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29 - 30	2	2/96	29	2	2/96
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i - ii	20	2/96	i - ii	20	7/96
27 - 34 c	20	2/96	27	20	7/96
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DATE: May, 1996			TO: All Income Maintenance Manual Holders		

This change is being made to add more detailed information about offsetting AFDC/U Corrective payments to Chapter 2 and Chapter 20.

Questions should be directed to the IM Policy Unit in the Office of Family Support.

submits the form to the Financial Clerk for payment. Expenses are usually paid as the order the client requests.

Money remaining in the client's account after his requested payments, is issued to the client or spouse. Either may sign the DF-38.

When the client has been on vendor payments for two consecutive months and has requested no payments from the account, it is assumed that the client is no longer in need. The Worker sends an ES-NL-C for case closure. The ES-NL-C must address that the client has not requested expenditures of the AFDC/U check for two months, and is, therefore, presumed to have an alternative means of support. If the client explains the situation satisfactorily to the Worker, the case is not closed.

(ii) Data System Action

- The name of the Financial Clerk followed by the symbol @ is entered in Block 3.
- The county office address is entered in Blocks 4, 5 and 6.
- The client's name is entered in Block 9.
- A V is coded in Block 41 when the case is placed on vendor payments.

8. Cost-Of-Living Increases In Federal Benefits

Recipients of federal benefits such as RSDI, SSI, Black Lung or VA Benefits may receive periodic cost-of-living increases (COLA's). RSDI/SSI increases are handled in accordance with instructions in Appendix B of this

Chapter. All other federal benefit cost-of-living increases are treated as any other change.

E. CORRECTIVE PROCEDURES

1. Correcting The Check Amount

Prior to issuing a corrective payment, the Worker must determine if the benefit group owes an overpayment. If so, the corrective payment must be offset by the amount of the overpayment. See Section 20.3, items F,2 and H,1.

a. Underpayments

A corrective payment is made to the client when he did not receive a check(s) for which he was eligible, or the check he received was less than that to which he was entitled.

The amount of the corrective payment is the difference between the check the client received and the amount he was entitled to receive, over the period involved, as determined by completion of form ES-C/U-5.

For current AFDC/U recipients, or persons who would have been recipients, had the error causing the underpayment not occurred, the corrective payment is made when it is discovered. It does not matter when the error occurred or who was at fault. For inactive AFDC/U clients, the corrective payment is made when it is discovered, no matter who was at fault, provided the underpayment occurred on or after June 1, 1988.

NOTE: A corrective payment for an addition to the benefit group, is made only for the time the new benefit group member was eligible to be included, but was not.

When the case is inactive at the time the Worker is making the payment, form ES-AP-3 is sent to the Accounts Receivable Office. If the case is active in the data system, an AP-3 transaction described in Chapter 23 is used.

NOTE: When a corrective payment is used to offset an overpayment, due to fraud or an intentional client error, the amount offset is counted as Food

Stamp income, if the corrective payment would normally have been counted. See Chapter 10 to determine when corrective payments are counted as Food Stamp income.

20.1 INTRODUCTION	1
20.2 FOOD STAMP CLAIMS AND REPAYMENT PROCEDURES	2
A. REFERRAL PROCESS	2
1. Instructions for Usage of IFM-CU-1	2
2. Instructions for Usage of IFM-1	4
3. Instructions for Completion of IFM-CU-1	
B. PROCEDURES FOR ESTABLISHING FOOD STAMP CLAIMS	4
C. IDENTIFYING THE MOTNH(S) FOR WHICH CLAIMS ARE ESTABLISHED	5
1. UPV Claims	5
2. IPV Claims	6
D. WHEN A FOOD STAMP CLAIM IS ESTABLISHED	6
1. UPV	6
2. IPV	7
E. DETERMINING THE AMOUNT OF THE CLAIM	12
F. COMPLETION OF THE ES-FS-5	12
G. COLLECTING THE CLAIM	14
1. Initiating Collection	15
2. Follow-Up Action	16
3. Payment of the Claim	18
4. Terminating the Collection of a Claim	23
H. RIGHT TO A FAIR HEARING REGARDING A CLAIM ESTABLISHED AGAINST A BENEFIT GROUP	23
I. MAINTENANCE OF THE FOOD STAMP CLAIM	23
1. Notification of Delinquent Payments	23
2. Action Required When Client Moves	24
3. Effects of Bankruptcy on Claims	26
20.3 AFDC/U CLAIMS AND REPAYMENT PROCEDURES	27
A. WHEN REPAYMENT IS INDICATED	27
B. ESTABLISHING THE CLAIM	27
C. CONSIDERATIONS AFFECTING THE AMOUNT OF THE CLAIM	28
1. Redirected Child Support	28
2. AFDC/U Clients Approved for SSI	29
3. Determining the First Month of Ineligibility	29
4. Corrective Payments Due the Benefit Group	30

