
**DEPARTMENT
POLICY****FIP, SDA, CDC and FAP**

When the client group or CDC provider receives more benefits than entitled to receive, Michigan Department of Health and Human Services (MDHHS) or Michigan Department of Education (MDE) must attempt to recoup the overissuance. This item explains repayment responsibility, Benefit Recovery System data management, and the various collection processes used by MDHHS or MDE.

Definitions

The **Benefit Recovery System (BRS)** is the part of Bridges that tracks all FIP, SDA, CDC and FAP overissuances and repayments, issues automated collection notices and triggers automated benefit reductions for active FIP, SDA, CDC and FAP programs.

Administrative Recoupment (AR) is an automated Bridges process that reduces current MDHHS and/or MDE benefits in order to obtain repayment on overissuances for a program.

A **Claim Number** is a unique number assigned to each overissuance when entered on the Benefit Recovery System.

**PAYMENT
RESPONSIBILITY****All Programs**

Repayment of an overissuance is the responsibility of:

- Anyone who was an eligible, disqualified, or other adult in the program group at the time the overissuance occurred.
- A FAP-authorized representative if they had any part in creating the FAP overissuance.

Bridges will collect from all adults who were a member of the case. Administrative recoupment may be deducted on more than one case for a single overissuance.

FIP and FAP

If the overpaid group did not contain an eligible or disqualified adult during the overissuance period, do not initiate recoupment, **unless**

recoupment is established by court order or a repayment agreement is obtained in lieu of prosecution. An adult for recoupment purposes is an individual 18 years old or older.

Note: The Aid to Families with Dependent Children (ADC) program was succeeded by the Family Independence Program (FIP). Treat these programs as interchangeable when applying recoupment/disqualification policy.

Example: Clients who committed an Intentional Program Violation (IPV) while receiving ADC are to be disqualified under the FIP program.

CDC Provider Error

CDC Only

The reconciliation and recoupment section (RRS) is responsible for collecting and recording provider errors. Reconciliation and recoupment section staff enters the overissuance into the automated provider recoupment system. The system produces a notice and overpayment detail and acceptance report, which is mailed to the child care provider. The provider is instructed to review and complete the report and mail it back to the reconciliation and recoupment section.

Note: There is no threshold limit on CDC system errors. MDE will recoup these types of overissuances.

BENEFIT RECOVERY SYSTEM

FIP, SDA, CDC and FAP

Benefit Recovery System (BRS) data is based on recipient identification numbers. Each program overissuance is entered separately. Do not combine program overissuances with different overissuance periods or different overissuance types.

Each overissuance is assigned an overissuance claim number when initially entered on BRS. Review Office of Inspector General dispositions for multiple events that may have been combined or may be deleted.

Case Number Usage

Bridges reviews all persons responsible for the overissuance for current program activity and/or different case numbers.

Active Programs

All cases that contain an adult member from the original overissuance group and are active for the program in which the overissuance occurred are liable for the overissuance and subject to administrative recoupment.

Inactive Programs

Overissuances on inactive programs are recouped through cash repayment processes.

Collection notices are sent to the household on the inactive case. To determine the best case number to use for an inactive case, use this priority:

1. Use the original overissuance case number, when the following apply:
 - The case number has not been purged.
 - The case number is not active for another program.
 - The group includes an eligible or disqualified adult member who was in the program group when the overissuance occurred.

Note: Change the grantee, if necessary, to the person who is responsible for repayment of the overissuance.

2. Use **any** existing case number for inactive person(s) responsible for overissuance repayment when the original case number is not available.

OVERISSUANCE CHANGES

Always do an inquiry before entering, changing or closing an overissuance.

Always document in Bridges case comments the reason for changing or closing an overissuance event in the incorrect issuance packet. Some reasons an overissuance might be changed include:

- An Office of Inspector General or Michigan Administrative Hearings System (MAHS) disposition is received.
- A repayment agreement is received.
- The responsible person has filed for bankruptcy.
- The responsible person has died.
- Duplicate overissuance events are on Benefit Recovery System.
- The overissuance is transferred to another case number.
- A debt collection action has taken place.

