



COUNTY OF SAN LUIS OBISPO
DEPARTMENT OF SOCIAL SERVICES
WORKFORCE DEVELOPMENT BOARD

3433 South Higuera Street, P.O. Box 8119, San Luis Obispo, CA 93403-8119
(P) 1-805-781-1908

POLICY NO: 27-19
TO: Service Providers
FROM: Department of Social Services
EFFECTIVE: September 17, 2024, REVISED March 18, 2025
SUBJECT: Debt Collection

REFERENCES:

- WIOA (Public Law 113-128) Section 184
- Title 20 Code of Federal Regulations (CFR) Sections 683.410(a), 683.420(a)(1)(i) and 683.740
- Employment Development Department (EDD) Workforce Services Directive, WSD 22-07

PURPOSE:

This policy outlines procedures for collecting debts associated with audit findings and allegations of fraud, waste and abuse pertaining to federal Workforce Innovation and Opportunity Act (WIOA) funds administered by the Workforce Development Board of San Luis Obispo County (WDBSLO). It ensures compliance with federal and state regulations, protects public funds, and maintains fair and transparent debt collection practices.

BACKGROUND:

The WIOA mandates that states implement fiscal controls. Among the required controls specified in Title 20 CFR Section 683.420(a)(1)(i) is a process for collecting debts. At the state level, the EDD's Compliance Review Office (CRO) oversees audit resolution and debt collection for WIOA subrecipients. Locally, the WDBSLO is responsible for subrecipient audit resolution and debt collection in compliance with state procedures.

POLICY:

The Workforce Development Board of San Luis Obispo County is responsible for oversight of their subrecipient audit resolution and debt collection action. It is the policy of the WDBSLO that the guidelines and procedures in this policy will govern the collection of debts.

DEFINITIONS:

- Debt: Any amount owed to the WDBSLO, including overpayments, disallowed costs,

and other financial obligations.

- Debtor: An individual or entity that owes money to the WDBSLO.
- Collection Action: Steps taken to recover a debt, such as written notices, payment plans, and legal actions.

PROCEDURES:

Establishment of Debt: When a debt is identified because of an audit, monitoring finding, investigation or other means, the following actions must be taken to collect the debt.

1. The debtor will be notified of the establishment of the debt. The notification shall include:
 - a. The reason for establishment of the debt.
 - b. The amount of the debt and a demand for immediate repayment.
 - c. The date the debt will be considered delinquent.
 - d. The sanctions if the debt is not paid (including debarment).
 - e. The interest rate charged if any.
 - f. 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. WDBSLO staff shall work with the Department of Social Services, Fiscal Division to establish an outstanding debt line in the accounts receivable financial tracking system for the debtor/subrecipient.
4. A permanent record of all debt collection cases will be maintained in the audit resolution tracking log, documenting the disposition of questioned costs and corrective actions taken for all findings. The log will include information regarding collection, restoration, debt collection resolution activities and why actions were taken to support debt collection decisions.

Repayment: All WIOA debts must be settled within 30 calendar days of being finalized. The debt shall be considered delinquent 90 days from issuance of the first repayment letter. The WDBSLO may implement sanctions if the debt is still outstanding, with no approved installment agreement, after 90 days. Sanctions could include but are not limited to debarment, litigation, or referral to collection agency.

1. Cash Settlement
 - a. Repayment of debts after final determination must be paid immediately.
 - b. If debts resulted from fraud, malfeasance, or other serious violations or illegal acts, repayment must be in cash from non-federal resources.
2. Installment payments
 - a. If a subrecipient is unable to make full restitution in 30 days, SLODWB may negotiate an installment agreement of short duration. An installment agreement may be 3-12 months, up to a maximum of 36 months, based on the subrecipient's ability to pay.
 - b. The Employment Development Department, Compliance Review Office must

approve all installment repayment agreements.

Debt Collection Remittance: Funds collected by WDBSLO in settlement of these debts must be returned to CRO immediately on their receipt.

The mailing address for CRO is:
Employment Development Department
Compliance Review Office
P.O. Box 826880, MIC22
Sacramento, CA 94280-0001

For non-fraudulent debts, cash repayments should be credited to the original title and year. This credit will reduce the expenditures for the refunded cost. If the allocation year is still open, the WDBSLO may use the funds within Debt Collection cost limits. Payments received after the fund availability period must be sent to CRD.

Standards and Specifications for Terminating, Compromising and Litigating Debts: Where allowable, the WDBSLO may terminate debt when all means of collection have been exhausted and with approval from EDD and DOL, where required. Where fraud, malfeasance, misapplication of funds or other serious violations or illegal acts exist, the matter will be turned over to County Counsel for SLO County to determine further action or litigation. County Counsel shall determine if litigation is in the best interest of the WDBSLO. Should County Counsel determine litigation is not in the best interest, a request for waiver will be submitted to EDD CRO for approval.

Relief from Liability: To be relieved of liability for a subrecipient's debt, the WDBSLO must submit a written request to the EDD's CRO. Requests must include detailed documentation proving compliance with WIOA Section 184(d) and Title 20 CFR 683.740. Without CRD and DOL approval, the WDB remains liable for the full debt. The request and supporting documentation must be submitted to the CRO through email and/or mail as outlined in WSD22-07. The request for relief should include the following examples for documentation:

1. Proof that collection letters were sent (e.g. returned through certified mail receipts).
2. Litigation was conducted.
3. Withholding of funds was attempted.

ACTION:

All WIOA Adult, Dislocated Worker and Youth Program Service Providers shall comply with this policy. This policy will remain in effect from the date of issue until such time that a revision is required.

INQUIRIES:

Any questions regarding this policy may be directed to the DSS WIOA Program Manager at 805-781-1838.

Workforce Development Board (WDB) Approval Required? Yes_____ No X

Initial approval date: N/A

WDB revision approval date: _____