D.	PROCEDURES FOR PURSUING REPAYMENT	30
E.	CLIENT RESPONSIBILITY FOR REPAYMENT	31
F.	METHODS OF REPAYMENT	32
1.	Repayment from Assets	33
2.	Repayment from Income	33
G.	DETERMINING THE REPAYMENT AMOUNT	34
1.	Active Cases Currently Receiving Payment	34
2.	Inactive Cases and Cases Not Receiving a Payment Because They are Eligible for Under \$10.00	34b
H.	WORKER/IFM RESPONSIBILITIES FOR REPAYMENT	34b
20.4	MEDICAID CLAIMS AND REPAYMENT PROCEDURES	35
A.	REPAYMENT OF CORRECTLY PAID BENEFITS - ESTATE RECOVERY	35
B.	REPAYMENT OF BENEFITS FOR WHICH CLIENT WAS INELIGIBLE	35
C.	REPAYMENT PROCEDURES	35
1.	Deliberate Misrepresentation	35
2.	Inadvertent Misrepresentation Or Worker Error	36
D.	PROVIDER FRAUD	36

20.3 AFDC/U CLAIMS AND REPAYMENT PROCEDURES

The Department must issue the correct amount of payment to the client. When an overpayment is discovered, corrective action must be taken. The collection of overpayments is a joint effort between the Worker and IFM staff.

A. WHEN REPAYMENT IS INDICATED

All overpayments must be repaid, regardless of the time period involved or the reason for the overpayment, with only one exception. When all the following conditions are met, repayment is not actively pursued:

- The case is inactive when the overpayment is discovered, or is closed before the overpayment can be collected, and
- The total of all AFDC/U overpayments is less than \$35.00; and
- Fraud is not indicated.

There are no other exceptions or hardship provisions which delay, suspend or terminate efforts to collect the overpayment.

Even when the claim meets all of the criteria above, it must still be documented in case record. Collection is pursued if the case becomes active again or if the total overpayment reaches \$35.00 or more. Even when the collection is not being actively pursued, the amount due the Department is offset by any amount which may currently be due the benefit group. See Section 2.3,E,1 for offset of corrective payments.

B. ESTABLISHING THE CLAIM

When an overpayment is discovered and the amount is less than \$500, or is \$500 or more and fraud is not suspected, the Worker completes the form ES-CU-5 to determine the overpayment amount, notifies the client of the overpayment, and negotiates the repayment agreement. Form ES-CU-5 along with the notification of the claim and repayment agreement, if applicable, is then forwarded to the IFM Repayment Officer.

The IFM Repayment Officer enters the claim in ARTS and begins collection procedures.

When the amount of the overpayment is \$500 or more and fraud is suspected, the Worker refers the case to IFM for investigation. For fraud referral procedures, see Chapter 500 of the Common Chapters Manual.

Once the referral to IFM for collection and/or fraud investigation has been made, IFM makes all decisions about action to be taken.

C. FACTORS AFFECTING THE AMOUNT OF THE CLAIM

The Worker must consider the following when determining the amount of the claim.

1. Redirected Child Support

When child support is redirected to CAO, the overpayment is reduced by the amount of redirected support. The amount redirected to and retained by CAO is considered paid. The Worker must request payment information from CAO for each month for which repayment is sought. On a month-by-month basis, the amount applied by CAO to the month for which repayment is due is subtracted from the amount the client would otherwise have to repay. If CAO refunds the support to the client, the full check amount is subject to repayment.