Reconciliation and Recoupment Section Changes

Contact the reconciliation and recoupment section (RRS), Welfare Debt Unit, to get changes made to overissuances whenever:

- The overissuance has been suspended by the Welfare Debt Unit.
- The overissuance has a debt referral status type.

Bridges will generate an edit when changes are made to overissuances in any of the above circumstances.

Overissuance Balance Changes

The overissuance balance is calculated by Benefit Recovery System. Changing the original overissuance amount will change the balance for that overissuance and program on Benefit Recovery System records. Do **not** reduce an overissuance balance for any of the following reasons:

- A court released the person from probation and waived restitution.
- A court (probation officer) indicated an amount was worked off (for example, in community service).

Exception: For **FAP only**, reduce an overissuance by the amount the person worked off **after** a court has ordered **and** verified the

activity. Issue supplemental FAP benefits if the total repaid and worked off exceeds the overissuance. **Do not** enter an overissuance payment for the amount worked off.

Payment Consolidation

Changing an overissuance amount or closing an overissuance event will cause Benefit Recovery System to redistribute any payments that were made to the overissuance event.

Overissuance Transfer

Bridges automatically transfers an overissuance to another case number when a liable individual is currently active for the same program in which the overissuance occurred.

COLLECTIONS ON ACTIVE PROGRAMS

Overissuances on active programs are repaid by:

- Lump-sum cash payments.
- Monthly cash payments such as when court-ordered or processed by AG.
- Administrative recoupment (benefit reduction).

Note: For FIP, SDA and FAP the client may repay any part of the overissuance with electronic benefit transfer (EBT) benefits. The electronic benefit transfer benefits cannot cross programs. The client may pay on a FIP overissuance with FIP benefits and/or FAP overissuance with FAP benefits. The local office will accept and provide receipt for payment.

Lump-Sum Cash Payments

Lump-sum cash payments are acceptable on active programs. Payments can be made at the local office or to Cashier's Unit, P.O. Box 30259, Lansing, MI 48909.

Note: When the full overissuance amount is paid in a lump sum prior to the administrative recoupment effective date, the payment must be entered on Benefit Recovery System immediately after the

overissuance is entered in order to prevent administrative recoupment from occurring.

Cash Payments

Monthly cash payments (instead of administrative recoupment) are acceptable on active programs **only** if ordered by a court or processed by the Attorney General office; see **Administrative Recoupment** or Delinquent Cash Payments, in this item.

Note: Clients repaying all or part of an overissuance with a MDHHS issued warrant must be referred to local office to sign the warrant over to the local office. **Do not have the warrant voided and returned to Treasury.**

Administrative Recoupment

FIP, SDA, CDC and FAP

Active programs are subject to Administrative Recoupment (AR) for repayment of overissuances. Active program recipients are allowed to make monthly cash payments (instead of administrative recoupment) **only** when ordered by a court or processed by the AG office; see **Cash Payments** in this item.

Administrative recoupment cannot cross programs. For example; a FIP overissuance cannot be recouped from FAP benefits. An ADC overissuance can be recouped from FIP. A General Assistance (GA) overissuance can be recouped from SDA.

Administrative recoupment continues until program closure or all collectible overissuances are repaid. Administrative recoupment automatically resumes when a program with an overissuance balance reopens.

Administrative recoupment can be deducted from more than one active case for a single overissuance.

See BAM 400, **CASH BENEFITS, Openings**, for FIP and SDA early payment procedures.

AR Amount**FIP, SDA and CDC**

FIP and SDA benefits are reduced for recoupment by a percentage of the **payment standard**. The administrative recoupment amount automatically changes when the payment standard changes.

The standard administrative recoupment percentage is always used unless a court has ordered a different percentage or a specific dollar amount.

The standard administrative recoupment percentage for FIP, SDA and CDC is:

- 5 percent for agency error.
- 5 percent for client error.
- 10 percent for intentional program violation.
- 20 percent for CDC provider intentional program violation.

Note: When necessary, the administrative recoupment amount is automatically reduced in order to leave a \$2 grant payment to the client.

FAP Only

FAP benefits are reduced for recoupment by a percentage of the **monthly FAP entitlement**. (The entitlement amount is the amount of FAP a group would receive if any intentional program violation-disqualified members were included in the eligible group.)

