

Recovery of Public Assistance Debts

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Overview

The Public Assistance Debt Recovery Unit (PADRU) in the Investigations Division of the Department of Inspections and Appeals (DIA) is responsible for investigating and collecting public assistance debts owed to the Department of Human Services.

“Public assistance” means the following programs:

- ◆ Child Care Assistance (CCA)
- ◆ Family Investment Program (FIP)
- ◆ Supplemental Nutrition Assistance Program (SNAP)
- ◆ Healthy and Well Kids in Iowa (Hawki)
- ◆ Medicaid
- ◆ PROMISE JOBS
- ◆ Refugee Cash Assistance (RCA)
- ◆ State Supplementary Assistance
- ◆ Transitional Child Care

“Debt” means:

- ◆ The dollar amount of public assistance by program received by or on behalf of a person or provider in excess of that allowed by law, rules, or regulations for any given month; or
- ◆ The dollar amount of public assistance unlawfully transferred or obtained in violation of programs rules.

Policies for specific programs are found as follows:

- ◆ CCA. See 13-G, [Overpayment Recovery](#).
- ◆ FIP and RCA. See 4-H, [Overpayments](#).
- ◆ SNAP. See 7-H, [Claims and Collection Action](#).
- ◆ Hawki. See 5-E, [Recovery](#).
- ◆ Medicaid. See 8-A, [Recovery](#).
- ◆ PROMISE JOBS. See [PROMISE JOBS Provider Manual: Recovery of PROMISE JOBS Supportive Payment Overpayments](#) and 4-H, [PROMISE JOBS Expense Allowances](#).

“Recovery” means the repayment of a debt, whether:

- ◆ Directly by the debtor,
- ◆ By benefit allotment or payment reduction (SNAP and FIP),
- ◆ By offset against a debtor’s income tax refund or other state or federal payment,
- ◆ By garnishment of wages or assets, or
- ◆ By applying a credit against the amount due on a claim in place of a corrective payment or restoration of lost benefits.

This chapter starts with a list of responsibilities for the referring units (income maintenance, PROMISE JOBS, and Hawki) relating to public assistance debts. The next section explains DIA activities to initiate repayment. Discussion of client repayment options and further collection activities that DIA may initiate follow this.

NOTE: DHS and PROMISE JOBS staff are responsible for determining when a debt has occurred.

Instructions for forms described in this chapter that are related to IM programs are located in 6-Appendix.

Legal Basis

Iowa Code Section 249A.5 addresses the recovery of overpayments in the Medicaid program, and Section 249A.7 addresses the investigation of fraud in overpayments.

Iowa Code Sections 239B.14 and 249.11 address investigations of fraud in overpayments under the Family Investment Program and the State Supplementary Assistance program.

Iowa Code Section 234.6 addresses the authority of the administrator to formulate and adopt rules for overpayments under the Child Care Assistance program.

Department rule citations on overpayments in specific programs include:

- ◆ 441 IAC Chapter 46 for FIP
- ◆ 441 IAC 65.21(234) for SNAP
- ◆ 441 IAC 76.15(3), 75.28(249A) for Medicaid
- ◆ 441 IAC 93.12(239B) for PROMISE JOBS
- ◆ 441 IAC 60.16(217) for Refugee Cash Assistance
- ◆ 441 IAC 51.9(249) for State Supplementary Assistance
- ◆ 441 IAC 170.9(237A) for Child Care Assistance
- ◆ 441 IAC 11.1(217) for Hawki

Iowa Code Sections 217.34 and 421.17, Subsection 21, authorize the offsetting of debts to the Department against a debtor's state tax refund. Department rules at 441 Iowa Administrative Code Chapter 11 implement these sections.

Iowa Code Section 10A.402 establishes the duties of the Division of Investigations of the Department of Inspections and Appeals. Rules established to administer this section are found at 481 Iowa Administrative Code Chapter 90, "Public Assistance Debt Recovery Unit."