EXAMPLE: In July, the Worker discovers that the client was ineligible for the AFDC payment she received in June. The June AFDC payment was \$275. The Worker sends a DHS-1 to CAO requesting the amount of support credited to this case for June. The CAO Worker responds with \$100. Therefore, the client must repay the difference between \$275 and \$100.

EXAMPLE: In July, August and October, an AFDC client was ineligible but received the following AFDC amounts: July - \$206; August - \$275; October - \$275. The Worker sends a DHS-1 to CAO to determine the amount of child support applied to her case for these months and receives the following information: July - \$280; August - \$270; October - \$270. Therefore, there is no repayment required for July. The client owes the Department \$5 for August and \$5 for October. The total repayment amount for this client is \$10.

EXAMPLE: In November, an AFDC client received a check for \$275 but was only eligible to receive \$200. The CAO amount for November was \$210. Because the State

was reimbursed the redirected child support, the repayment is the difference between the AFDC check received and the amount of child support. The repayment amount is \$65.

EXAMPLE: In December, an AFDC client received a check of \$206, but was only eligible to receive \$120. The CAO amount paid for December was \$100. Since the redirected child support is less than the amount the client was eligible for, the CAO amount does not offset any of the repayment amount of \$86.

2. AFDC/U Clients Approved For SSI

When SSA notifies the Department that an AFDC/U client has been approved for SSI, the Worker must use form HS-3 to advise SSA of the first month the client will not receive AFDC/U. If, for any reason, the client receives benefits beyond that month, they must be repaid.

3. Determining The First Month Of Ineligibility

In situations involving ineligibility, the first month is determined as follows:

- Any month that gross non-excluded income exceeds 185% of Need, or that countable income exceeds the payment level, is an ineligible month, even if the case closure is for a reason other than increased income, except when the case becomes ineligible due to excessive, redirected child/spousal support. See below.

EXAMPLE: An AFDCU client reports that he started to work full time in August. The AFDCU client is ineligible based on full-time employment before the Worker completes income calculations. The first month of ineligibility is September, unless his August earnings cause his non-exempt income to exceed the 185% of Need level, or his countable income to exceed the AFDC/U payment level. If so, the August payment must be repaid.

EXAMPLE: An AFDC mother begins working in August, and her earnings are excessive. The August payment must be repaid. If, in July, the client reports potential ineligibility for August, the case is closed effective July, after 13 days notice, and the August payment is not recouped.

- In all other cases, including cases which become ineligible due to excessive, redirected child/spousal support, the first month of ineligibility is the month following the month in which the change occurs.

4. Corrective Payments Due The Benefit Group

If the benefit group has both an overpayment and an underpayment, the amount of the underpayment is treated as a payment toward the overpayment.

D. PROCEDURES FOR PURSUING REPAYMENT

Repayment is initiated as follows.

- The Worker schedules an appointment with the client using form ES-10. During the appointment, the following must be explained:
 - The reason for the appointment
 - The reason the repayment is being sought
 - The amount owed
 - The methods of repayment
 - The client's right to a Fair Hearing.
- When the client keeps the appointment and agrees to the repay, he is asked to sign the Repayment Agreement, form ES-AP-4.
- If he refuses to sign the form, recoupment is instituted after proper notice.
- When the client keeps the appointment and decides to appeal, no action is taken until after the Fair Hearing decision is made. If the action is upheld, any continued benefits received pending the outcome of the Fair Hearing, must be repaid in addition to the claim. The client must be offered his choice of repayment methods for repayment of continued benefits. The Worker represents the Department in all Fair Hearings related to repayment.
- If the client fails to keep the appointment and does not reschedule, an ES-NL-C is sent and recoupment begins after the notice period expires, unless the

client requests a Fair Hearing. If so, no action is taken until after the Fair Hearing.

E. CLIENT RESPONSIBILITY FOR REPAYMENT

All members of the overpaid benefit group are responsible for repayment. However, repayment is sought first from the individual(s) who was the caretaker relative(s) when the overpayment occurred, provided all of the following conditions exist:

- The caretaker relative received and managed the AFDC/U check;
- The caretaker relative was included in the benefit group when the overpayment occurred; and
- The caretaker relative can be located. For only these purposes, the term locate means that
 - The physical whereabouts of the caretaker relative are known, and
 - The Department is able to recoup the overpayment from the caretaker relative's current AFDC/U check or there is an existing court judgement, previously secured by IFM, which hold the caretaker relative liable for repayment of the claim. **EXAMPLE:** The Department learns where the caretaker relative lives. He is not currently receiving AFDC and IFM has not gotten a judgement against him. The caretaker relative in this case is not located.