Administrative recoupment occurs only on current month issuances and automatically changes when the monthly issuance amount changes.

Use the standard administrative recoupment percentage unless a court has ordered a different administrative recoupment percentage or a specific dollar amount. The minimum administrative recoupment amount is \$10, unless the final overissuance payment is less than \$10.

The standard administrative recoupment percentage for FAP is:

- 10 percent (or \$10, whichever is greater) for agency error.
- 10 percent (or \$10, whichever is greater) for client error.
- 20 percent (or \$20, whichever is greater) for intentional program violation.

Note: In addition to administrative recoupment, FAP supplements to restore lost benefits are automatically **offset** when entered on Bridges to repay FAP overissuances. The restoration supplement is used in part or in whole to repay overissuances.

Delinquent Cash Payments on Active Cases

FIP, SDA and FAP

Active cases failing to make required court-ordered cash payments for 60 days are sent a DHS-1440E, Notice of Payment Due.

All cases sent the DHS-1440E notice informs the client of changing the recoupment method to benefit reduction via Administrative Recoupment (AR).

Thirty days after the DHS-1440E is sent, Bridges changes the recoupment type from cash collection to administrative recoupment, **unless** the client:

- Makes a full payment, **or**
- Seeks to renegotiate the monthly cash payment amount, **and**
- Their financial circumstances warrant a lower monthly payment by the court order.

COLLECTIONS ON INACTIVE PROGRAMS

FIP, SDA, CDC and FAP

Overissuance balances on inactive cases must be repaid by lump-sum or monthly cash payments **unless** collection is suspended; see **SUSPENDED COLLECTION ACTIONS** in this item.

Benefit Recovery System sends a collection notice when programs or cases close and an outstanding overissuance exists; see **AUTOMATED DELINQUENCY NOTICES** in this item.

Cash Payments

All Programs

Lump sum or monthly cash payments are accepted at any local office and in some cases will be routed through the AG office.

FIP, CDC, SDA and FAP

Payments can also be mailed to;

State of Michigan
Cashier's Unit
P.O. Box 30259
Lansing, MI 48909

CDC Providers

State of Michigan
MDE-Child Care-Cashier Unit
P.O. Box 30382
Lansing, MI 48909

MA Fraud

State of Michigan
MDHHS
P.O. Box 30437
Lansing, MI 48909

SER and DSS Fraud

State of Michigan
MDHHS-Reconciliation and Recoupment
P.O. Box 30802
Lansing, MI 48909

Such payments should include the payer's SSN or case number to ensure proper posting of the payment.

**Expunged EBT
Benefits****FAP Only**

Expunged electronic benefit transfer benefits are applied to existing overissuances for the program at the time the expungement occurs.

Probate Claims**All Programs**

If a local office becomes aware of an estate of a deceased person with a remaining overissuance balance, it may refer the claim to the Welfare Debt Unit (WDU). WDU and the AG will determine if pursuit

of the estate through probate court claim action is in the best interest of MDHHS or MDE.

DELINQUENCY

FIP, SDA and FAP

Bridges automatically sets delinquency at the claim level and affects all liable individuals attached to the claim. Delinquency is triggered when:

- The client fails to sign and return the DHS-4358C, Department and Client Error Information and Repayment Agreement, within 30 days of the claim establishment date.
- The client fails to make a \$50 monthly cash payment within those same 30 days if the case is closed.
- The client on the closed case fails to make full payments each month until the claim is paid off.
- Previously active clients who were being administratively recouped and now have closed did not make the \$50 monthly payment within 30 days after the DHS-1440A, Notice of Balance Due, was sent and each month thereafter.

When a claim becomes delinquent, Bridges refers qualifying cash programs to Michigan Treasury and FAP claims referred to the Treasury Offset Program (TOP).

MICHIGAN TREASURY COLLECTIONS

FIP, SDA and CDC

The welfare debt collection process refers cash overissuances to the State Treasury Accounts Receivable System (STARS) at the Michigan Department of Treasury and collects debts through any of the following:

- Garnishment of wages.
- Liens on bank accounts.
- Regular cash payments.
- State income tax offsets.
- Lottery winnings.
- Gaming winnings.

A cash overissuance may be referred to treasury when a full payment has not been received within 30 days after the DHS-1440A was sent.

