STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov

CDSS
WILL LIGHTBOURNE
DIRECTOR

EDMUND G. BROWN JR.
GOVERNOR

December 1, 2015

ALL COUNTY LETTER (ACL) NO. 15-95

TO: ALL COUNTY WELFARE DIRECTORS
ALL CalWORKs PROGRAM SPECIALISTS
ALL CALFRESH PROGRAM SPECIALISTS
ALL COUNTY DISTRICT ATTORNEYS
ALL COUNTY REFUGEE COORDINATORS
ALL IEVS COORDINATORS
ALL COUNTY WELFARE FRAUD CHIEF INVESTIGATORS
ALL CONSORTIA MANAGERS

SUBJECT: CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CalWORKs) AND CALFRESH PROGRAMS: CALCULATING OVERPAYMENTS (OPs) AND OVERISSUANCES (OIs) AND THE TREATMENT OF INCOME ELIGIBILITY VERIFICATION SYSTEM (IEVS) MATCHES UNDER SEMI-ANNUAL REPORTING (SAR) AND ANNUAL REPORTING/CHILD ONLY (AR/CO)

REFERENCES: ALL COUNTY LETTER 12-25; MANUAL OF POLICIES AND PROCEDURES (MPP) SECTIONS 44-352.1 AND 63-801.312; WELFARE AND INSTITUTIONS CODE (WIC) SECTIONS 11004.1(b), 11265.1, AND 11265.3.

The purpose of this ACL is to implement a policy change in the way that OPs and OIs are calculated under the SAR and AR/CO systems in CalWORKs and CalFresh. This ACL also contains numerous examples designed to describe how to calculate OPs and OIs when IEVS matches show unreported income under varying circumstances.

There is a total of ten IEVS matches, four of which contain information on earned and unearned income: the Integrated Fraud Detection (IFD), Payment Verification System (PVS), Internal Revenue Service (IRS), and Beneficiary Earning Exchange Record (BEER). For the purpose of this ACL, when referring to "IEVS matches" this term encompasses all four of these matches. The California Department of Social Services (CDSS) anticipates future ACLs will be issued to address all ten IEVS matches and how to process them to determine whether or not a discrepancy exists. The CDSS Welfare Fraud Bureau is also in the process of developing a work-group, consisting of CDSS state and county staff, to address additional IEVS match issues.

Background/Current Policy

Under SAR and AR/CO, clients are only required to report income mid-period when it is over their Income Reporting Threshold (IRT). Income over an Assistance Unit's (AU's) Tier 1 IRT will result in a decrease in benefits, while income over an AU's Tier 2 IRT will generally result in a discontinuance of benefits. (See pages 36-38 of ACL No. 12-25 for further explanation of the IRT rules.) Any income received mid-period that is under the IRT does not need to be reported. However, all income received in the Data Month must be reported annually for AR/CO cases on the annual redetermination/ recertification (RD/RC) form or every six months for SAR cases on the SAR 7 or the RD/RC form.

When IEVS matches are received showing unreported income, the CWD must process these matches to determine the actual monthly income received. An IEVS match that reveals a client had unreported income under their IRT during any month of the SAR Payment Period except for the Data Month will not result in an OP because it was not required to be reported. However, because all income received in the Data Month is required to be reported, unreported income from the Data Month will result in an OP if that income continued into the upcoming SAR Payment Period. When an IEVS match reveals that a client had unreported income in any month that was over their IRT, the CWD must first determine if that income lasted for more than just one month. If so, that income will result in the calculation of an OP.

OPs are calculated by recreating the case circumstances and then calculating what the grant should have been had the client met all of their mandatory reporting requirements for those months. Any amount of the grant that the client received over the amount they were entitled to will be an OP. Currently, any decreases in income that took place during the payment period, but were not reported, are not taken into consideration when calculating the OP. This can result in an OP being assessed on projected income for numerous months after the income has ended. Effective immediately, in order to more accurately recreate case circumstances, the policy of disregarding decreases in income when calculating OPs is ending.

Policy Change

CDSS has determined that under SAR and AR/CO, CalWORKs current OP calculation methods can result in large OPs based on income that the clients did not actually have. Effective immediately, OPs shall not be assessed based on more income than the client actually received. Case circumstances must still be recreated based on all reports that were required to be made, but rather than just looking at mandatory changes that would lower the grant and disregarding any changes that would have increased the grant, any subsequent decreases in income that would have increased the benefit amount (and thus decrease the OP amount) shall also be taken into consideration when recreating case circumstances and calculating OPs. The IRT must still be recalculated based on the income used in each month of the OP calculation and the multiplier must still be used when necessary to determine a monthly average for weekly and biweekly income. This policy applies to both client-caused and administrative-caused OPs. (Please see the examples in the attachment to this ACL.)

