

Washington State

Workforce Innovation and Opportunity Act Title I-B Policy

Policy Number: 5265

Policy Title: Debt Collection

Effective Date: July 1, 2015

1. Purpose:

To provide policy and procedures for debt collection associated with the misexpenditure of Workforce Innovation and Opportunity Act (WIOA) funds.

2. Background:

WIOA requires that states establish fiscal controls. Among the required controls specified in 20 CFR 683.420(a)(i) is a process for collecting debts. Information on appeals, waivers and offsets is contained in the Department of Labor, One-Stop Comprehensive Financial Management Technical Assistance Guide, Part II, Chapter II-13 - Disposition of Disallowed Costs.

3. Policy:

Local Workforce Development Board Responsibilities:

Local Workforce Development Boards (LWDBs) are responsible for their subrecipients' audit resolution proceedings and debt action. LWDB's must develop and maintain debt collection policies and procedures that include:

A process for notifying subrecipients of:

- the establishment of the debt,
- any appeal rights and the appeals process,
- the date that the debt is established as final and when it will be considered delinquent,
- the sanctions (which may include, but are not limited to, debarment) if the debt and any applicable interest charged, if any, is not repaid.

The requirement that three debt collection letters be sent to the subrecipient at no less than 30 calendar day intervals;

The establishment of an outstanding debt line item in the LWDB's financial statement;

The LWDB'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. The LWDB must maintain records that document the actions taken with respect to debt collection, restoration, or other debt resolution activities. To support their decisions, the LWDB must also document why the actions were taken.

Repayment of Debt

LWDBs, and as appropriate, non-vendor entities providing contracted services, must pay all WIOA debts within 30 calendar days of the date on which the debt was established as final, unless other arrangements have been documented and approved by the Employment Security Department (ESD). When the debtor is unable to make restitution in full, an installment repayment agreement may be negotiated. Installment repayment will be of short duration, preferably from 3 to 12 months, but will not exceed 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 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 LWDBs in settlement of these debts must be returned to ESD immediately, identified as "Debts Collected", on their receipt to:

Finance and Administrative Services Division
Employment Security Department
P.O. Box 9046
Olympia, Washington 98507-9046

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, local areas may expend the funds within the cost limits. Cash payments received after the fund availability period must be remitted to Financial and Administrative Services Division at the address noted above.

Employment Security Department Responsibilities:

The ESD has the responsibility for federal and non-Federal resolution proceedings and for debt collection at the state level.

To carry out these responsibilities, ESD will:

Issue, through Finance and Administrative Services, an invoice with the payment due date and the interest charge, if any, to the LWDB once a final debt is established.

Issue, through Finance and Administrative Services, two additional invoices to the LWDB at 30 calendar day intervals, should payment not have been received, nor a satisfactory alternative repayment plan 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 Chief Elected Official of each relevant unit of government, if the agreed upon payment is not received within 60 calendar days after the date of the third invoice. When multiple units of general local government are designated as the local area, the liability of the individual jurisdictions must be specified in a written agreement between the chief elected officials.

4. 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.

5. 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 \(GAAP\)](#)

6. Supersedes:

WIA Policy 3265, Revision 1 - Debt Collection

7. Website:

[Workforce Professionals Center](#)

8. Action:

LWDBs and their contractors, as well as Employment Security Regional Directors, must distribute this policy broadly throughout the system to ensure that WorkSource System staff are familiar with its content and requirements.

9. Attachments:

None.

Direct Inquiries To:

*Grant Accounting
Employment Security Department
PO Box 9046
Olympia, WA 98507
SASEFTQuarterly@ESD.WA.GOV*

Direct Other Inquiries To:

*Employment System Administration and Policy Unit
Employment System Policy and Integrity Division
Employment Security Department
P.O. Box 9046
Olympia WA 98506-9046
SystemPolicy@esd.wa.gov*