Once an overissuance is selected for this process, the case will be identified on BRS.

Refer clients to the reconciliation and recoupment section staff (RRS) in central office at 1-800-419-3328, when requesting a review of the collection action.

RSs must assist when contacted by RRS staff in resolving issues such as evidence search, grantee changes, overissuance transfers, etc.

A person's income tax refund might be offset in error when:

- The grantee on a case is not the person responsible for repayment.
- Monthly overissuance payments are made to another department as part of court order and not entered on Benefit Recovery System in a timely manner.

For cases offset in error, recoupment specialists must send a memo explaining the reasons for requesting a refund to:

Reconciliation & Recoupment Section
Welfare Debt Unit
Suite 710, Grand Tower Building

Do **not** delete or modify the overissuance amount to remedy the error.

FEDERAL TREASURY OFFSET PROGRAM

FAP Only

Federal salaries, benefits and tax refunds may be offset to repay **any** collectible FAP overissuance when the claim is delinquent.

Federal payments eligible for offset include:

- Federal income tax returns.
- Federal salary pay, including military pay.
- Federal retirement benefits, including military retirement pay.

- Federal contractor or vendor payments.
- RSDI benefits.
- Railroad Retirement benefits.
- Black Lung (part B) benefits.
- Other federal payments, including certain loans.

Once an overissuance is selected for this process, the case will be identified on Benefit Recovery System. Refer clients to the Reconciliation and Recoupment Section (RRS) in central office to request a review of the collection action. The reconciliation and recoupment section's phone number is 1-800-419-3328.

ATTORNEY GENERAL INITIATIVE

FIP, SDA and FAP

Delinquent claims for inactive programs are eligible for referral to the Department of Attorney General (AG), Revenue and Collections Division. Referrals are issued through WDU. The AG will pursue collections on such claims through voluntary repayments, civil lawsuits, probation violations and seizure/garnishment on civil and criminal restitution orders.

Automated Delinquency Notices

FIP, SDA, CDC and FAP

Benefit Recovery System sends a collection notice when programs close with an outstanding overissuance if the claim is not already set as delinquent.

DHS-1440A

The DHS-1440A, Notice of Balance Due, is sent in the month after:

- A program with an outstanding overissuance balance closes.
- The last active program closes and there is an outstanding overissuance balance in **any** program.

DHS-1440E

The DHS-1440E, Notice of Payment Due, is sent to **active** cases when:

- The overissuance type is due to court-ordered intentional program violation.
- The recoup type is non-standard cash recoupment.
- Required monthly payments not received.

See Delinquent Cash Payments on Active Programs in this item.

DHS-1440-1

The DHS-1440-1, Notice of Default, is sent to inactive cases when the claim is delinquent. All delinquent claims are sent to Michigan Treasury for collection action.

SUSPENDED COLLECTION ACTIONS

FIP, SDA, CDC and FAP

Every overissuance is entered on Benefit Recovery System even when collection action is pending or suspended. Certain status types suspend all or some collection actions:

Used For	Collection Action
OIs pending with OIG	Suspends all collections actions.
OIs pending with AH	Suspends all collection actions.
Bankruptcy	Suspends all collection actions.
Death	Suspends all collection actions.
Suspended	Suspends all collection actions.

Bankruptcy

When a **bankruptcy notice** for a person with an outstanding overissuance balance is received it must be forwarded to the local office's designated fraud coordinator, who will process and track all bankruptcy notices. The coordinator scans the notice to the RSSECT mailbox or sends the document to WDU, WDU will notify MDHHS Legal Affairs and the RS so proper actions will be taken.

MDHHS Legal Affairs reviews and makes recommendations to the Attorney General's office regarding whether to take legal action to block discharge of the debt. The reconciliation unit suspends debts and retrieves debt if they are in debt collection status. The RS verifies that debts are suspended.

CDC Only

MDE reviews and makes recommendations to the Attorney General's office regarding whether to take legal action to block discharge of the debt. MDE directs the reconciliation unit to suspend debts and retrieves debt if they are in debt collection status. The RS verifies that debts are suspended.