One of the main tenets of the SAR and AR/CO reporting systems is the idea that benefits are generally frozen during the payment period and can only be lowered based on a few specific mandatory reports. However, benefits can be increased based on a change in income or circumstances any time during the payment period. This rule is meant to benefit clients, and CDSS believes this same philosophy should be applied when calculating OPs. As a reminder, supplemental payments are never issued retroactively based on actual income.

CalFresh

The CalFresh Policy Bureau has determined that CalFresh OIs will also now be computed in a manner consistent with the policy described in this ACL. When establishing a CalFresh OI, the OI amount is computed by determining the actual household circumstances, including changes the household failed to report. This includes decreases as well as increases in income. As stated in MPP Section 63-801.312, the amount of the OI is the difference between the amount of benefits the household received compared to the amount of benefits the household was entitled to receive. The CalFresh Bureau will provide more information about their change in policy in a separate ACL.

If you have any questions regarding this letter, please contact either your CalWORKs or CalFresh county consultant directly, or you may call the CalWORKs Eligibility Bureau at (916) 654-1322 or the CalFresh Policy Bureau at (916) 654-1896.

Sincerely,

Original Document Signed By:

TODD R. BLAND
Deputy Director
Welfare to Work Division

Attachment

CalFresh Example

A non-assistance CalFresh household applies for benefits in January and inaccurately reports that they have gross income of $500 per month (income is actually $900 per month). In March, the household stops working but does not report the loss of income to the CWD. In May an IEVS match reveals that the household actually had income of $900 for January, February, and March and the employment terminated in March. Since January, the household was issued benefits based on the reported income of $500 per month. The OI is calculated based on the income of $900 per month for the months in which the household received that income. Since the income stopped in March, the income should not be used in the calculation of benefits for April and May as no income was received in those months. No OI should be assessed for any months in which the household did not have earnings.

CalWORKs Examples

Example 1: A client fails to report income at application. An IEVS match reveals that the client had income for the first three months of the SAR Payment Period that would have made them ineligible for aid, and then the income stops. How is the OP calculated?

Answer: Any amount of aid the client received that they were not eligible for will be an OP. Because the income would have made them ineligible, the correct grant amount for those three months is zero and all of the aid received in the months with income should be determined to be an OP. The unreported income will be counted towards the correct grant amount for each month that the income was received. Additionally, because this income would have made them ineligible for aid, the CWD must determine eligibility under applicant rules once the income ends to ensure they were eligible in the following month. For example, in a January through June SAR Payment Period, if the income ended in March, as long as they would have passed the applicant test in April, then the grant they received beginning in April was correct and March would be the last month of the OP.

Example 2: An IEVS match reveals that a client began working after their application was approved and failed to report the income. The income was over IRT, but it started and stopped in the same month. How is the income counted/budgeted?

Answer: In this case, the income would never have had an effect on the grant amount and would not result in an OP. Even though the income should have been reported because it exceeded the IRT, because the income did not continue, it would not have affected their grant and would not result in an OP.

Example 3: An IEVS match reveals that a client began working after their application was approved and failed to report the income. The income was over IRT and continued for several months, but stopped prior to the semi-annual report month. How is the income counted/budgeted?

Answer: An OP would be assessed beginning in the month following the month in which the income first exceeded the IRT, and would continue until the income ends. For example, if the client was in the January through June SAR Payment Period and had income over their IRT in the months of February, March and April, an OP would be assessed for the months of March and April. Had the client met their reporting responsibilities, they would have first reported the income in February, so the grant would have been recalculated beginning in March. No OP should be assessed for any months in which the client did not have income.

Example 4: An IEVS match reveals that a client failed to report income on the semi-annual report. How is the income counted if the income stops in the Data Month?

Answer: In this scenario, because the Data Month income did not continue into the upcoming SAR Payment Period, there would be no OP. While all income received in the Data Month is required to be reported, in this scenario, even if the income had been reported correctly on the SAR 7 it would not have been used to calculate the benefits for the upcoming SAR Payment Period because the income was not anticipated to continue.

Example 5: An IEVS match reveals that a client failed to report income on the semi-annual report. How is the income counted if the income stops in the Submit Month?

