

## **DEBT COLLECTION POLICY**

### **Workforce Innovation and Opportunity Act Policies and Procedures**

**EFFECTIVE DATE:** 04.2009

**POLICY #:** A404

#### **I. PURPOSE:**

The purpose of this policy is to address the debt collection process of Workforce Innovation and Opportunity Act (WIOA) in Seattle-King County.

#### **II. BACKGROUND:**

The Workforce Innovation and Opportunity Act (WIOA) requires a process for debt collection as specified in Title 20 CFR 667.500 (a)(2). This Debt Collection Policy is intended to provide information and guidance on debt collection after all opportunities for appeal, request for waiver or offset have been exhausted.

#### **III. POLICY:**

This policy applies to the debts owed based on the 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.

The WDC's debt collection procedure includes:

- A process for notifying subcontractor, service providers or other entities, excluding vendors, providing contracted services, of the establishment of debt, their appeal rights, the date that the debt will be considered delinquent, the sanctions (which may include but are not limited to debarment) if the debt is not repaid and the interest rate charged, if any;
- The requirement that three debt collection letters be sent at no less than 30 calendar day intervals;
- An established outstanding debt category in the WDC's accounts receivable system;
- The WDC's standards and specifications for terminating, compromising, and litigating debts, and
- A process for maintaining a permanent record of all debt collection cases and their status.

Unless other arrangements have been documented and approved by the WDC, and as appropriate, non-vendor entities providing contracted services, all WIOA 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. The installment repayment will be of short duration, from (3 to 12 months up to 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 WDC must approve all installment repayment agreements.

The settlement of all debts resulting from fraud, malfeasance, misapplication of funds or other serious violations or illegal acts must be cash from nonfederal sources. Funds collected by the WDC in

settlement of these debts must be clearly identified as Debt Collected and sent immediately on their receipt to:

Workforce Development Council of Seattle King County  
2003 Western Avenue, Suite 250  
Seattle, WA 98121

Check will be made payable to the local WDC. The WDC must maintain records that document the actions taken with respect to debt collection, restoration, or other debt resolution activities. The WDC must also document why actions were taken.

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. If the year of allocation is still open, the WDC may expend the funds within the cost limits. Cash payments received after the fund availability period must be remitted to SAS.

### **Stand-in Costs**

The use of stand-in costs may be considered as a substitute for disallowed costs in audit, or other resolution procedures. The application of stand-in costs occurs during the initial resolution process. If the party agrees that the questioned costs are disallowable and wishes to propose the use of stand-in costs; the proposal shall be included with the audit resolution report or other documents provided as comments to the resolution agency. If the auditee or other applicable party 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.

Stand-in costs are non-federal costs that may be substituted for disallowed costs when certain conditions are met. Stand-in costs must meet the following criteria:

Have been actually incurred allowable grant costs that are considered to be uncharged to an ETA funded program, included within the scope of the audit and accounted for in the auditee's financial system. Cash match in excess of the required match may also be considered for use as stand-in costs.

To be accepted, stand-in costs must come from the same fiscal year as the costs that they are proposed to replace, and they must not cause a violation of the administrative or other cost limitations.

### **PROCESS:**

The following information is provided to assist in the understanding of the complete process of debt collection and reflect subsequent actions. The WDC has the responsibility for audit resolution and debt collection at the local level.

To carry out these responsibilities the WDC will:

- Issue an invoice with payment due date and the interest charge, if any, to the grantee, subrecipient, and contractor funded under the Workforce Innovation and Opportunity Act, once a final debt is established.

- Issue two additional invoices to the grantee, subrecipient, and contractor at 30 calendar day intervals, if payment has not been received or a satisfactory alternative repayment plan has not been negotiated.
- Determine whether to use another method of collection if the debt is still outstanding after 90 calendar days. In making the determination, consideration will be given to the amount of the debt, the cost of further debt collection, the amount collected to date, and the probable success of pursuing further collection action.
- Notify the Employment Security Department, if the agreed upon payment is not received within the 90 calendar days after the date of the third invoice.

#### **IV. DEFINITIONS**

**Final Determination:** Final Determination is the awarding agency's decision to allow or disallow questioned costs and the resolution of any non-monetary findings.

**Final Debt:** Final Debt is the amount owed based on the awarding agency's final determination if an appeal is not filed 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.