If the client's bankruptcy petition is granted, the court issues a **discharge of debt**. If MDHHS or MDE is listed as a discharged debt on the court document, determine which overissuances were discharged. Update Benefit Recovery System by:

1. The central office document control unit manually writes off overissuances that were discharged by the court:
2. Reinstating recoupment for any intentional program violation overissuances that were not discharged by the court.
 - A notification from MDHHS Legal Affairs will be sent if any intentional program violation overissuances were successfully blocked from discharge.
 - Change the status type to standard recoupment.

If the client withdraws the bankruptcy petition or the court does not grant it, the court issues a **discharge of bankruptcy**. Upon receipt of this document, change the status type back to standard recoupment on each of the affected overissuances to reinstate recoupment.

Keep all bankruptcy documents in the case record's legal packet.

The reconciliation and recoupment section coordinates bankruptcy actions between Treasury and MDHHS. If any claim shows referred to collections contact Reconciliation and Recoupment section at 1-800-419-3328.

Death

Enter the status type of deceased so Bridges will suspend all collection actions on Benefit Recovery System. The overissuance will be written off at the next quarterly Benefit Recovery System write-off.

**TERMINATED
COLLECTIONS****FIP and SDA****BRS Write-Off**

Every quarter, Benefit Recovery System writes off overissuances that are not collectible.

Overissuances are not collectible when:

- The program has been closed six years from the **most recent** of the following dates:
 - Overissuance end date, **or**
 - Establishment date, **or**
 - Last payment date on any overissuances.

**RECONCILING GH
REPORTS**

Bridges generates reports that must be acted on by staff.

**Accounting
Service Center**

Each Accounting Service Center is responsible for reconciling the monthly:

- GH-370, Monthly Cash Reconciliation Report, which lists all cash or FAP benefits made directly to the local office by clients owing MDHHS for overissuances of benefits.
- GH-380, Monthly Write Off Report, contains an audit trail by listing all programs for a client where a write-off occurred.

The Accounting (ACM) Manual 481-5 has detailed instructions on completing these reports.

DRS-100 Report

Recoupment specialists are expected to take action to correct each disqualification record on the report. Depending on the error listed, the RS will correct the decision date, Social Security number, sanction begin date and/or decision date.

**COMPROMISED
CLAIMS****FAP Only**

MDHHS can compromise (reduce or eliminate) an overissuance if it is determined that a household's **economic** circumstances are such that the overissuance cannot be paid within three years.

A request for a policy exception must be made from the RS to the Fraud and Recoupment Administration office outlining the facts of the situation and the client's **financial** hardship. The deputy director of the MDHHS Fraud and Recoupment Administration has final authorization on the determination for all compromised claims.

Send to:

Fraud and Recoupment Administration
Suite 710
235 S. Grand Ave
P.O. Box 30037
Lansing, MI 48909

**INTERSTATE
CLAIMS****FIP, SDA and FAP**

Michigan continues to initiate and collect on claims whether the household remains in the state or not. All requests from other states to transfer a claim to or from Michigan are reviewed by the Fraud and Recoupment Administration; see address above.

FAP Only

When MDHHS learns that a client is serving a current intentional program violation disqualification in another state, the specialist must review the information. Disqualify the client if it is determined the disqualification should continue being served in Michigan.

**DEBT COLLECTION
HEARINGS****FIP, SDA, CDC, MA and FAP**

MDHHS requests a debt collection hearing when the grantee of an **inactive** program requests a hearing after receiving the DHS-4358B, Agency and Client Error Information and Repayment Agree-

ment. Active recipients are afforded their hearing rights automatically, but MDHHS must request hearings when the program is inactive; see BAM 705 or 715, HEARING REQUESTED, Inactive Cases. Do not use the debt collection codes on Benefit Recovery System for these hearings.

FIP

Personal Responsibility and Work Opportunity Reconciliation Act of 1996, PL 104-193 of 1996
1939 PA 280, as amended
Mich Admin Code, R 400.3129 - R 400.3131

FAP

7 CFR 272.8
7 USC 2022
Mich Admin Code, R 400.3011

SDA

Annual appropriations Act

CDC

Child Development and Care, 45 CFR Parts 98 and 99
Social Security Act, 42 USC 301, *et seq.* as amended
Mich Admin Code, R 400.5001 - 400.5020