Location efforts for the caretaker relative must begin by the end of the federal fiscal quarter following the federal fiscal quarter in which the overpayment is first identified.

If the caretaker relative:

- Was not the manager of the AFDC/U funds; or
- Was not included in the AFDC/U payment; or
- Cannot be located, as defined above, by the end of the federal fiscal quarter in which the location efforts begin; or

- Was located, as defined above, and a judgment was secured against him, but the judgment is no longer legally enforceable and he has no current AFDC/U case from which recoupment may be obtained.

Repayment of the overpayment must be sought from other members of the overpaid benefit group.

Collection of overpayments from other benefit group members is suspended until it is determined that the overpayment cannot be recovered from the caretaker relative. This does not mean that the claim is suspended in ARTS; it means that recovery from the other benefit group members is held until a decision is made about pursuit of the caretaker relative. There is no priority order among the other overpaid members of the benefit group. Repayment may be pursued from one of the other members at a time, or from all of the other members at the same time. An AFDC/U claim cannot be discharged until it is paid in full.

EXAMPLE: Ms. Jones received AFDC for herself and her 3 children. She was the caretaker relative for the children, was included in the AFDC payment when an overpayment occurred and managed the AFDC check. Ms. Jones abandoned her children, and her mother began receiving AFDC for them. The overpayment was discovered after Ms. Jones left, but IFM secured a judgment against her for the repayment amount. When the judgment was secured, collection activity against the AFDC case for the children was suspended. Also at the time the judgment was secured, Ms. Jones had no income or assets from which to recover the overpayment. However, collection activity against the children's AFDC case is still suspended and remains so until Ms. Jones has income/assets against which the judgment can be enforced or until the judgment is no longer legally enforceable.

F. METHODS OF REPAYMENT

NOTE: Payments are credited to the oldest claim first, by date established, until it is paid. The payments are then credited to the next oldest claim until paid and continue in this manner until all claims are paid in full. This applies regardless of the type of claim.

There are several methods by which current and former AFDC/U recipients may repay. When a choice of methods exist, the repayment method is the client's decision. However, if he is an active recipient and chooses to repay from his income, as much as possible must be recouped from the AFDC/U check. Once the method of repayment is decided, the client signs an

original and two copies of form ES-AP-4, Repayment Agreement. The original is filed in the case record. One copy is sent to the Financial Clerk, and the other given to the client. If the client refuses to sign and is a current recipient, the Repayment Officer/Investigator initiates action to reduce the AFDC/U check for repayment. The case is not closed for failure to repay. An ES-NL-C is required before the check is reduced. When a former AFDC/U recipient refuses to repay or does not repay the entire amount he owes, this is noted on the ES-5 in red with the notation, Do Not Purge. This information tracks the claim should he reapply.

The Financial Clerk is responsible for accepting payments, providing a receipt to the client, and depositing the funds. The payment must be entered in ARTS by the Repayment Officer.

AFDC/U benefits may not be repaid with Food Stamps under any circumstances.

1. Repayment from Assets

This applies to current and former recipients. The client may convert an asset to cash to repay the claim. If so, the Supervisor determines a reasonable time period to convert the asset, not to exceed 90 days. The client is notified of this time period in writing. The client must send a certified or cashier's check or money order, made out to the Department of Health and Human Resources, to the Financial Clerk or his designee in the county office.

If the client does not convert the asset within this time period, and does not repay from his current income, his current AFDC/U check is reduced. For inactive cases, a recording is made.

2. Repayment from Income

a. Former Recipient

If a former recipient wishes to repay from current income, he is instructed to send a certified or cashier's check or money order. See item 1. The client should be encouraged to repay at least 10% of his income per month. However, any amount is accepted.

A record of all repayments must be kept in ARTS.

b. Active Recipient

(1) Deduction from Monthly AFDC/U Check

When the client's AFDC/U check is at least \$1 greater than his monthly repayment amount, the repayment amount is deducted and the remainder sent to the client.