Answer: In this scenario, whether or not an OP exists depends on whether or not the income was over IRT. If the income was over IRT, it should have been reported in the Data Month and since it continued through the Submit Month and then ended, only the Submit month would have an OP. If the income was under IRT, it didn't need to be reported until the SAR 7 was submitted in the Submit Month and because the income ended in the Submit Month, at the time that the SAR 7 was submitted the income was not reasonably anticipated to continue there would not be an OP. While clients are mandated to report all income received in the Data Month, in this scenario it would not have been used to calculate the benefits for the upcoming SAR Payment Period because the income was not expected to continue. The only reason there would be an OP in this scenario is if the income had been over IRT in both the Data and the Submit Months.

Example 6: An IEVS match reveals that a client failed to report income on the semi-annual report. The income continued for the first four months of the SAR Payment Period. How is the OP calculated?

Answer: When the OP begins will depend on whether or not the income that should have been reported on the SAR 7 for the Data Month was over IRT. If the income from the Data Month was over the IRT, the OP should begin in the Submit Month and continue until the income ends. If the income was under the IRT, the OP should begin in the first month of the SAR Payment Period and continue until the income ends.

Example 7: An AU of 2 in Region 1 is in the January through December AR/CO Payment Period and has reported no income. Monthly income of $1,450 (which is over Tier 2 of the IRT for this AU and would result in ineligibility) is discovered while processing an IEVS match. The income started in March and continued through June. In July and August, the income decreased to $1,200 a month (which is under Tier 2 of the IRT, but over the applicant income limit (MBSAC) for this AU). Beginning in September, the AU has monthly income of $500. How is the OP calculated?

Answer: The entire grant amount would be an OP for the months of April through August. Had the AU reported the income in March as required, the AU would have been discontinued effective April 1st as the income exceeded the eligibility threshold for an AU of 2. If they reapplied in July when their income decreased, they would not have passed the applicant income test and their application would have been denied. They would have passed the applicant income test in September, so beginning in September the OP calculation should be based on monthly income of $500.

Example 8: An AU of 3 in the January through June SAR Payment Period reported no income. Their IRT is $907. Fluctuating income is discovered while processing an IEVS match in August in the following amounts: $1,000 in January, $1,000 in February, $1,350 in March, $500 in April, $1,000 in May and $1,000 in June. How is the OP calculated?

Answer: The income was first over the AU's IRT of $907 in January, and since the income continued, the grant should have been decreased and the IRT recalculated beginning in February. February's OP will be calculated using $1,000 of income and the IRT effective February 1st should be $1,634 (the AU's Tier 2 IRT, based on the MAP amount for an AU of 3 in Region 1). March's income was not over the newly calculated IRT, so that increase of income did not need to be reported and March's OP will still be based on $1,000. April's OP will be based on $500 and the IRT will be recalculated at $1,407 ($907 plus the last amount of income used to calculate the grant). Because May and June's income of $1,000 is under the newly calculated IRT of $1,407, it was not mandated to be reported and the OP for those months will be based on $500 monthly income. If the income ended in June, June will be the last month of the OP.

Example 9: An AU of 3 in the January through June SAR Payment Period reported no income. Their IRT is $907. Fluctuating income is discovered while processing an IEVS match in August in the following amounts: $2,000 in January, $2,000 in February, $1,500 in March, $1,000 in April, $2,000 in May and $0 in June. How is the OP calculated?

Answer: The income was first over the AU's IRT in January, and since the income was over the AU's income limit of $1,634 and continued, the grant should have been discontinued effective February 1st. Because the income received in March was over the applicant income limit (MBSAC for this AU is $1,226), the AU would not have been eligible had they reapplied in March, therefore the entire grant for February and March is an OP. Beginning in April, their income of $1,000 is under the applicant income limit, so the April OP should be calculated based on $1,000 of income and their IRT should be recalculated at $1,634 (Tier 2 IRT, based on the MAP amount for an AU of 3 in Region 1). The $2,000 received in May is over IRT, but it was only for one month so it would not affect the grant amount; therefore the May OP should be based on the previous month's income of $1,000. There is no OP for June because the AU did not receive any income.

Example 10: An AU reports $1,000 of monthly income on their SAR 7 submitted in June and the County fails to enter the income when calculating the benefits for the upcoming SAR Payment Period of July through December. The income ends in August, but the AU doesn't report the change. During the redetermination in December, the county realizes its mistake. How is the OP calculated?

Answer: An OP shall be assessed for the months of July and August only. There is no OP for any month after the income has ended.

Example 11: An AU had mid-period income over Tier 2 of their IRT for two months only. The income is discovered while processing an IEVS match. Since the income was only for two months, how is the OP calculated?

Answer: Even though the income was not expected to continue for more than the two months, the AU was not eligible in the second month that they were in receipt of this income, so the entire second month's grant will be an OP. Assume that the AU reapplied the month after the income ended, so the OP would only be for one month.