



Department of Human Resources
311 West Saratoga Street
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**Family Investment Administration
ACTION TRANSMITTAL**

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TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT
FAMILY INVESTMENT SUPERVISORS

FROM: CHARLES E. HENRY, EXECUTIVE DIRECTOR

RE: PROCESSING OVERPAYMENT BENEFIT ERROR GROUPS (BEGS)
AND WAIVERS FOR PROCESSING OVERPAYMENTS

PROGRAM AFFECTED: FOOD STAMPS

ORIGINATING OFFICE: OFFICE OF POLICY, RESEARCH AND SYSTEMS AND
BUREAU OF CONTINUOUS IMPROVEMENT

SUMMARY

The Food and Nutrition Service (FNS) requires that when a household is issued food stamps that it is not eligible for, the State must establish an overpayment so that the money can be repaid to the federal government. The purpose of this memo is to present:

- Two waivers of FS overpayment policy that FNS has approved for us.
- Suggestions for streamlining the procedure to determine whether or not the total value of an **overpayment** exceeds the threshold for establishing a BEG.

Claims are classified as Administrative or Agency error (AE), Customer error (CE) or Intentional Program Violation (IPV). Section 490 of the Food Stamp Manual presents detailed instructions for establishing an overpayment benefit error group (BEG) and beginning the collection process. This action transmittal memo primarily concerns AE and CE claims although, collection must be initiated on IPV claims unless specifically prohibited by Administrative Disqualification Hearing (ADH) decision or other court decision.

During these times of dwindling staff and increased caseloads these waivers and suggested procedures may help streamline the process of determining when to establish overpayment BEGs on closed cases.

ACTION REQUIRED

Waivers

➤ **\$300 Threshold for Establishing Agency Errors:**

FNS approved a time-limited waiver, which will expire on December 31, 2004. This waiver **increases to \$300 the threshold** for establishing claims for **nonparticipating households (closed cases)** with an Administrative or Agency (**AE**) caused **overpayment**. FNS limited the period of the waiver because of concerns about our performance in establishing claims.

We expect this waiver to help local departments increase the rate of establishment and collection of inadvertent household errors and intentional program violation claims. FNS will be monitoring our progress.

Example: During Ms. Adam's recertification interview the case manager identified an agency error in the amount of income that was counted in calculating the household's food stamps. The case record contained verification that Ms. Adam had reported increased earnings at the last certification interview. The change in income was never entered in CARES. The customer's case closed because her increased income was over scale. The case manager calculated the total amount of the overpayment as \$275. Because this is less than the \$300 threshold, the case manager does not establish the overpayment.

➤ **Using Maryland Automated Benefits System (MABS):**

The second waiver allows us to use **MABS** to calculate and establish an overpayment when pay stubs or collateral verification is not available.

Note: When calculating a claim it is important to try to get accurate employment information. Use the procedures in the following examples only after all attempts to get the information have failed. A suggested resource for verifying employment is The Work Number. The Internet web site is www.theworknumber.com. The phone number is 1-800-660-3399. It is free, but your agency has to have a registered fax number to use it.

Example 1: The case manager completes a wage screen (MABS) on the customer while processing an overpayment claim for unreported earnings. The case manager discovers that Ms. Smith, who was not in simplified reporting, had additional unreported earnings in the prior two quarters. The case manager sent a request for information to Ms. Smith for her pay stubs or a wage statement. She did not respond. A request for information was sent to the employer, who did not respond. The case manager will use MABS information to calculate the overpayment.

Example 2: The case manager compared the MABS reported quarters of earnings to try to determine when the overpayment began. The 2nd quarter earnings showed \$1800 while the first quarter earnings were only \$150. In this instance the case manager determined the employment probably began in the 3rd month of the first

quarter. The case manager calculated the income for the overpayment by dividing the amount of earnings in the 2nd quarter by 3 (number of months in the quarter) and using the amount to calculate the overpayment for those three months.

Reminders: When calculating an overpayment amount:

- When using MABS, the first month of the quarter that shows the initial unreported earnings cannot be an overpayment because of reporting and adverse action times.
- In simplified reporting, there is an overpayment only if the customer reports incorrect information at application or recertification, fails to report when income goes over 130% of poverty **or** if the case manager fails to act on reported information or a reported change.
- The household is not entitled to have the earned income deduction applied to the portion of the earnings that are unreported.