When the client's AFDC/U check is less than the monthly repayment amount, the AFDC/U check is reduced to \$1 and the client is expected to supplement this amount with a cash payment.

See Chapter 23 for information about coding to effect repayment. ARTS notifies the Repayment Officer when repayment has been completed.

(2) Offset of Corrective Payment

When a benefit group owes a repayment, and subsequently is due a corrective payment, as found in Section 2.3,E,1, the amount due the benefit group is offset by the repayment amount, even when it reduces the corrective payment to \$0.

G. DETERMINING THE REPAYMENT AMOUNT

1. Active Cases Currently Receiving Payment

The monthly repayment amount must ensure that the benefit group retains at least 90% of the amount payable to a family of the same size with no other income.

- If the benefit group has no income other than the AFDC/U check, the repayment amount is determined by multiplying the check amount by 10% and dropping the cents.
- If the benefit group has other income, the repayment amount is determined as follows:

Step 1: Add together:

- Any amount deemed to the benefit group; plus
- The non-excluded gross earned income of the benefit group minus only the Standard Deduction
- All non-excluded unearned income
- The AFDC/U check amount.

Step 2: Determine 90% of the maximum AFDC/U payment for the benefit group's size and round up.

Step 3: Subtract Step 2 from Step 1.

The remainder is the monthly repayment requirement and is the Monthly Pay Rate entered in ARTS.

The client may voluntarily repay at a higher rate, but the Department may not require repayment at a higher or lower rate than that specified above.

EXAMPLE: A six-person benefit group has been overpaid \$300. They have \$100 unearned income and receive \$313 AFDC. The maximum AFDC/U payment for six persons is \$413. Ninety percent of \$413 is \$371.70 which is rounded up to \$372. This is the amount of their monthly income they retain. Their total income is \$413.

\$413
-372

\$ 41 Required Monthly Repayment Amount

EXAMPLE: An AFDC family of three receives a \$12 AFDC/U check. They have \$237 per month unearned income. Their monthly repayment amount is 90% of the payment level for three persons, which is \$227.70 or \$228. \$253 minus \$228 equals \$25 monthly repayment amount. The AFDC/U check is less than the repayment amount. The check is reduced to \$1 until the amount is repaid. The client must be encouraged to supplement this repayment amount from his other income.

EXAMPLE: An AFDC benefit group of three has unearned income of \$247. The family does not receive a payment

because they are eligible for less than \$10. The \$6 they do not receive is not counted toward any repayment.

2. Inactive Cases and Cases Not Receiving a Payment
Because They are Eligible for under \$10.00

The Worker must pursue repayment on all inactive cases. However, if the client does not agree to repay, or does not repay, no further Worker action is necessary until a benefit group member reapplies.

When the benefit group reapplies and becomes eligible for \$10 or more, repayment is pursued as for any other active case. This must be determined prior to approval. If the client does not repay or agree to repay, the appropriate repayment amount will be deducted from the AFDC/U check.

H. WORKER/IFM RESPONSIBILITIES FOR REPAYMENT

Repayment of AFDC/U overpayments is a cooperative effort between the Worker and IFM staff. Even though cooperation is required, each group has specific responsibilities in the process as described below.

1. Worker Responsibilities

The Worker is responsible for the following repayment activities:

- Identification of a claim
- Determining from whom repayment is sought
- Scheduling an appointment with the client and taking actions described in item D above
- Determining the method of repayment chosen by the client and notifying IFM of the choice
- Completion of the ES-CU-5
- Forwarding all information pertinent to the claim to IFM along with the ES-CU-5
- Representing the Department at Fair Hearings related to repayment

- Notifying IFM when a corrective payment offset occurs.

2. IFM Responsibilities

The Repayment Officer is responsible for the following repayment activities:

- Taking data system action to start and stop benefit reduction for repayment
- Entry of the claim into ARTS and all ARTS activity thereafter
- Notification to the client that benefit reduction is being accomplished
- Clearing the ARTS exception report and all other ARTS printouts
- Working with the Financial Clerk who will accept any cash payments made by the client for repayment
- Notifying the Worker to issue a corrective payment to the client if too much has been withheld from the benefit