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 | ADMINISTRATIVE DIRECTIVE |  
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TRANSMITTAL: 94 ADM-5

TO: Commissioners of  
 Social Services

DIVISION: Mgmt. Support  
 & Quality  
 Improvement

DATE: April 1, 1994

SUBJECT: Writing Off Uncollectible Amounts From Closed Cases

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 SUGGESTED  
 DISTRIBUTION: | Accounting Staff  
 | Staff Development Coordinators  
  
 CONTACT  
 PERSON: | Bureau of Local Financial Operations Staff  
 | Region V: Office: Marvin Gold (212) 383-1733,  
 | User ID#OFM270  
 | Regions I-IV: Roland Levie 1-800-343-8859,ext. 4-7549  
 | User ID#FMS001  
  
 ATTACHMENTS: | None

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
90-LCM-204		352.31(d)	L.1992 c.41	FS Issuance	45 CFR
85-ADM-33		360-4.4(e)	SSL 101-111	Manual,	233.20
		360-7.11		Sect. Y	7CFR
		608		PASB,Sect	273.18(e)
		387.18		XIX - A	
		387.19		Fiscal	
				Refer. Man.	
				Vol. I,	
				Chap 10,	
				Vol. II,	
				Chap. 9	
				FSSB	
				Section	
				X-I-4	
				Section XV	

I. Purpose

This ADM describes procedures related to overpayment reporting, and defines the claim categories involved in the removal of outstanding collection balances on closed cases. These categories are used when the claim is terminated to entries on the fiscal claim forms: for Public Assistance on the DSS-3803 (Monthly Report of Collections of Overpayments), and Food Stamps on the DSS-3214 (Food Stamp Status of Claims Against Households).

II. Background

Federal Food Stamps regulation 7CFR 273.18(e)(3) states that "A claim may be determined uncollectible after it is held in suspense for three years". The HHS regulations (45 CFR 233.20(a)(13)(vi)) allows "... the State to determine when it is no longer cost effective to continue overpayment recovery efforts, provided it has made reasonable efforts to recover the overpayment claim from the individual". These issues have surfaced frequently from various social services districts.

Past practice has shown that specific policy was needed to address all programs regarding category of claim, dollar and time limitations, definition of terms and specific procedure to be followed.

Definitions

1. OVERPAYMENT CLAIM--that part of an assistance payment or benefit amount to or for a case or an assistance unit which exceeds the amount for which the assistance unit is eligible, and which is subject to collection.
2. REPAYMENT--monies collected by the State and/or Local District against an established overpayment claim, through recovery, refund or recoupment.
3. UNCOLLECTIBLE CLAIM--monies owed to the district that will not be pursued because the client/household cannot be located or the cost of further collection action will exceed the amount that can be recovered. For Food Stamp cases, a claim may be determined uncollectible after it is held in suspense for 3 years.
4. SUSPENDED CLAIM--the category for a claim, once a determination has been made that further attempts to collect an outstanding overpayment on a client/household case should cease. For CAMs districts, not only is a suspended claim one in which further attempts at collection have been abandoned, but also one that is suspended because of another currently active claim. In this latter case, the suspended claim is collectible, but has lower priority than the claim currently active. Once the current claim is paid, the formerly suspended one is made active.
5. TERMINATED CLAIM--once an uncollectible claim remains uninterrupted in suspended status for three years, the overpayment is removed from the DSS-3803 (Monthly Report of Collections of Overpayments) and the DSS-3214 (Food Stamp Status of Claims Against Households), i.e. the total overpayment on the fiscal report is reduced.

III. Program Implications

Collection action for closed Food Stamp cases should continue as outlined in the Food Stamp Source Book (FSSB), Section XV.

Collection action for Public Assistance cases should continue as outlined in the Economic Security Public Assistance Source Book pg. XIX-A. Collection action for Medicaid Assistance remains unchanged.

IV. Required Action

To complete the process of removing outstanding collection balances on closed cases, the following actions need to occur:

1. Suspended Claims

Public Assistance and Medical Assistance (No Intentional Program Violation)

If collection action was initiated and the district can document that at least one payment request or billing notice has been sent with no results, and the district has determined that further action would not be cost effective, the overpayment will be deemed uncollectible and the claim must be changed to a suspense claim.

Food Stamps - Inadvertent Household Errors (IHE's) and Administrative Errors (AE's)

Inadvertent Household Error and Administrative Error claims against non-participating (FS) households, where at least one payment request or billing notice has been sent, may be suspended when:

- documentation shows that a household cannot be located; or
- in cases where collection action has been initiated, the cost of further collection action is likely to exceed the amount that can be recovered;
- Additionally, a claim may be suspended when collection action has not been initiated, and the case is being referred for possible prosecution or for administrative disqualification and the district determines that collection action will prejudice the case.

Public Assistance and Food Stamps - Intentional Program Violations (IPV's)

- Districts may suspend claim collection action at any time if it has documentation that the household cannot be located.

- Collection action against non-participating households may be suspended when the cost of further collection effort is likely to exceed the amount that can be recovered, provided the number of demand letters specified below have been sent; this includes situations where the household is financially unable to pay the claim, or there is little likelihood that they will repay the claim:

<u>Amount of Claim</u>	<u># of Letters Required</u>
Under \$100	1
\$100 - \$400	2
Over \$400	3

NOTE: Districts must use suspended (and terminated) claims to offset restored benefits in accordance with FSSB Section X-I-4.

## 2. Multiple Program Claims

Although an overpayment in PA, MA and FS may result from a particular client action, CAMS (Cash Management Subsystem) currently maintains each program claim independently. If the client has more than one program overpayment claim, the district must summarize the claims in the demand letter. The unspecified amount collected from the former client will be proportioned equally for each program, i.e. two programs, 1/2, 1/2 - three programs 1/3, 1/3, 1/3.

In multiple program collections, when one program is paid in full, any remaining monies will be applied to the other outstanding program(s) also in equal proportions up to the amount owed in each category.

If the client specifies the particular program that a payment is being made for, the monies must be applied against that program.

## 3. Terminated Claims

Any claims that are held in suspense for three years shall be removed by the local district from the DSS-3803 and DSS-3214 Reports. On the DSS-3214 these claims shall be included on line 9, "Terminated". On the DSS-3803, they should be included under line 7, "Overpayments Not Pursued". These claims will still remain on the fiscal record, such as CAMS, or a local district equivalent.

The overpayment should remain on the fiscal accounting system indefinitely, even for terminated claims. The claim can be activated and recovered should the individual resume recipient status or a recovery methodology becomes available.

4. Case Closing Documentation

Prior to closing a case with an outstanding overpayment, the district should initiate a Wage Reporting Clearance to determine the most current location of the household.

V. Systems Implications

To remove a claim from the DSS-3214 and the DSS-3803 through CAMS, selection B3 (claim status and demographics) from the main Accounts Receivable menu (LCMCCM) should be utilized. The claim status field should be modified to T (Terminated). This process should be performed for PA, and Food Stamp claims.

VI. Additional Information

All repayments should be reported under the appropriate category, and entered on the related schedule.

VII. Effective Date

Immediately.

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John M. Sweeney  
Assistant Commissioner  
Office of Financial Management