#### **V. REFERENCES**

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

- Public Law 113-128, Section 184
- 20 CFR 683.410(a), 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)

### **AUDIT RESOLUTION**

#### **Workforce Innovation and Opportunity Act Policies and Procedures**

**Subject:** Audit Resolution

#### **Background**

Under the Workforce Innovation and Opportunity Act any misuse of the grant funds allocated to the local area under WIOA sections 128 and 133. Each State, local area, and provider receiving WIOA funds shall comply with the appropriate uniform administrative requirements for grants and agreements applicable for the type of entity receiving the funds, according to the OMB circulars or rules [WIOA Section 184(a)(3)(A)].

## **Workforce Innovation and Opportunity Act Final Regulations**

The WIOA Regulations audit requirements are at Section 667.200(b). All governmental and non-profit organizations must follow the audit requirement of Circular A-133. These are found at 29 CFR 97.26 for governmental organizations and at 29 CFR 95.26 for institutions of higher education, hospital, and other non-profit organizations. Commercial organizations that are WIOA Title I sub-recipients must meet A-133 requirements.

Local policies, interpretations, guidelines and definitions to implement provisions of Title I of WIOA should not be inconsistent with the Act and the regulations issued under the Act, Federal statutes and regulations governing One-Stop partner programs, and with State policies, WIOA Regulations Section 661.120(a).

### **State of Washington Audit Requirements**

State of Washington Policy is established by the office of Financial Management in the State Administrative & Accounting Manual Compliance with Federal Single Audit Act.

Workforce Development Councils (WDCs) should ensure their entities and sub-recipients comply with the requirements of A-133, federal and state laws, regulations, and state policies, including submittal of an annual audit plan.

The following are requirements for pass-through entities:

1. Properly identify federal awards by informing each sub-recipient of the CFDA title and number, award name and number, award year and name of the federal agency;
2. Advise sub-recipients of requirements imposed on them by federal laws, regulations, and the provisions of contract and grants agreements as well as any supplemental requirements imposed by the pass-through entity;
3. Monitor the activities of sub-recipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and those performance goals are met.
4. Require sub-recipients to provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required;
5. Ensure that sub-recipients expending \$500,000 or more (for fiscal years ending after December 31, 2003) in federal awards during the sub-recipient's fiscal year have met the audit requirements of A-133;
6. Issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes appropriate and timely corrective action;
7. Consider whether sub-recipient audits necessitate adjustment of the pass-through entity's own

records;

8. Require each sub-recipient to permit the pass-through entity and auditors to have access to the records and financial statement as necessary to comply with A-133.

### **Pass-through entities must review sub-recipient audits**

To ensure that legal requirements are met, reviews of sub-recipients must include processes and procedures to verify that applicable audit requirements are satisfied and audit findings are reviewed for timely corrective actions). These include, review and follow-up on sub-recipient single audits; and use checklists to document activities of review and follow-up on sub-recipient audits or receipt of required reports and documents prior to closure of contracts or grant agreements.

### **Local Actions Audit Plan**

As required, an audit plan is prepared annually and submitted to the Washington State Employment Security Department. Sub-recipients that are private non-profit agencies are audited by an independent CPA firm of their choice.

### **Audit Procedures**

Field work is conducted on site by the auditor per their schedule with the sub-recipient. Single Audit Act The Department of Labor views the requirements of the Single Audit Act as consistent with the existing requirements of WIOA and its implementing regulations. Compliance with the Single Audit Act will constitute compliance with WIOA audit requirements.

### **Exit**

Upon completion of the on-site audits, an exit briefing will be held with the appropriate staff. The Auditor will simultaneously send a copy of the final audit report to the appropriate Federal agency, a copy to the sub-recipient, and a copy to the WDC. The WDC will review the final report to determine the appropriate course of action. A report containing expenditures recommended for disallowance, questioned expenditures, or significant administrative findings will initiate the audit resolution procedure pursuant to State Policy.

### **Audit Resolution**

The WDC will maintain a file of subrecipient audit reports and log of audits awaiting final resolution.

The final audit report will constitute the WDC's initial determination. The subrecipient will have an opportunity to respond and provide additional documentation or explanation. The burden of proof in providing sufficient information or documentation to explain costs recommended for disallowance or questioned costs rests with the subrecipient. The WDC reserves the right to make its final determination solely upon the content of the final audit report. The subrecipient will have a 30 day period for comment and informal resolution.

The WDC will issue a final determination within 60 days of receipt of the subrecipient's response, at which time the subrecipient has no more than 30 days to submit an appeal letter specifying the reason

for appeal. The WDC will issue a response to the appeal within 60 days of receipt. This response will be considered a final determination.

The audit resolution process is to be completed within 120 days after the receipt of the final audit report by the WDC Chief Executive Officer. The audit resolution process will be completed when all questioned costs have been allowed, all administrative findings resolved or when a final debt is created.