

Seattle King County Workforce Development Council

Debt Collection Policy

EFFECTIVE DATE: April 2009
WDC POLICY NUMBER: 9-2003, Revision 1, Final
SUBJECT: Debt Collection

BACKGROUND

The Workforce Investment Act 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.

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 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. 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 Investment 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.

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.

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. 65, No.124, Resources Sharing for workforce Investment Act One-Stop Centers

Generally Accepted Accounting Procedures (GAAP)

SUPERSEDES

None

DIRECT INQUIRIES TO:

Workforce Development Council of Seattle King County

2003 Western Avenue, Suite 250

Seattle, WA 98121

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