Department of Human Resources **311 W. Saratoga St.** **Baltimore, MD. 21201-3521**	**FIA ACTION TRANSMITTAL**
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TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT
FAMILY INVESTMENT SUPERVISORS

FROM: KEVIN MAHON, EXECUTIVE DIRECTOR, FIA

RE: OVERISSUANCES

PROGRAM AFFECTED: FOOD STAMP PROGRAM
TEMPORARY CASH ASSISTANCE

ORIGINATING OFFICE: OPA/ DIVISION OF PROGRAM POLICY AND REGULATION

BACKGROUND

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed the rules for collecting food stamp claims against households and the calculation of an overissuance due to failure to report earned income.

OLD POLICY

The earned income deduction is not applied to unreported earnings when the overissuance is caused by a household's fraudulent failure to report earnings.

Overissuances must be collected on intentional program violations (IPV) and intentional household errors (IHE). For households overissued due to administrative error (AE), allotment reduction is an optional repayment method and the amount to be collected negotiated.

NEW POLICY

Earned Income Deduction

For both Food Stamps and Temporary Cash Assistance (TCA) the earned income deduction is not allowed when determining an overissuance due to the failure of a household to report earned income in a timely manner.

For food stamps, households are required to report changes in the source of income or in the amounts of gross monthly income of more than $25. The changes are required to be reported within 10 days of the date the change becomes known to the household.

For TCA, households are required to report changes in income within 10 days of when the change occurs. The changes that must be reported are rate of pay, full time to part time or vice versa, and change in job or source of earnings, and change in amount of unearned income.

Example #1: Mr. Brown was certified for food stamps and TCA from January 1 through June 30. At his recertification appointment on June 3, he stated he had been working since February. Since he failed to report this change in source of income, a claim must be calculated. In calculating the claim, do not include the 20% earned income deduction.

Example #2: On May 3, Ms. Smith reported earnings of $100 per week and was certified for six months based on $400 earned income. In October the agency received a QC report that Ms. Smith began receiving $125 per week or $500 per month beginning June 1. The policy applies only to the portion of the income which the household failed to report. The 20% earned income deduction is not applied to the additional $100 not reported timely.

Example #3: On July 3, Mr. Jones reported a new job which pays $160 biweekly. The household was certified using $320 per month in the calculation of benefits. On August 25, he reported a new job which began August 20, paying $200 per week. No action was taken on the case. In December, the error was discovered. The 20% earned income deduction is allowed in calculation of the overissuance because this was an administrative error.

<u>Collection of Claims Against Food Stamp Households</u>

Any overissuance of coupons authorized to a household must be collected by:

- reducing the allotment of the household,
- withholding amounts from unemployment compensation, or
- recovering from federal pay or federal income tax refund.

For food stamps only, this includes overissuances due to administrative error. (Further clarification from the Food and Consumer Service about recouping overissuances due to administrative error through federal pay or federal income tax refunds is expected)

If a household received an overissuance due to inadvertent household error or administrative error and continues as an active case, the agency can reduce the allotment. The allotment reduction cannot exceed the greater of 10% of the monthly allotment, or $10.

The amount collected through recoupment for IPV claims has not changed.

Administrative errors as well as IHE and IPV overissuances may be referred to the Central Collection Unit (CCU).

The State will keep 35% of collections from intentional program violation claims and 20% of inadvertent household error claims.

Collection of TCA Overpayments

Collection of overpayments are made when the overpayment was caused by the assistance or the agency.

A customer always has the option to repay in a lump sum. If not repaid, the overpayment is collected through recoupment if the case is active. If the case is closed, and the debt is not repaid, the debt is collected through the Central Collection Unit after sending the normal demand letter.

QUESTIONS AND ANSWERS

The following answers were provided by the Food and Consumer Service in response to questions raised by States in the Mid-Atlantic Region:

Question. The earned income deduction is not allowed when determining an overissuance due to intentional or inadvertent failure of a household to report earned income in a timely manner. Does this apply only to present or future overissuances or can it be applied to claims with overissuance months prior to January 1?

Answer. This procedure applies to any overissuance established subsequent to implementation of this new policy. This includes overissuances which occurred prior to January 1, 1997.

Question. Under the new law, agencies can automatically collect an agency error through allotment reduction. Does the new policy apply to claims already established or just newly established claims?

Answer. The new law applies to both newly established and already existing agency error claims. For existing claims, the agency should first provide notice prior to beginning allotment reduction.

Question. Can States change the demand letter to accommodate the changes brought about by the new policy? For example, the new law gives the agency (and not the household) the choice of selecting the method of repayment.

Answer. The demand letter will be changed because the requirements of the new law cannot be followed without doing so.

Question. Does the new law mean that we can collect all agency errors without permission of the household? For example, if a local department establishes a claim on January 3, 1997 because the case manager failed to enter income for the period April-June 1996, can the local department reduce the household's February allotment automatically?

Answer. Yes, permission is not needed. However, a demand letter (or notification of claim) must be sent to the household informing it that a claim exists, how it will be collected and its right to a fair hearing on the amount of the agency claim.

Question. When can a local department begin to recoup on agency errors?

Answer. The agency can begin the recoupment subsequent to the household being notified via a demand letter which outlines the agency's intentions. This applies both to current as well as new claims.

ACTION REQUIRED

AIMS

Calculate the earnings for the case based on the current information to determine the current allotment amount. Complete a 737 for the overissued months and forward the information to the overpayment worker.

CARES

When a Source of Earned Income is not Reported (example 1)

To calculate the claim, enter the earned income as "OF" on the UINC screen in the historical months in which the income was received. The system will calculate the Benefit Error Group (BEG). Make sure the source and amount of earned income is entered on the ERN1 and ERN2 screens for the current month if the earnings are ongoing. Process the BEG.

When an Increase in a Reported Source of Income is not Reported (example 2)

To calculate the claim, enter the increased portion of earnings which were not reported as "OF" on the UINC screen in the historical months affected. The system will calculate the BEG for each month.

ACTION DUE

The policy is effective upon receipt of this transmittal.

INQUIRIES

Please direct questions to Kay Finegan at (410) 767-7939.

cc: IMA Management Staff
Constituent Services
OIM Help Desk