

877—12.15(7B,PL97-300,PL102-367) Debt collection procedures.**12.15(1) Establishment of debt.**

a. Audits. A debt is established by the release of a final determination on an audit report. The amount of the debt is determined by the amount of costs disallowed in the final determination.

b. Compliance review reports. A debt is established upon the release of a final report disallowing costs resulting from a compliance review report. The final compliance review report includes a review of the corrective action taken by the grantee and any disallowed costs.

c. Postponement of debt collection. If a grantee requests and the department recommends, a waiver under debt collection procedures will not be initiated unless DOL rejects the department's audit resolution and corrective action report concerning the waiver request. If a hearing is requested on a final determination or final report, debt collection will be delayed pending the outcome of the hearing.

12.15(2) Notification of debt.

a. Within ten days of the establishment of the debt, an initial demand letter will be sent by certified mail, return receipt requested, to the grantee from the department requesting repayment of the misspent funds.

b. If no response or payment is received within 15 days of the date of the initial demand letter, a final demand letter will be sent by certified mail, return receipt requested.

c. Letters not claimed and signed for by the grantee shall be treated as "no response" for purposes of calculation of time periods.

12.15(3) Payment methods.

a. Grantees shall pay debts in a one-time cash payment except in cases of documented financial hardship or as allowed by the department.

b. The department may charge interest on the debt when established.

c. The following repayment methods may be used by the department:

(1) Repayment agreement. A repayment agreement may be negotiated for a time period not to exceed one year. The agreement shall be in writing and signed by the department and the grantee. The agreement shall include a schedule of payments which includes exact payment dates, amount of the debt, interest, date of agreement and a requirement for payment in full for breach of the agreement by the grantee.

(2) Allocation reduction. Title IIA and IIB allocations to a grantee may be reduced when DOL offsets a debt against funds allotted to the state and the state debt resulted from a misexpenditure by the grantee or its subrecipients. This method may not be used for any other title or subpart of the JTPA.

(3) If the misexpenditure of funds was due to a grantee's willful disregard for the requirements of the Act, regulations, administrative rules, or grant agreement provisions, gross negligence, or failure to observe accepted standards of administration, the grantee shall repay those amounts from non-JTPA funds.

12.15(4) Legal actions. The state will take necessary and appropriate legal actions to recover misspent grant funds in the event a grantee refuses to satisfy a debt owed to the state.