Referring Unit Responsibilities

Legal reference: 481 IAC 71.1(10A) and 71.2(10A); 441 IAC 170.9(234)

Income maintenance workers, PROMISE JOBS workers, and Hawki program policy specialists are responsible for establishing debts for their respective programs.

Special procedures are required for establishing debts in:

- ◆ Child Care Assistance. Follow the instructions in 13-G, [Overpayment Recovery](#).
- ◆ PROMISE JOBS. Follow the instructions in 4-Appendix, [PROMISE JOBS Provider Manual: Recovery of PROMISE JOBS Supportive Payment Overpayments](#).
- ◆ Hawki. Follow the instructions in 5-E, [Recovery](#).

Worker responsibilities for all other programs are listed in the following sections:

- ◆ [Making referrals to DIA](#)
- ◆ [Processing appeal requests](#)
- ◆ [Notifying DIA of changes](#)
- ◆ [Applying credit to a claim](#)
- ◆ [Accepting payments](#)

Making Referrals to DIA

Legal reference: 481 IAC 71.2(10A) and 71.4(10A); 441 IAC 11.2(217,421) and 170.9(234)

Income maintenance workers are responsible for making referrals to the Department of Inspections and Appeals for FIP, Medicaid, SNAP, State Supplementary Assistance, Refugee Cash Assistance, and Child Care Assistance debts.

The Hawki program policy specialist makes referrals to the Department of Inspections and Appeals for Hawki program debts.

The PROMISE JOBS worker makes referrals for PROMISE JOBS debts including Child Care Assistance debts. (See 4-Appendix, [PROMISE JOBS Provider Manual: Notification of PROMISE JOBS Overpayment.](#))

NOTE: Do not make a referral if the client or provider has returned the state warrant. For recovery purposes, the person has not "received" the benefit if the warrant is not redeemed, so there is no debt.

Do not make a Hawki referral to DIA if the debt is caused by an agency error. Ensure there is documentation in the case record of the debt and make any corrections to the case record as needed.

In all other cases, make referrals within 90 days of discovery of the debt. Use the WOPR Direct Claim Entry screens to make the referral. The claim section specifies:

- ◆ The program
- ◆ The debt amount
- ◆ The dates of the debt
- ◆ The reason for the debt
- ◆ The last information on the debtor for identification purposes

WOPR can collect from only one debtor at a time. The primary and secondary debtor statuses need to be entered on the Household Members screen.

The determination of the primary or secondary debtor statuses should be based on from whom the collection is most likely. List other responsible adults in the comments with their social security and state identification numbers.

Federal regulations require tracking a SNAP claim from the date of discovery. See 7-H, [Claims](#), for the definition of date of discovery.

The Direct Claim Entry screens require fraud information to be completed when the debt for any one claim is over \$1,000, **and** the claim is due to client error. See [Making Fraud Referrals](#).

Medicaid Managed Care Capitation Recovery

Capitation payments are Medicaid payments the Department makes on a monthly basis to Managed Care Organizations (MCOs) for each enrolled Medicaid member.

The MCOs are responsible for providing services to enrolled Medicaid members. The capitation payment is like an insurance premium that is paid monthly to purchase coverage, regardless of whether services are used that month.

A capitation payment is considered payment for Medicaid services and may be subject to recovery for months when the client was determined eligible and enrolled with the MCO in error.

To determine whether the Department may have made capitation payments for a client, access the SharePoint site to use for finding the capitation amounts on the WOPR Detail screen.

To determine whether recovery of capitation payments is necessary, determine whether the debt is the result to a client error or an agency error.

- ◆ When the debt is the caused by **client** error, establish a debt for the amount of the debt for all Medicaid services including capitation payments.
- ◆ When the debt is caused by **agency** error, do not establish a debt for amounts paid for the capitation payments. Establish a debt for all other Medicaid services .

