



COUNTY OF LOS ANGELES WORKFORCE DEVELOPMENT, AGING AND COMMUNITY SERVICES



CONTRACT COMPLIANCE DIRECTIVE

DATE: December 13, 2019

NUMBER: WDACS-CCD 19- 2

DEBT COLLECTION

EXECUTIVE SUMMARY

The purpose of this Directive is to provide all Workforce Development, Aging and Community Services (WDACS) Subrecipients with the policy and procedural guidance for the collection of disallowed costs.

This Directive supersedes D-DWA-00-038 dated January 2, 2002, "Debt Collection" and is effective on the date of release.

APPLICATION

This Directive applies to all WDACS Subrecipients.

REFERENCES

2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225 and 230- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;

BACKGROUND

On December 26, 2013, the Office of Management and Budget revised the Uniform Administrative Requirements for Federal grants, combining their requirements with those of the audit requirements and cost principles. These regulations are codified in 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225 and 230, that became effective December 26, 2014, and are referred to as the Uniform Guidance. These rules contain the requirements that Subrecipients institute and implement internal controls in the managing of federally funded subawards.

DEFINITIONS

Disallowed costs: Means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award (2 CFR 200.31). In addition, disallowed costs may occur with State and/or local funds that are deemed disallowed.

Final determination: is the awarding agency's decision to allow or disallow questioned costs and resolve any non-monetary findings.

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.

Stand-in costs: are substituted costs, disbursed or accounted for from non-Federal funds, for unallowable subaward costs, for which there is a proven benefit, costs are for the same period and program, and have been audited.

Suspension: means an action by the awarding agency that temporarily withdraws funding under a subaward or suspends contract services, pending corrective action by the Subrecipient or pending a decision to terminate the subaward by the awarding agency.

Termination: means the ending of a Federal award, in whole or in part at any time prior to the planned end of the performance period. (2 CFR 200.95)

POLICY AND PROCEDURES

WDACS shall, by any means pursuant to applicable laws and regulations, aggressively pursue the collection of all disallowed costs identified by monitoring, audits, incident reports and/or other reviews.

1. When WDACS disallows costs against a Subrecipient, it will notify the Subrecipient by certified mail or by email of the following:
 - The amount of the disallowed costs;
 - Notification that the debt will become delinquent if it is not resolved or if a satisfactory alternative repayment plan is not negotiated within 30 days; and
 - The debtor's administrative appeal rights.
2. WDACS will maintain a Repayment Control Log for the Subrecipient debtor.
3. WDACS will attempt to negotiate resolution of the debt, work with the Subrecipient to determine whether stand-in costs are available to satisfy the debt and/or establish an agreed upon repayment schedule. Options for debt resolution, which may be offered at the discretion of the department, include cash or installment payments.
4. If the debt is not repaid or debt repayment discussions with the Subrecipient have not begun within the thirty (30) day period, a final collection letter will be issued by certified mail or email. The final collection letter will indicate that WDACS will impose one or more of the following sanctions:

- Suspension of payments;
- Suspension of Contract services;
- Placement in the Contractor Alert Reporting Database (CARD);
- Termination of Contract;
- Referral to the Office of the Los Angeles County Treasurer and Tax Collector;
- Any actions outlined in the contract's PRS; and
- Vendors having Unresolved Disallowed Costs in an amount over \$100,000 may not participate in active County solicitations for services unless such findings are resolved to the satisfaction of the County or are the subject of good faith negotiations.

Any and all costs associated with the debt collection activities will be charged to the Subrecipient.

The Subrecipient will have ten (10) business days after the issuance of the final collection letter to repay the debt or the portion of debt not subject to a repayment plan.

Method of Repayment

Funds collected in repayment of disallowed costs should be returned to WDACS identifying the title, year and contract number to which the mis-expenditure was originally charged.

Repayment should be done expeditiously, either as a lump sum or as installments following approval by the County or when required by the funding agency, to resolve a debt. (Federal and County funds cannot be used to repay a debt). The standard maximum amount of time that may be allowed for the installment method of repayment is two (2) years if approved by the County and when required by the funding agency. However, at its sole discretion, the County may extend the time limit due to demonstrated exigent circumstances, unless prohibited by the funding source.

Failure to repay the disallowed costs within the prescribed timeframes will result in further imposition of sanctions.

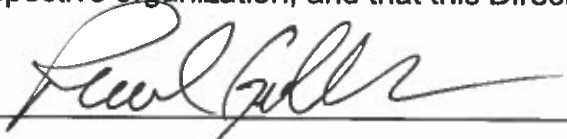
See Records Retention and Management Directive for information on how long subrecipients must retain records, reports, participant files and physical evidence.

INQUIRIES

Inquiries regarding this directive and the policies and procedures described here in should be directed to Stephanie Maxberry smaxberry@wdacs.lacounty.gov or Janet Shahoian at jshahoian@wdacs.lacounty.gov.

ACTION

All WDACS subrecipients must ensure the requirements described herein are communicated throughout the operations, management and governance structure of their respective organization, and that this Directive is adhered to until further notice.



**Paul Goldman, Assistant Director
Contracting Services Branch**