



WIA TITLE I-B PROGRAM MANAGEMENT POLICIES AND PROCEDURES

MEMORANDUM #07-16

To: All Subrecipients

Subject: Debt Collection

Effective Date: August 20, 2007

A. BACKGROUND

In conformance with Title 20 CFR 667.500(a)(2) and Washington State Policy Number 3265, Revision 1, *Debt Collection*, for Title I-B of the Workforce Investment Act (the Act), Workforce Development Council Snohomish County (WDCSC) has developed this policy and these procedures for debt collection from subrecipients.

B. DEFINITIONS

Final Determination: WDCSC's decision to allow or disallow questioned costs, with the latter classified as a "misexpenditure," and the resolution of any non-monetary findings.

Final Debt: Final debt is the amount owed based on WDCSC's final determination that funds have been misexpended after all opportunities for appeal, waiver, and offset have been exhausted. Additional information on appeals, waivers, and offsets may be found in the U.S. Department of Labor *One-Stop Comprehensive Financial Management Technical Assistance Guide*, Chapter II-13, *Disposition of Disallowed Costs*, and Washington State Policy 3255, Revision 1, *Audit Requirements Including Fraud and Abuse Reporting*. Included in final debt are funds due from, but not limited to, incidents of fraud, malfeasance, misapplication of funds, or other serious violations or illegal acts.

Offset: In instances where a subrecipient's misexpenditure was not due to willful disregard of the requirements of the Act and association regulations, gross negligence, failure to observe accepted standards of administration, or a pattern of misexpenditure, WDCSC may request of the State an offset in the form of a reduction of an amount equal to the misexpenditure from the subrecipient's subsequent year/years' award in such instances where the subrecipient that has misexpended funds is a subrecipient for the subsequent year/years **and** is receiving funds classified as Administrative for the subsequent year/years. Any offset must be approved by the U.S. Department of Labor Grant Officer.

Stand-in Costs: Non-Federal costs may be classified as stand-in costs and substituted for disallowed costs when the following conditions are met:

- The costs have been actually incurred allowed costs that are considered to be uncharged to the benefitting DOL program, included within the scope of the subrecipient's audit, and accounted for in the subrecipient's financial system as required by 29 CFR Part 95 or 97, as appropriate. Cash match in excess of the required match may be considered for use as stand-in costs.
- The costs have been incurred during the same Program Year as the costs they are proposed to replace.
- The costs do not cause a violation of the administrative or other cost limitations specified in the Act and/or associated regulations.

Additional information on stand-in costs may be found in the U.S. Department of Labor *One-Stop Comprehensive Financial Management Technical Assistance Guide*, Chapter II-12, *Audits and Audit Resolution*.

Subrecipient: A subrecipient is a subcontractor of WDCSC as defined in Internal Policies and Procedures Memorandum #__-01, *Procurement*.

C. POLICY

Workforce Development Council Snohomish County will collect final debt from all subrecipients. No final determination will be made by WDCSC and final debt established without notice and opportunity for a fair hearing being extended to the subrecipient through WDCSC's General Policies and Procedures Memorandum #__-09, *Monitoring Policy*, and General Policies and Procedures Memorandum #__-10, *Corrective Action*.

D. PROCEDURES

All outstanding final debts will be recorded in WDCSC's account receivable system. Further, WDCSC will maintain a permanent record of all debt collection cases, their status, and rationale for all actions described below.

WDCSC will notify the subrecipient of the final debt in writing, at which time the subrecipient will have 30 days to submit an appeal letter specifying the reason for appeal. WDCSC will issue a response to the appeal within 30 days of receipt.

The subrecipient will have an additional 30 days from the date of WDCSC's response to file a request for a waiver to which WDCSC will respond within 30 days.

The subrecipient will have an additional 30 days from the date of WDCSC's response to its request for a waiver to provide a request to offset a portion or all of the cost. The use of stand-

in costs may be considered by WDCSC as a substitute for disallowed costs resulting from an audit, this process, or other resolution procedures. The application of stand-in costs will occur prior to final resolution. If a subrecipient wishes to propose the use of stand-in costs, the proposal shall be included in the request to offset. WDCSC will provide a response within 30 days of receipt of that request. The amount still owing as documented in WDCSC's response will be considered the final debt.

All final debts, including interest, must be paid within 30 calendar days of the date on which the debt was established as final, unless other arrangements have been documented and approved by WDCSC. When the debtor is unable to make restitution in full, an installment repayment agreement may be negotiated. Installment repayment will be of short duration, generally from 3 to 12 months, with a maximum of 24 months. The length of the repayment will be negotiated based on the size of the final debt and the subrecipient's ability to pay. WDCSC must pre-approve all installment repayment plans. Each subrecipient shall be liable to repay amounts with allowable non-Federal funds. Sanctions for non-payment include, but are not limited to, termination of any and all contracts and debarment.

To maximize a subrecipient's ability to pay final debt and avoid sanctions, each subrecipient funded by WDCSC that enters into a subcontract(s) must develop a debt collection policy and procedures. Such policy and procedures must include:

- ◆ a process for notifying any subcontractor of the subrecipient of the establishment of final debt, appeal rights, the date that the final debt will be considered delinquent, and the sanctions which may include but are not limited to debarment if the final debt is not repaid with interest;
- ◆ the requirement that three final debt collection letters be sent to the subcontractor at no less than 30 calendar day intervals;
- ◆ the establishment of an outstanding final debt category in the subcontractor's accounts receivable system;
- ◆ the subrecipient's standards and specifications for terminating, compromising, and litigating final debt; and
- ◆ a process for maintaining a permanent record of all debt collection cases and their status.

Within 30 calendar days of final determination, as defined above, all final debt payments must be sent to:

Workforce Development Council Snohomish County
728 134th Street S.W., Suite 128
Everett, Washington 98204
ATTN: Debt Collection

Payment must be made in the form of a check or warrant, cashier's check, or money order payable to Workforce Development Council Snohomish County.

To ensure complete transparency in this process, WDCSC will:

- 1.** Issue an invoice with the payment due date and the interest charge, if any, to the subrecipient once a final debt has been established;
- 2.** Issue two additional invoices to the subrecipient at 30 day calendar intervals should payment not be received;
- 3.** Determine whether another method of collection if the debt is still outstanding after 90 calendar days;
- 4.** Notify the Snohomish County Executive if the final debt has not been paid in full within 60 calendar days after the date of the third invoice.