



Fiscal Policies

Audit Resolution Debt Collection Policy

POLICY #:	<i>F-2005, Rev. 2</i>
EFFECTIVE:	<i>March 19, 2025</i>
SUPERSEDES:	<i>Debt Collection Policy, (Rev. 1), released January 26, 2021</i>

PURPOSE:

This policy communicates WorkForce Central's process for collecting debt arising from audit resolutions and/or misuse of federal grants awarded to WorkForce Central's subrecipients.

The purpose of this policy revision is to:

- Update the title of the policy to more accurately reflect the intent of the policy.
- Broaden the scope of the policy to all federal grants awarded by WorkForce Central.
- Non-substantial edits for clarity.

BACKGROUND:

WorkForce Central is responsible for the collection of debt arising from its federally funded subrecipients' audit findings and/or misuse of grants awarded by WorkForce Central. As a result, WorkForce Central is required to maintain debt collection policies and procedures that include:

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

POLICY:



WorkForce Central must maintain records that document the actions taken with respect to debt collection, restoration, or other debt resolution activities resulting from audit findings and/or misuse of federal awards granted by WorkForce Central. To support its decision, WorkForce Central must document why certain actions were taken.

WorkForce Central will work with the subrecipient to resolve the audit findings within six (6) months of acceptance of the subrecipient'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 subrecipient's expected actions. If the audit finding is sustained and a debt has been established, the following notification procedures will be implemented:

- WorkForce Central will formally notify the subrecipient 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 the debt will be delinquent, subrecipient appeal rights, and sanctions and/or selected remedies if the debt is still outstanding after 90 calendar days.
- If no action is received by WorkForce Central from the subrecipient within 30 days of issuing the first repayment letter, WorkForce Central will issue a second repayment letter.
- If no action is received by WorkForce Central from the subrecipient within 60 calendar days of issuing the first repayment letter, WorkForce Central will issue a third repayment letter.
- The debt will be considered delinquent after 90 calendar 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 may include but are not limited to debarment, litigation, or referral to a collection agency.

WorkForce Central will establish an outstanding debt line item in the financial statements. Documentation related to debt collection will be maintained in the subrecipient contract file.

Appeals

Subrecipients 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 be in writing and emailed to the WorkForce Central Chief Executive Officer (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.
- Installation Payments: An installation payment agreement may be negotiated with WorkForce Central when the subrecipient is unable to make restitution in full within the required 30 calendar timeframe. However, this method of repayment is not offered where debts result from fraud, malfeasance, misappropriation of funds, or other serious violations or illegal acts. Installment agreement will be of short duration (three (3) to twelve (12) months up to a maximum of 36 months) based on the size of the debt and the subrecipient's ability to pay. Payments under an installment agreement must be in cash from non-federal sources.
- 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.

REFERENCES:

- 20 CFR 683.410
- 20 CFR 683.420
- 20 CFR 683.750
- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- ESD Policy 5265

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