

DEPARTMENT OF SOCIAL SERVICES



744 P Street, Sacramento, CA 95814

January 28, 1991

ALL COUNTY LETTER NO. 91-06

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: AFDC/FOOD STAMP RECOUPMENT PROCEDURES - BALANCING, OFFSETTING
(RESTORATION OF LOST BENEFITS), GRANT ADJUSTMENT AND ALLOTMENT
REDUCTION

The purpose of this letter is to remind Counties of the most cost effective procedures available for collecting AFDC/FS overpayments/overissuances. The need to reemphasize the regulations pertaining to recoupment has become apparent as a result of procedure reviews that have consistently revealed that these regulations are either being misinterpreted, misapplied or not applied.

The following regulation citations set forth the specific instructions for eligibility staff to offset any underpayment/underissuance with an outstanding overpayment/overissuance. Please remind all eligibility staff to observe these regulations because they result in efficient collection of overpayments/overissuances.

AFDC - BALANCING:MPP 44-350.2 (d) - DEFINITION:

Balancing - A method for the recovery of all or a portion of an overpayment by applying it against a repayable underpayment.

MPP 44.351.3 - REQUIREMENT TO OFFSET:

When an assistance unit has both an overpayment and an underpayment, the county shall offset one against the other.

FOOD STAMP - OFFSETTING (RESTORATION OF LOST BENEFITS):MPP 63-801.313 - REQUIREMENT TO OFFSET INADVERTENT HOUSEHOLD & ADMINISTRATIVE ERROR CLAIMS:

After calculating the amount of the inadvertent household or administrative error claim, the CWD shall offset the amount of the claim against any amounts which have not yet been restored to the household as a restoration of lost benefits in accordance with Section 63-802.54. The CWD shall then initiate collection action for the remaining balance, if any.

MPP 63-801.324 - REQUIREMENT TO OFFSET INTENTIONAL PROGRAM VIOLATION CLAIMS:

Once the amount of the intentional Program violation claim is established, the CWD shall offset the claim against any amount of lost benefits that have not been restored to the household as lost benefits in accordance with Section 63-802.54.

MPP 63-802.54 THROUGH 63-803.542(a) - REQUIREMENT TO OFFSET RESTORATION OF LOST BENEFITS:

If a claim against a household is unpaid, suspended or terminated, the amount to be restored shall be offset against the amount due on the claim before the balance, if any, is restored to the household.

When the allotment for the initial month(s) is paid retroactively, this initial allotment shall not be reduced to offset claims.

If a change in household composition occurs, the CWD shall offset the amount of the claim against restored benefits in accordance with Sections 63-801.313 and 63-801.323. This action may be taken against any or all households which contain a member who was an adult member of the original household at the time the overissuance occurred (see Section 63-801.1).

The CWD shall not collect more than the amount of the claim under any circumstances.

The importance of the balancing/offsetting process is that it allows immediate recoupment and reduces or eliminates the need to initiate the grant adjustment/allotment reduction process and/or other more costly collection procedures. In addition, balancing/offsetting is not restricted by a maximum limit as are grant adjustment and allotment reduction. Proper application of these processes allows for more money to be collected at less cost.

The following regulation citations set forth the specific instructions for eligibility staff to follow when initiating collection by grant adjustment/allotment reduction. All eligibility staff should be reminded that it is the Department's policy to invoke grant adjustment/allotment reduction on all qualifying, active cases as early as possible.

AFDC - GRANT ADJUSTMENT:

MPP 44-350.2 (f) - DEFINITION:

Grant Adjustment - Recovery of an overpayment by reducing the grant of a presently eligible individual or family.

MPP 44-352.411 - CALCULATION OF THE AMOUNT TO BE GRANT ADJUSTED (States in part):

If the overpayment is to be recovered by grant adjustment, the following method shall be used: (a) Determine the FBU's total available resources in the payment month; (b) Determine the required need allowance; (c) Determine the Maximum adjustment amount; and (d) Adjust the aid payment. (1) The overpayment is to be adjusted from the current aid payment. If the current aid payment is not enough to recover the entire overpayment, then the remaining amount of the overpayment is applied to succeeding month(s) and the grant adjustment process is repeated.

FOOD STAMP - ALLOTMENT REDUCTION:

MPP 63-801.441 - CONDITIONS REQUIRED TO INITIATE ALLOTMENT REDUCTION:

The CWD shall reduce the household's food stamp allotment without further notice in accordance with Section 63-801.73 when: (a) Collection action has been initiated against the household or the sponsor for repayment of an inadvertent household error or intentional Program violation claim; and (b) The household is currently participating in the Food Stamp Program; and (c) The household does not respond to the DFA 377.7E within 30 days of the date the notice is mailed.

MPP 63-801.737 - CALCULATION OF THE AMOUNT TO BE ALLOTMENT REDUCED:

The amount of food stamps to be recovered each month through allotment reduction shall be determined in accordance with the following procedures and the calculated figure rounded as specified in Section 63-503.31. (a) For inadvertent household error claims, the amount of food stamps recovered shall be 10 percent of the household's monthly allotment or \$10 per month, whichever is the greater amount. (b) For administrative error claims, the amount of food stamps to be recovered each month from a household choosing to use this method shall be negotiated with the household. Choice of this option is entirely up to the household and no household shall have its allotment reduced by an amount with which it does not agree for payment of an administrative error claim. (c) For intentional Program violation claims, the amount of food stamps shall be 20 percent of the household's monthly allotment or \$10 per month, whichever is the greater amount.

The importance of the grant adjustment/allotment reduction process is that it allows recoupment while the case is active and without the need to initiate other more costly collection procedures. It should also be noted that the amounts for grant adjustment and allotment reduction prescribed in MPP 44-352.411 and MPP 63-801.737 respectively are the required amounts that a client must repay through grant adjustment or allotment reduction and are not negotiable. A client may, however, voluntarily pay more through other methods of repayment. Proper application of these processes allows claims to be recovered in the shortest time period and at minimal cost.

Each of the regulations addressed in the foregoing pertain to active cases and are initial activities in the collection process. For that reason, they are particularly important. Improved attention and adherence to these regulations will result in increased recoveries, elimination of deficiencies identified through reviews/audits and reduced collection costs. Please review these regulations with all appropriate eligibility and collection staff in your County. In those Counties where welfare collections are accomplished by staff under the direction of another department, please direct copies of this letter to that department.

If you have any questions, please contact the Overpayment Recovery Bureau at (916) 322-5387 or ATSS 492-5387.



ROBERT A. HOREL
Deputy Director

cc: CWDA