintained written standards of conduct covering organizational conflicts of interest if that organization has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe. Organizational conflict of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the organization is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 CFR 200.318 (c)(2)			
35. The organization has developed a written agreement with the Local WDB and CEO that defines how the organization will carry out its responsibilities to comply with the State's conflict of interest policy when the same organization performs more than one of the following functions: Fiscal Agent, Local WDB staff, One-Stop Operator, and direct provider of services. 20 CFR 679.430			

Statement	Yes	No	NA
36. There are conflict of interest safeguards in place so that, if the OSO also serves as a service provider, the OSO does not develop, manage or conduct the competition of a service provider in which it intends to compete, and does not perform subsequent oversight, monitoring, and evaluation of performance of itself as a service provider. (20 CFR 678.625)			
37. The Local WDB requires the OSO to disclose any potential conflict of interest with particular training and other service providers. 20 CFR 678.600(e)(1)			
38. If the Local WDB is selected to serve as the OSO, the Local WDB has conflict of interest policies and procedures in place, and the local CEO and the Governor have approved the selection. 20 CFR 679.410(a)(2)(3) , 20 CFR 678.615(a) , 20 CFR 679.430			
39. If the Local WDB is selected as the OSO through sole source procurement, the local CEO and the Governor have given prior approval, and the Local WDB has established sufficient conflict of interest policies and procedures that have been approved by the Governor. 20 CFR 679.410(d)			
40. If a state or local agency is selected to serve as the OSO, the agency has conflict of interest policies and procedures in place that conform to the specifications in 20 CFR 679.430 and demonstrate internal controls and prevent conflict of interest. 20 CFR 678.615(a)			
41. The OSO is prohibited from performing any of the following functions, unless it also serves in another capacity and it has established sufficient firewalls and conflict of interest policies that conform to the specifications in 2 CFR 679.430 for demonstrating internal controls and preventing conflict of interest. 20 CFR 678.620(b) <ul style="list-style-type: none"> • Convene system stakeholders to assist in the development of the local plan • Prepare and submit local plans • Responsible for oversight of itself • Manage or significantly participate in the competitive selection process for one-stop operators • Select or terminate one-stop operators, career services, and youth providers • Negotiate local performance accountability measures • Develop and submit budget for activities of the Local Board in the local area. 			
42. Guidelines and training on separation of duties and conflict of interest protections have been provided to all participating organizations.			
43. The Local WDB has established a comprehensive system of oversight and monitoring of potential conflict of interest that covers all entities that provide WIOA program services and perform administrative functions.			
44. Each organization receiving Federal funds monitors each program, function or activity to assure compliance with applicable Federal requirements and performance expectations. 2 CFR 200.328(a)			

Statement	Yes	No	NA
45. Each organization receiving Federal funds evaluates each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Evaluation factors include prior performance and experience with similar subawards, audit results, new personnel or systems, and other monitoring results. 2 CFR 200.331(b)			
46. The entity that conducts oversight and monitoring is separate from and independent of any of the entities which provide the program services or administrative functions that are being monitored for potential conflict of interest.			

D. Conflict of Interest Between Separate Units within an Organization

Statement	Yes	No	NA
47. Each organization has conducted a risk assessment of its internal operations to identify any potential conflict of interest that may exist and that needs to be mitigated by establishing appropriate conflict of interest guidelines.			
48. Each organization has established conflict of interest guidelines to maintain internal controls by separating incompatible duties and functions between divisions and units. (For example, an organizational unit that initiates purchase requisitions cannot perform all the other functions involved in approving, ordering, receiving and accounting for those purchases.)			
49. Guidelines and training on separation of duties and conflict of interest protections have been provided to each division and unit within your organization.			
50. Each organization conducts oversight and monitoring of its own internal program operations and administrative functions.			
51. Within each organization, the oversight and monitoring function is performed by a unit or staff position that is separate from and independent of the activity being monitored.			

E. Conflict of Interest and Separation of Duties within Each Unit

Statement	Yes	No	NA
52. There is a written job description for each staff position that describes, and differentiates between, the duties and responsibilities performed by each staff position within the division or unit.			
53. The organization has separated incompatible duties and functions in order to maintain internal controls over potential conflict of interest.			
54. Guidelines and training on separation of duties and conflict of interest protections have been provided to all staff within each division and unit of your own organization.			

Statement	Yes	No	NA
55. Each division or unit provides for supervisory review and approval of the activities of staff in that division or unit.			
56. In the case management unit, there is a separation of duties between the staff who approves the provision of supportive services for clients (e.g. vouchers, bus tokens, child care), staff who has custody over those assets, and staff who approves the purchase of those assets.			
57. For property and purchasing, there is a separation of duties between the staff who requisitions, approves, orders, receives, and keeps accounting records for purchases.			
58. In the accounting division, there is a separation of duties between: <ul style="list-style-type: none"> • Authorizing purchases, cash drawdowns, and payments • Recording expense and revenue transactions and preparing reports • Reconciling transactions, bank statements, reports • Having custody over assets including inventory, cash, and cash-like assets 			
59. If there are too few staff in the accounting division to adequately separate incompatible duties listed above that should not be performed by the same staff person, separation of duties is maintained by one or more of the following alternatives: (check the option(s) below) <p>_____ Having staff from another unit perform some of those functions normally performed by accounting staff</p> <p>_____ Requiring additional supervisory or management approval of actions performed by accounting staff</p> <p>_____ Having an outside organization perform some accounting functions (e.g. staff from county/city departments)</p> <p>_____ Taking other similar measures that have the effect of separating those duties. List what those are</p> <p>_____ None of the above</p>			
60. Where vulnerabilities still exist even after taking the steps noted above, the organization has established additional oversight and monitoring procedures as compensating controls where separation of duties and conflict of interest protections need to be enforced.			
61. The organization maintains written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. 2 CFR 200.318(c)(1)			
62. The standards of conduct provide that no employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. 2 CFR 200.318(c)(1)			
63. The standards of conduct state that a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. 2 CFR 200.318(c)(1)			

Statement	Yes	No	NA
64. The standards of conduct state that officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. 2 CFR 200.318(c)(1)			
65. The standards of conduct provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity. 2 CFR 200.318(c)(1)			
66. The Local WDB has established conflict of interest standards that state that the Local WDB member, or WDB standing committee member must neither cast a vote on, nor participate in any decision-making capacity on the provision of services by such member (or any organization which that member directly represents), nor on any matter which would provide any direct financial benefit to that member or that member’s immediate family. 20 CFR 683.200(c)(5)(i)			
67. In instances where the separation of incompatible duties between staff within a single unit of the organization are not complete and sufficient, the organization has established a system of compensating controls that detect, prevent, and overcome any separation weaknesses that may exist.			