



Debt Collection Policy

Policy Number: F-2005

Revision Date: 1-26-21

Supersedes: Debt Collection Policy #F-1005, released June 30, 2016

PURPOSE

The purpose of this policy is to communicate WorkForce Central's policy on establishment and collection of debt arising from audit resolutions and/or misuse of federally funded grants and contracts, including WIOA, awarded to sub-recipients.

BACKGROUND

WIOA requires that states establish fiscal controls. Among the required controls specified 20 CFR 683.420 (a)(i) is a process for collecting debts. ESD Policy 5265 requires that the local workforce boards develop and maintain debt collection policies and procedures that include:

1. A process for notifying sub-recipients of the establishment of debt.
2. Appeal rights and appeal process.
3. The date that debt is established as final and when it will be considered delinquent.
4. The sanctions (which may include, but are not limited, to debarment) if the debt and any applicable interest charged, if any, is not repaid.
5. A requirement that three debt collection letters be sent to the sub-recipient at no less than 30 calendar day intervals.
6. Establishment of an outstanding debt line item in the financial statement.
7. Standards and specifications for terminating, compromising, and litigating debts.
8. A process for maintaining a permanent record of all debt collection cases and their status.

Information on appeals, waivers and offsets is contained in the Department of Labor, One-stop Comprehensive Financial Management Technical Assistance Guide, Part II, Chapter 11-13 – Disposition of Disallowed Costs.

POLICY

WorkForce Central is responsible for its WIOA funded sub-recipients' audit resolution proceedings and debt action. WorkForce Central must maintain records that document the actions taken with respect to debt collection, restoration, or other debt resolution activities. To support a decision, WorkForce Central must also document why the actions were taken.

PROCEDURES

As a matter of policy, WorkForce Central will work with its sub-recipients to resolve audit findings within six (6) months of acceptance of the sub-recipient's audit report by the Federal Audit Clearinghouse (FAC). WorkForce Central will issue a management decision that clearly states whether or not the audit finding is sustained, the reasons for the decision, and the sub-recipient's expected actions. If the audit finding is sustained and a debt has been established, the following notification procedures will be implemented:

1. WorkForce Central will formally notify the sub-recipient of the establishment of debt based on unresolved audit findings. The repayment letter will provide the date on which the debt was established, a request for payment within 30 calendar days, date that the debt will be delinquent, sub-recipient's appeal rights, and sanctions and/or selected remedies if the debt is still outstanding after 90 calendar days.
2. If no action from sub-recipient within 30 calendars days of issuing the first repayment letter, WorkForce Central will mail a second repayment letter.
3. If no action from sub-recipient within 60 calendars days of issuing the first repayment letter, WorkForce Central will mail a third repayment letter.
4. The debt will be considered delinquent after 90 days from the issuance of the first repayment letter. WorkForce Central will impose sanctions and/or selected remedies if the debt is still outstanding after 90 calendar days. Sanctions could include but not limited to debarment, litigation, or referral to a collection agency.

WorkForce Central will establish an outstanding debt line item in the financial statement. Documentation related to debt collection will be maintained in the sub-recipient contract file.

Appeal Rights

Sub-recipients wishing to appeal WorkForce Central's determination of debt must request a hearing within ten (10) calendar days of receipt of the first repayment letter to avoid sanctions or penalties. Appeals must in writing and emailed to the WorkForce Central CEO at info@workforce-central.org.

Debt Repayment Options

WorkForce Central will accept the following repayment options:

- Cash Settlement:
 - Repayment of debts in cash after final determination must be repaid immediately from non-federal resources.
 - If debts resulted from fraud, malfeasance, or other serious violations or illegal acts, repayment must be in cash from non-federal resources.
- Installment Payments:
 - An installment payment agreement may be negotiated with WorkForce Central when the sub-recipient is unable to make restitution in full within the 30 calendar days.
 - Installment agreement will be of short duration (3-12 months up to a maximum of 36 months) based on the size of the debt and the sub-recipient's ability to pay.
 - Payments under an installment agreement must be in cash from non-federal resources.
 - This method of repayment is not offered where debts result from fraud, malfeasance, misappropriation of funds or other serious violations or illegal acts.
- Stand-in Costs:
 - The use of stand-in costs may be considered as a substitute for disallowed costs in audit or other debt resolution situations.
 - Stand-in costs must be from non-federal sources that may be substituted for WIOA expenditures questioned or disallowed costs:

DEFINITIONS

Final Determination - The awarding agency's decision to allow or disallow questioned costs and the resolution of any non-monetary findings, with respect to Federal or non-federal determinations.

Final Debt - The amount owed based on the awarding agency's final determination prior to any appeal process, or the decision issued in response to an appeal. Included in final debts are funds due from, but not limited to, incidents of fraud, malfeasance, misapplication of funds, or other serious violations or illegal acts.

REFERENCES

- Public Law 113-128, Section 184
- 20 CFR Sections 683.410 (a) and 683.420 (a)(i) and 683.750
- 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 2 CFR Part 230, Cost Principles for Non-Profit Organizations
- 2 CFR Part 220, Cost Principles for Educational Institutions
- 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments
- Generally Accepted Accounting Principles (GAAP)
- ESD Policy 5265 -Debt Collection

REVISION APPROVED

Katie Condit

[Katie Condit \(Jan 26, 2021 08:39 PST\)](#) Jan 26, 2021

WFC CEO

Date

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