



LOS ANGELES COUNTY

WIA Adult and Dislocated Worker DIRECTIVE

NUMBER: D-DWA-04-28
SND-010
YTH-05-03

SUBJECT: Revised Debt Collection
This Directive supercedes
Directive # D-DWA 00-038

DATE: 06/13/05

EFFECTIVE DATE: 06/01/05

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TO: ALL ONE STOP CENTERS
SPECIAL NEEDS CONTRACTORS
YOUTH CONTRACTORS

References

- Workforce Investment Act, Sections 133 and 184 (c) and (d)
- Title 20 Code of Federal Regulations (CFR) 667.500, 667.705, 667.720, 667.730 and 667.740
- Employment Development Department Directive WIADO1-5
- Los Angeles County Directive DDWA-00-0032
- Los Angeles County Directive SND-009
- Los Angeles County Directive YTH-01-37

The purpose of this directive is to establish procedures and policy by the County of Los Angeles for the recovery of disallowed costs expended under the Workforce Investment Act (WIA) by any person or entity.

Background

WIA requires repayment of disallowed costs resulting from misexpended funds. WIA regulations at 20 CFR 667.705 specifically state that: "The political jurisdiction(s) of the chief elected official(s) in a local workforce investment area is liable for any misuse of the WIA grant funds allocated to the local area under WIA sections 128 and 133, unless the chief elected official(s) reaches an agreement with the Governor to bear such liability."

Therefore, the County is liable to the State of California Employment Development Department (EDD) for repayment of all disallowed costs incurred in the operation of the WIA program within its local workforce investment area.

Policy

It is the policy of the County to aggressively pursue collection of all disallowed costs resulting from monitoring or audit findings and incident reports or other means pursuant to applicable laws and regulations.

Procedure

1. When the County disallows costs against a subrecipient or subcontractor as a result of an audit, monitoring finding or other means, it will notify the entity by certified mail of the following:

- The amount of the disallowed costs
- The County's reason for establishing the debt;
- The debt, if not resolved or a satisfactory alternative repayment plan has not been negotiated, will become delinquent within thirty days;
- The debtor's administrative appeal rights.

2. An accounts receivable control sheet will be maintained on the amount in question.

3. The County will attempt to negotiate resolution of the debt or establish an agreed upon repayment schedule. Options for debt resolution, which may be offered at the discretion of the County, include cash, installment payments, or a reduction in payments owed for work performed at the time of closeout of the contract.

4. If the debt is not repaid or resolved within the thirty (30)-day period, a second more strongly worded thirty (30)-day notice will be sent. If no satisfactory resolution occurs at the end of this sixty (60)-day period, a third and final collection letter will be issued. The final collection letter will indicate that the County will impose one or more of the following sanctions:

- Withholding payments due the subcontractor;
- Initiate litigation against the subcontractor;
- Withholding future funding in accordance with the guidance at 29 CFR 97.36(b);
- Termination of current agreements.

5. If the debt is not repaid as a result of the sanctions imposed above and it is still outstanding after the ninety (90)-day period, the County will make a determination regarding other means of resolution. It may, at its own discretion, request that EDD submit a waiver of liability to the U.S. Department of Labor of any disallowed cost if it can be demonstrated that such a request would satisfy the requirements as outlined in 20 CFR 667.720 of the WIA regulations.

In making this determination, consideration will be given to the following factors:

- The disallowed costs were not due to willful disregard, gross negligence, or fraud;
- The County has issued a final determination which disallows the costs, the recipient's appeal process has been exhausted, and a debt has been established; and
- Further debt collection action would be either inappropriate or futile.
- In cases where the disallowance is a result of fraud, waivers will only be requested when the following has occurred:
 - The County discovered, investigated, reported, and cooperated in any prosecution of the perpetrator of the fraud; and
 - After aggressive debt collection action, it has been documented that further attempts at debt collection from the perpetrator of the fraud would be inappropriate or futile.

Cash Repayments

Any debt involving fraud or abuse shall be repaid in cash. No other means of settlement will be considered. Funds collected in repayment of these types of debts will be returned to the County identifying the title, year and contract number to which the misexpenditure was originally charged. The County will forward this repayment to EDD for submission to the U. S. Department of Labor in accordance with 184(d)(1) of the WIA.

When the debt was not a result of fraud or abuse, the cash repayment of the disallowance is a credit to the program (adult, dislocated worker, etc.) and year of appropriation to which it was originally charged. If the year of appropriation is still open, the County may reuse the funds in that program. Cash payments received after the appropriation period has expired must be remitted to the State.

Record Retention Requirements

The contractor shall make any and all Program related records, reports, participant files and physical evidence, in addition to documents required by the grant contract, available for inspection and audit by any federal, State or County agent upon request for three (3) years after the final closeout of the subgrant agreement between the County and State, unless otherwise instructed in writing by an authorized County or State representative. In the event of litigation, unresolved audits and/or unresolved claims, the contractor must maintain all such records, reports, participant files and other documentation and physical evidence beyond the three-year period, until all such litigation, audits and claims have been resolved.

Community and Senior Services' Program Accounting Unit will be responsible for maintaining a permanent file documenting a record of the debt collection process for each contractor. This file will be maintained for a minimum of three (3) years within the

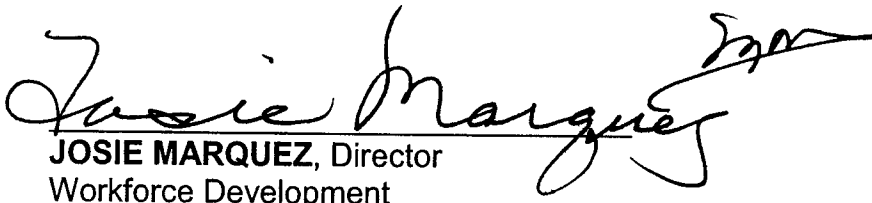
Department's offices and shall include the following elements: correspondence, tracking worksheets, etc. In the event of litigation, unresolved audits and/or unresolved claims, the Department will maintain all documentation beyond the three-year period until all such litigation, audits and claims have been resolved.

Action

The County, its subrecipients and subcontractors shall follow this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

Inquiries

Inquiries should be addressed to the Jackie Lynn Sakane, Program Manager of the Centralized Compliance Division at (213) 739-7321.



JOSIE MARQUEZ, Director
Workforce Development

JM:JLS:cc