

DEBT COLLECTION POLICY
POLICY # 670

Date of Original Policy: 12/1/2003
Effective Date: 6/1/2008

Date of Current Revision: 4/5/2010

BACKGROUND

The Workforce Investment Act requires that states establish fiscal controls. Among the required controls specified in Title 20 CFR 667.500 (a)(2) is a process for debt collection. Additional information on appeals, waivers and offsets is contained in the Department of Labor, One-Stop Comprehensive Financial Management Technical Assistance Guide, Chapter 11-13 Disposition of Disallowed Costs and Washington State Policy 3255, Audit Requirements. This policy is being revised based upon recommendations of the United States Department of Labor and Washington State Employment Security Department.

POLICY

This policy applies to the debts owed based on the State or WDC's final decision or, if applicable, the decision issued on an appeal. Also included in final debts are funds due from incidents of fraud or other serious violations.

This policy is adopted by local Workforce Development Area (WDA) #7, herein referred to as SWWDC, located at 805 Broadway Street, Ste. 412, Vancouver, WA 98660 in response to the above requirement and at the request that Local Workforce Development Areas be responsible for their sub recipients audit resolution and aggressive debt action.

A sub recipient debt is established when local SWWDC personnel judge a previously reimbursed expense to be unreasonable or unallowable in accordance with applicable DOL and/or WIA Title IB requirements and guidelines, as a result of fiscal or performance monitoring or in the normal course of project management.

The sub recipient must be notified of such a finding by return receipt mail, addressed to the contact person designated as such on the original subcontract. This document will include the finding, the required repayment and finance charges, along with a description of appeal procedures and finance charges, as well as possible sanctions in cases of delinquency or unresponsiveness.

The sub recipient must respond within thirty days of the first notice with immediate payment plan, to be approved by designated SWWDC staff. If no response is received after two subsequent notices sent a minimum of 30 days apart, or if planned payments are not forthcoming in the stated time frame, the debt will be judged to be delinquent and penalty and/or late fees will apply at current federal rates.

The sub recipient will have the ability to appeal the finding to the current Executive Director of SWWDC. Any dispute concerning a question of fact arising under this contract

which is not disposed of shall be decided after hearing by the SWWDC's Executive Director, who shall provide a decision in writing and furnish a copy thereof to the Contractor. The Director's decision shall be final and binding.

Unless other arrangements have been documented and approved by Employment Security Department, herein referred to as ESD, the local area, and as appropriate, non-vendor entities providing contracted services, all WIA debts must be paid within 30 calendar days of the date on which the debt was established as final. When the debtor is unable to make restitution in full, an installment repayment agreement may be negotiated. Installment repayment will be of short duration, from 3 to 12 months, with a maximum of 36 months. The length of the repayment agreement will be negotiated based on the size of the debt and the debtor's ability to pay. The ESD must approve all installment repayment agreements.

Each recipient of WIA funds shall be liable to repay amounts found not to have been expended in accordance with the Workforce Investment Act of 1998 with non-Federal funds. The Secretary of the Department of Labor will make a determination if the mis-expenditure of funds was due to willful disregard of the requirements of this title, gross negligence, failure to observe accepted standards of administration, or a demonstrated pattern of mis-expenditure. No determination will be made by the Secretary until notice and opportunity for a fair hearing has been given to the recipient.

The settlement of all debts resulting from fraud, malfeasance, or other serious violations or illegal acts must be cash from nonfederal sources, unless otherwise determined by the Secretary.

Funds collected by local SWWDC in settlement of these debts must be clearly identified as Debt Collected and sent immediately on their receipt to:

Kim Anensen, Manager
Specialized Accounting Services (SAS)
Employment Security Department
P.O. Box 9046
Olympia, Washington 98507-9046

Check will be payable to the Employment Security Department.

SWWDC will maintain records according to SWWDC Policy #660, "Record Retention and Public Access Policy". Records will support the decisions taken concerning cost allowability and document actions implemented with respect to debt collection, restoration or other debt resolution activities.

When the debt was not a result of fraud, malfeasance, misapplication of funds or other serious violations or illegal acts, the cash repayment of the disallowance is a credit to the title and year to which it was originally charged. The credit reduces the expenditures of the period of the cost that was refunded.

The use of stand-in costs may be considered as a substitute for disallowed costs in audit resolution. The application of stand-in costs occurs at the initial resolution process. If an auditee agrees that the questioned costs are disallowable and wishes to propose the use of stand-in costs, then the proposal shall be included with the audit resolution report

or other documents by which the auditee provided its comments to the resolution agency. If the auditee is uncertain about the allowability of the questioned costs before the initial determination, the proposal to use stand-in costs may be presented during the informal resolution period.

For a more detailed explanation of the use of stand-in costs, refer to One-Stop Comprehensive Financial Management Technical Assistance Guide, chapter II-12, Audits and Audit Resolution.

REFERENCES

All fiscal policies and guidance letters published for WIA are governed, as appropriate, under:

- Public Law 105-200, Section 184
- 20 CFR Part 652
- 20 CFR Sections 667.410 (a) and 667.500 (a)(2)
- OMB Circular A-122, Cost Principles for Non-Profits
- OMB Circular A-133, Audit of State and Local Government
- OMB Circular A-133, Compliance Supplement
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Revised Cost Principles for State and Local Government and Indian Tribal Government
- Federal Register Vol. 66, No.105, Resources Sharing for workforce Investment Act One-Stop Centers
- Generally Accepted Accounting Principles (GAAP)