

DEBT COLLECTION PROCEDURE WIOA and Other Federal Funds

The possibility of debt collection and other sanctions arises under three broad categories: participant-related, contractor or service provider-related, and audit-related.

1. Definitions

- Debt: A cost which is determined to be in violation of legislative or regulatory requirements or specific conditions of pertinent grants, contracts, agreements or procedures. A debt may result from an overpayment or a mis-expenditure of funds.
- Disallowed Cost: A debt established as a result of a final determination by the State, the Department of Labor, or Worksystems, Inc. of costs in violation of the Act or implementing regulations, contract requirements, or policy.
- Participant: An individual who is or was enrolled in a Worksystems, Inc. sponsored program.
- Contractor/Service Provider: An individual agency or business (other than a participant) that receives grant funds from Worksystems, Inc. for goods and/or services.

2. Any audit which shows a questioned or disallowed cost on the part of a contractor or service provider, in regards to funds managed by Worksystems inc., shall result in a debt.

Participant Related

The following are examples of situations resulting in the establishment of a debt.

- The participant has received an overpayment of funds.
- The participant has failed to comply with Worksystems, Inc. procedures regarding receipt of funds.
- The participant fails to provide documentation for support services.
- The participant misrepresents information given to establish eligibility for fund services.

Contractor/Service Provider Related

The following are examples of situations resulting in the establishment of a debt.

- If a contractor has been paid under a contract, but later monitoring reveals that the work plan was not followed.
- Charges were incorrectly made to a Worksystems, Inc. contract.

3. Procedure

When a debt has been established, the Chief Financial Officer will be notified and will initiate the debt collection process.

- Debt collection letters will be sent at thirty-day intervals in an attempt to establish repayment. These letters will outline the cause of the mis-expenditure and will address the method of repayment. Options for repayment include: cash, installment payment and

offset. A minimum of three letters will be sent in the effort to obtain repayment. The third letter will be sent certified mail.

- If the debt may be offset by deducting the amount from payments for which the participant/contractor is eligible, this will be recommended and approved by the Executive Director.
- When payments are made on the debts, they will be logged and forwarded to the Accounts Receivable clerk.
- If repayment is not made or is insufficient to cover the debt, the Chief Financial Officer will evaluate the attempts made, the response of the debtor, the amount of the debt and the circumstances which caused the debt to occur. A recommendation will be forwarded to the Executive Director who has the authority to waive the debt or proceed with sanctions. If the debt is waived and thus written off, the amount of the debt attached to any Federal funds will be paid from non-Federal fund sources.
- If the debt is under \$25.00 and due to staff or participant error rather than participant misrepresentation, a minimum of two letters will be sent. If there is no response from the participant, the debt will be forgiven and the amount paid from non-Federal funds.

When mis-expenditure of funds is determined to have occurred due to willful disregard of the regulations, gross negligence, or failure to observe accepted standards of administration, alternatives to cash repayment cannot be considered and repayment must be from non-Federal funds.

4. **Sanctions**

Penalties and sanctions may include, but are not limited to:

- Referral to Legal Counsel for determination of feasibility for litigation.
- Referral to a collection agency for collection.
- Termination of the contracts or termination of the participant.
- Non-consideration of the contractor for future contracts or service provision.
- Prohibition of future enrollment of the participant.

The decision regarding final sanction action will be made by the Executive Director.