TIPS on Claims Calculation

Participating Households

When the case manager determines there has been an overpayment the case manager must **establish the BEG and initiate recoupment** regardless of the amount of the claim.

Non-Participating Households - Customer Error

Use information that is readily available to you. When you have information that shows the overpayment occurred for several months, use those months in determining the amount of the claim rather than trying to seek out additional months.

- **CE** claims for households **not** currently **receiving FS** benefits:
 - ◆ Threshold of \$125 to establish BEGs.
 - ◆ When the total value of all BEGs in the overpayment is \$125 or less, the claim does not have to be established.
 - ◆ If the amount of all BEGs exceeds \$125, a claim must be established.

Using the following guidelines will eliminate the necessity of processing the claim on CARES if the total amount of the overpayment is less than \$125.

- When the household is totally ineligible:
 - ◆ Multiply the monthly allotment times the number of months.
 - ◆ When the answer is \$125 or less, no action is required.
 - ◆ When the answer exceeds \$125, a claim must be established.

Example: Non-participating household received \$50 (total allotment) per month for 4 months \$50 x 4= \$200. A claim must be established.

- When a change occurs, such as, an increase in income that would cause the benefit to decrease, and then the FS case closes, consider the monthly amount that the income changed. *Generally speaking, for every \$3 increase in income we can expect a \$1 decrease in benefits.*
 - ◆ Divide the total monthly increase in income by 3 to estimate the amount of benefits to which the household was not entitled.
 - ◆ Multiply the estimated benefits to which it was not entitled by the number of months the household received the excess income and compare the product with the threshold.
 - ◆ When the results are \$125 or less, no action is required.
 - ◆ When the results are above \$125, a BEG must be established.

Example 1: Household failed to report an increase in income of \$90 per month for 8 months. \$90 (monthly increase) divided by 3 = \$30 (estimate of the amount that is overissued) x 8 months = \$240

- ◆ An overpayment BEG must be created because the amount is over \$125.

Example 2: Household failed to report an increase in income of \$90 for 4 months
\$90 divided by 3 = \$30 x 4 = \$120

- ◆ No overpayment is required because the total amount will be under \$125.

Non-Participating Households – Agency Error

For **AE** claims against **non-participating** households the waiver allows us to use a **threshold of \$300 to establish BEGs. If the total value of all of the BEGs in the overpayment is \$300 or less, the claim does not have to be established.** If the amount of all the BEGs exceeds the threshold, a BEG must be established.

Time Frame For Establishing a BEG

BEGs must be established before the last day of the quarter following the quarter in which the overpayment was discovered.

Note: FNS uses this measure in monitoring the State's backlog of overpayments. **Local departments must establish BEGS even if they have exceeded the timeframe (to be considered timely) for establishment.**

Examples:

Overpayment is discovered January 5. The first quarter is January, February, and March. The case manager has until June 30 to establish the BEG timely.

Overpayment is discovered March 25 (first quarter). The case manager has until June 30 to establish the BEG timely.

Administrative Disqualification Hearings

Use the Administrative Disqualification Hearing (ADH) system, where possible. The ADH system is less time consuming and, often customers will voluntarily opt to sign the waiver of their right to an ADH. We then obtain an IPV without expending an inordinate amount of time and staff resources. **Make sure customers understand exactly what they are signing before they sign an ADH waiver.**

Quick Reference Guide

ESTABLISHING FOOD STAMP OVERPAYMENTS

IF OVERPAYMENT TYPE IS:	THRESHOLD AMOUNT	ESTABLISH CLAIM? YES/NO
Active case – Agency Error	None	Yes
Active case – Customer Error	None	Yes
Closed Case – Agency Error	\$300	Yes, if total claim is more than \$300 No, if \$300 or less
Closed Case – Customer Error or IPV	\$125	Yes, if total claim is more than \$125 No, if \$125 or the court decision specifically states not to establish and collect a claim.

We hope you find these suggestions helpful. If you have questions regarding FS overpayments, please call Don Monahan at 410-767-7951, Marilyn Lorenzo at 410-767-7333 or Kay Finegan at 410-767-7939.

cc: FIA Management Staff
Constituent Services
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