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Date Last Revised: 12/16/2021
Status: Final
Supersedes: WIA Policy 111

Purpose

The Workforce Innovation and Opportunity Act (WIOA) requires that fiscal controls, including a process for debt collection is established associated with the misexpenditure of WIOA funds incurred by any subrecipients.

Policy

A subrecipient debt is established when PacMtn determines through project management, fiscal or performance monitoring, or audit review that a previously reimbursed expense is unreasonable or unallowable in accordance with applicable federal Department of Labor and/or Workforce Innovation and Opportunity Act requirements and guidelines.

PacMtn will formally notify the subrecipient in writing that debt is established, which outlines the exact nature, cause, and violation made that was found in which WIOA funds were used. This communication shall also include appeal rights, dates and timelines for debt establishment and delinquency, and the sanctions that will be imposed if retribution is not made.

Guidelines

Debt Establishment

If during a PacMtn monitoring of subrecipient financial or program records or upon review of a third party audit report, misuse of funds is found and a finding of a disallowed cost is determined, the subrecipient is required to make repayment in full of those costs.

PacMtn will provide, in writing, a report that details

- The exact finding of disallowed costs and the determination of the amount owed.
- The date the debt will be established as final as per the date of the letter.
- Request for payment of those costs within 30 days of notice.
- Timeline for determination of delinquency
- Appeal rights
- Sanctions
- Interest rate to be charged (if any)

Debt Repayment

All WIOA debts must be paid within 30 calendar days of the date on which the debt was established as final, unless a payment plan has been negotiated based on the size of the debt and the ability of the debtor to pay and such payment plan has been approved by the State Employment Security Department. If an installment repayment agreement is negotiated, it 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. An interest rate may be applied to repayment plan options.

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
PO Box 9046
Olympia, WA 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.

The use of stand-in costs may be considered as a substitute for disallowed costs in audit resolution. The application of stand-in costs occurs at the audit resolution state.

Appeal Rights

Subrecipients have the right to appeal the decision made regarding the disallowed costs. Appeals must be made in writing within 10 business days of receiving the notification of debt establishment. Records that document the actions taken with respect to debt collection, restoration, or other debt resolution activities and records that document why the actions were taken to support their decisions shall be established and retained permanently.

Delinquency

If repayment does not occur within 30 days and no repayment plan has been requested a second debt notice shall be sent to the subrecipient. A third, and final, notice will be sent out after 30 days of the 2nd notice if conditions remain the same. If a repayment plan is started and stopped before full restitution is made, debt notice cycles will start again.

Sanctions

Sanctions will be applied to the subrecipient if no resolution is made to repay or establish a repayment plan after 30 days of the 3rd debt notice. Sanctions will be determined on a case by case

basis and may include additional penalties or interest, termination of any current contracts, declination of any future contracts, debarment or litigation.

Other Considerations

- Debt collection will continue until all available options are exhausted or no longer economically feasible.
- 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. Stand-in costs must meet the following criteria: a. Have been actually incurred allowable grants 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 as required by 29 CFR Part 95 or 97, as appropriate. Cash match in excess of the required match may also be considered for use as stand-in costs. b. Stand-in costs must come from the same appropriation year as the costs that they are proposed to replace, and they must not cause a violation of the administrative or other costs limitations.
- Notice will be sent to all Chief Elected Officials if the agreed upon payment is not received within 30 calendar days after the date of the third invoice.
- All debt collection actions will be documented and forwarded to the Washington State Employment Security Department Audit Resolution Unit for final review.
- PacMtn will maintain a permanent record of all debt collection cases and their status. This permanent record will include documentation of the actions taken with respect to debt collection, restoration, or other debt resolution activities including actions taken to support their decisions.
- PacMtn will establish an outstanding debt line in its financial statements.
- Where allowable, the local area may terminate debt when all means of collection have been exhausted and after approval of the Washington State Employment Security Department. Where fraud, malfeasance, misapplication of funds or other serious violations or illegal acts exist, the matter will be turned over to the local County Prosecutor for determining further action or litigation.
- It is the policy of PacMtn to immediately report information or complaints regarding fraud, waste, abuse or mismanagement of federal funds. If incidents or suspected activity includes WIOA funds Employment Security and the Office of Inspector General will be notified. Please refer to PacMtn Local Policy 3090 - Fraud Reporting.

References

ESD Policy #5265
Public Law 113-128, Section 184
20 CFR 683.410(a), 683.420(a)(i) and 683.750
2 CFR Part 200
2 CFR Part 200.345
2 CFR Part 230
2 CFR Part 220

2 CFR Part 225

PacMtn Policy 3090 - Fraud Reporting

DATE APPROVED: January 14, 2022

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Email: info@pacmtn.org

PacMtn is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Washington Relay 711.