

## SAN JOAQUIN COUNTY WORKNET EMPLOYMENT AND ECONOMIC DEVELOPMENT DEPARTMENT POLICIES AND PROCEDURES DIRECTIVE

DIRECTIVE NO.	EFFECTIVE DATE	APPLICABILITY	PAGE
23-09	February 26, 2024	FMD, GMD	1 of 5
SUBJECT: <b>DEBT COLLECTION</b>			

### I. PURPOSE

The purpose of this directive is to establish procedures relating to the collection of debts that will govern all funds under the Employment and Economic Development Department (EEDD).

### II. GENERAL INFORMATION

This policy provides guidance and establishes procedures regarding debt collection associated with audit findings and allegations of fraud, waste and abuse pertaining to federal Workforce Innovation and Opportunity Act (WIOA) funds. This policy applies to all subrecipients expending WIOA funds.

This policy updates EEDD procedures relating to the collection of debts governing entities receiving funds administered by EEDD.

This directive supersedes PPD D-11 Debt Collection dated July 1, 2016.

#### Definitions

*Awarding Agency* means (1) with respect to a grant, the Department of Labor (DOL); and (2) with respect to a subgrant or contract, the entity that awarded the subgrant or contract.

*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.

*Final Determination* is the awarding agency's decision to allow or disallow questioned costs and resolve any nonmonetary findings.

*Subrecipient* is a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other federal awards directly from the federal awarding agency ([Title 2 CFR Section 200.93](#)). Local Workforce Development Boards (LWDBs) are the subrecipients of WIOA funds and other federal grant awards. A LWDB may allocate funds to their subrecipients to carry out a part of the federal program.

This directive references both the “awarding agency subrecipient” and “their subrecipients.” For the purposes of this directive, subrecipients will be labeled as the following:

- The “awarding agency subrecipient” is the agency who is directly funded and in a subgrant with the EDD; and
- “their subrecipient” is the agency at the local level that receives funds from the awarding agency subrecipient to carry out a portion of the program.

### References

- [WIOA \(Public Law 113-128\)](#) Section 184
- [WIOA, 20 CFR Section 683.410\(a\), 683.420\(a\)\(1\)\(i\)](#), 683.740
- [WSD22-07 Debt Collection](#)

## III. POLICY

The EDD’s Compliance Review Office (CRO) is responsible for overseeing the audit resolution and debt collection over subrecipients of WIOA funding. At the local level, EEDD is responsible for their subrecipient audit resolution and aggressive debt collection action.

It is the administrative policy of EEDD that the guidelines and procedures in this policy will govern the collection of debts.

## IV. PROCEDURE

### A. Demand of Repayment of Funds

When a debt is established as a result of an audit, a monitoring finding, an investigation, or other means, the following actions must be taken to collect the debt.

1. The Financial Management Division will notify the debtor of the establishment of the debt. The notice will include the following:
  - (a) the reason for the establishment of debt, findings, etc. including citation of law;

- (b) the amount of the debt and a demand for immediate repayment;
  - (c) the date the debt will be considered delinquent;
  - (d) interest rate to be charged, if any, whether or not interest will be charged on the debt and at what rate;
  - (e) a statement that payment(s) for services rendered will be withheld until the debt is satisfied;
  - (f) possible sanctions if the debt is not repaid; and
  - (g) appeal rights of the debtor.
- 2. A minimum of three debt collection letters will be sent at no less than thirty-day intervals if payment has not been received or a satisfactory alternative repayment plan has not been negotiated.
  - 3. If the debt is still outstanding after 90 days, EEDD will turn over the debt to the Revenue and Recovery for collection.

B. Method of Payment

Cash, in a lump sum amount, is the required method of repayment. However, EEDD may consider the following options for resolution of debts.

1. Installment Payments

Cash installment repayment plans will be developed by the Financial Management Division with the approval of the EEDD Executive Director. The duration of these agreements is negotiated based on the size of the debt and the debtor's ability to pay.

Use of cash installment repayment is suggested for instances when debt collection efforts are impeded by an inability to pay the full debt amount in a lump sum. The debtor will present proof of inability to make a lump sum payment of the debt.

2. Withholding/Offsetting

This repayment method will involve withholding amounts owed for past services or other considerations already provided in satisfaction of the debt owed.

C. Causes for Sanctions

Where it is determined that the action or inaction that resulted in the creation of the debt involved gross negligence, willful disregard for the requirements or failure to meet acceptable standards of administration, the repayment of debt will be in the form of cash from a non-federal source. Settlements of such debts on a non-cash basis and any form of repayment of debts on a non-cash basis will be subject to the approval of the State.

D. Waivers

In the event that EEDD or the Revenue and Recovery is unable to collect a debt in whole or in part from the debtor, EEDD will request a waiver from the State to waive imposition of sanctions against EEDD. The request must demonstrate that it met the following criteria.

1. Established and adhered to an appropriate system for the award and monitoring of funds which contains acceptable standards for ensuring accountability;
2. Entered into a written agreement with the debtor which established clear goals and obligations in unambiguous terms;
3. Acted with due diligence to monitor the implementation of the agreement, including the carrying out of the appropriate monitoring activities (including audits) at reasonable intervals; and
4. Taken prompt and appropriate corrective action upon becoming aware of any evidence of the violation of the law by the subrecipient.

The documentation used to demonstrate that EEDD has met criteria identified above will include, but will not be limited to, debt letters, litigation or withholding of funds.

The State will verify all information and documentation required.

E. Standards for Terminating, Compromising or Litigating Debts

Since all debts outstanding after 90 days are turned over to Revenue and Recovery, the standards or criteria utilized by the County apply to these debts. However, the County must first seek an approval from EEDD, which will in turn seek approval from the State before a debt can be terminated or compromised.

F. Permanent Record of Debt

A permanent record of all debt collection cases and their status will be maintained by the Financial Management Division.

V. QUESTIONS REGARDING THIS DIRECTIVE

May be referred to the Financial Management Division Manager.

VI. UPDATE RESPONSIBILITY

Financial Management Division Manager

VII. APPROVED

A handwritten signature in black ink that reads "Patricia Virgen". The signature is written in a cursive, flowing style.

PATRICIA VIRGEN  
EXECUTIVE DIRECTOR

PV/jl