



AUDIT RESOLUTION AND DEBT COLLECTION

Workforce Innovation and Opportunity Act Policies and Procedures

EFFECTIVE DATE: April 19, 2019

POLICY #: F301

I. PURPOSE

This policy communicates the Workforce Development Council of Seattle-King County (WDC) local workforce development board policy and operational guidance regarding the resolution of audit findings and debt collection resulting from mis-expenditures under the Workforce Innovation and Opportunity Act (WIOA) that are discovered as the result of an audit.

II. BACKGROUND

In conformance with WIOA, the Code of Federal Regulations (CFR) and Washington state policy the WDC established the following policy and procedure to assure timely resolution of audit issues and collection of debts resulting from the mis-expenditures of WIOA and other federal funds, including mis-expenditures that result from incidents of fraud or other serious violations.

III. DEFINITIONS

- A. Audit Findings** – Deficiencies which the auditor is required by 2 CFR 200.516 – Audit Findings, paragraph (a), to report in the schedule of findings and questioned costs.
- B. Final Debt** – The amount owed based on the WDC’s final determination that funds have been mis-expended after all opportunities for appeal, waiver, and offset have been exhausted. 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.
- C. Offset** – A credit to the federal funding source and year to which a mis-expenditure was originally charged. The credit reduces the expenditures of the period during which the cost was refunded.
- D. Subrecipient** – An entity that receives federal assistance passed through from a prime recipient or another subrecipient to carry out or administer a WIOA program. Distinguishing characteristics of a subrecipient include:
 - 1. Determining eligibility for assistance;
 - 2. Performance measured against meeting the objectives of the program;

3. Responsibility for programmatic decision making;
 4. Responsibility for applicable program compliance requirements;
 5. Use of the funds passed through to carry out a program of the sub-entity as compared to providing goods or services for a program of the prime recipient.
- E. Stand-in costs** - Costs that can be substituted for otherwise unallowable costs. To be considered as potential "stand-in" costs, costs must be:
1. Allowable by the grant against which mis-expenditures were incurred, but not charged to the grant because of funding limitations or other reasons.
 2. Reported as uncharged grant costs.
 3. Accounted for in the subrecipient's or contractor's financial system.
 4. Adequately documented in the same manner as all other grant costs.
 5. From the same grant cost category and funding period as the mis-expenditure.

IV. POLICY AND PROCEDURES

- A.** WDC staff, subrecipients and contractors are required to expend WIOA and other federal funds available to the workforce area through the WDC in compliance with federal and state laws, regulations, and policies.
- B.** The WDC will engage an independent auditor to complete an annual audit of its financial records within 6 months of the end of each program year, in conformance with 2 CFR Part 200, Subpart F - Audit Requirements. Audit results will be provided to the WDC Board of Directors and the Chief Elected Officials, along with a plan to rectify findings in a timely fashion, should any be identified by the audit.
- C.** Subrecipient and contractors in the region receiving federal funds of \$750,000 or more must conduct an annual independent single audit and provide the results to the WDC within 6 months of the end of the program year. If the audit identifies findings, the subrecipient or contractor must provide a written corrective action plan to the WDC.
- D.** Within 30 days of receipt of the audit corrective action plan, the WDC must approve, reject, or require amendment to the plan. Subrecipients and contractors have 30 days to accept or appeal the WDC's decision. The WDC will have 30 days to respond to the appeal with a final determination and may engage the Employment Security Department or others to assist with the process. WDC staff will inform the WDC Board of Directors and appropriate Board committee(s) of subrecipient or contractor audit findings, whether corrective action is recommended and if so, when the corrective action is completed. The entity making the appeal will be notified of the final decision by certified mail.
- E.** Should subrecipient or contractor mis-expenditure of federal funds be identified through an audit, mis-expended funds must be repaid within 30 days of the establishment of the final debt, unless other arrangements have been made and approved by the WDC and the Employment Security Department. Final debt will be established by the WDC using the

process identified in item 4.D. above. The subrecipient or contractor found to have mis-expended funds, will be notified by certified mail of the establishment of the debt, the date that the debt is established as final, the date by which the debt will be considered delinquent, and the sanctions (which may include, but are not limited to, debarment) if the debt and any applicable interest charged, if any, is not repaid.

- F. The WDC will issue up to three consecutive debt collection letters via certified mail at no less than 30 calendar day intervals until the debt is collected or arrangements are made to pay the debt.
- G. The settlement of all debts resulting from fraud, malfeasance, misapplication of funds or other serious violations or illegal acts must be made in cash from nonfederal sources.
- H. Debt that is not a result of fraud, malfeasance, misapplication of funds or other serious violations or illegal acts, may be repaid in cash, covered via stand-in costs, or offset. Such debt may be collected in installments of short duration, preferably from 3 to 12 months, but not to 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.
- I. Funds collected by the WDC in settlement of these debts will be identified as "Debts Collected" Payments will be remitted upon receipt to the Employment Security Department as per Washington WIOA Policy #5265.
- J. In instances where debts must be collected, the WDC will establish an outstanding debt line item its financial statement, record all outstanding final debts in its account receivable system and maintain a permanent record of all debt collection cases, their status, and rationale for all actions taken related to the establishment and collection of the debt. The WDC will maintain records that document the actions taken with respect to debt collection, restoration, or other debt resolution activities, as well as documentation of the reasons why actions related to the debt were taken.
- K. The failure of subrecipients or contractors to pay debts will result in termination of their contracts and potential legal action to recover the value of mis-expended funds.

V. REFERENCES

AUTHORITY	RULE OR REGULATION	REFERENCE AND WEBLINK
WA Employment Security Department	Debt Collection	WIOA Title I Policy 5265 7/1/15
WA Employment Security Department	WIOA Audit Requirements, Reports, and Resolutions	WIOA Title I Policy 5255 - March 1, 2016-
WA Employment Security Department	Dispute Resolution and Appeals	5 WIOA Title I Policy 5410, Rev. 1 - May 9, 2016

Code of Federal Regulations	What are the oversight roles and responsibilities of recipients and subrecipients of Federal financial assistance awarded under title I of the Workforce Innovation and Opportunity Act and the Wagner-Peyser Act?	20 CFR 683.410(a)
Code of Federal Regulations	What procedures apply to the resolution of findings arising from audits, investigations, monitoring, and oversight reviews?	20 CFR 683.420(a)(i)
Code of Federal Regulations	What procedure must be used for administering the offset/deduction provisions of the Workforce Innovation and Opportunity Act?	20 CFR 683.750
Code of Federal Regulations	Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards	2 CFR Part 200
Code of Federal Regulations	Cost Principles for Non-Profit Organizations	2 CFR Part 230
Code of Federal Regulations	Cost Principles for Educational Institutions	2 CFR Part 220
Code of Federal Regulations	Cost Principles for State, Local, and Indian Tribal Governments	2 CFR Part 225
Employment Training Administration (DOL)	Disposition of Disallowed Costs.	One-Stop Comprehensive Financial Management Technical Assistance Guide, Part II, Chapter II-13
United States Congress	Workforce Innovation and Opportunity Act of 2014	Public Law 113-128, Section 184

VI. HISTORY

VER.	DATE	ACTION AND APPROVALS
V.1	09/2003	Original version released
V.2	04/2009	Updated version released
V.3	02/14/19	Draft revised to update state and federal references and integrate a process for resolving audit exceptions and released for public comment
	04/19/19	V.3 Published