Complete the referral using the WOPR Initial Claims Entry screens.

Processing Appeal Requests

Legal reference: 441 IAC 7.8(17A)

Clients can appeal the establishment of a debt, an offset against taxes or state payments, and garnishments. (See [Debtor Appeal Rights](#).) Process appeal requests according to procedures in 1-E, [Responsibilities of Department's Representative](#).

The IM worker or PROMISE JOBS worker prepares the appeal summary and submits it to the DHS Appeals section for claim establishment appeals.

DIA staff prepares the appeal summary and submits it to the DHS Appeals Section for actions relating to recovery of the debt. The DHS liaison decides whether to certify a request to DIA for a hearing.

Notifying DIA of Changes

Legal reference: 441 IAC 11.2(217, 421)

IM workers, Hawki policy specialists, and PROMISE JOBS workers are responsible for notifying DIA when circumstances change for a debtor or any changes need to be made on a claim.

IM, Hawki, and PROMISE JOBS staff, as well as the courts and other administrative directives, may initiate changes in the total debt owed, the balance owed, or both.

Submit changes to PADRU using the appropriate claim form or summary that is located in the case file. The claim update can include changes of client address, appeal status, changes in "to" or "from" dates, and the amount of a claim.

Applying a Credit to a Claim

Legal reference: 7 CFR 273.18(g); 481 IAC 71.5(1)"c," "d," and "e"; 441 IAC 11.2(217, 421), 45.24(2)"b," 93.12(239B); 170.9(5)

IM workers can apply a credit against the amount due on a claim instead of:

- ◆ Making a corrective payment for FIP or RCA or
- ◆ Restoring lost benefits for SNAP.

This is referred to as "offsetting." Send all crediting information on recoveries made through offsetting to the DHS Department cashier on form 470-0010, *Adjustment to Overpayment Balance*. NOTE: Offsetting does not occur on PROMISE JOBS, Child Care Assistance, or Hawki program payments.

Accepting Payments

Debtors should send physical payments directly to the Iowa Department of Human Services, DHS Cashier's Office, 1305 E Walnut Street, Des Moines, Iowa 50319-0114.

However, if a debtor makes a payment to another Department office or to a PROMISE JOBS office, issue form 470-0009, *Official Receipt*, to the debtor. Complete form 470-0010, *Adjustment to Overpayment Balance*, and then contact the DHS Cashier's Office to determine the best possible transmission process of the payment.

When the debtor makes a payment by check or money order, instruct the debtor to make the remittance payable to the "Iowa Department of Human Services." For more information, see 23-B, [Issuance of Receipts and Transmittal of Funds](#).

Electronic payments are also accepted. A link to the payment portal is provided on each WOPR billing statement. You can also find this information on the Fiscal Management - PPR SharePoint page.

DIA Activities to Initiate Recovery

Legal reference: 481 IAC 71

Records of the PADRU are confidential in accordance with 1-C, [Availability of Records](#).

The Department of Inspections and Appeals (DIA) begins the recovery process once a "notice of debt" (demand letter) is issued to the debtor.

Creating Debtor and Claim Records

Legal reference: 481 IAC 71.3(10A); 441 IAC 11.2(217, 421)

Debtor records are maintained permanently on the DHS Web-based Overpayment Recovery (WOPR) System. The debtor record includes the following information:

- ◆ Debtor name and Debtor ID
- ◆ SSN
- ◆ State ID
- ◆ Address
- ◆ Case number
- ◆ County case worker number
- ◆ Fraud worker number

An identifier is used as a key to access the debtor record.

- ◆ For clients, the identifier is based on the state identification number whenever possible. When the client has **no** assigned state identification number, the identifier is the social security number. (A child's state identification number or social security number is never used, because a child cannot be a debtor.)
- ◆ For providers, the identifier is based on the provider number, federal identification number, or social security number.
- ◆ For both clients and providers, the Debtor ID is a unique identifier in addition to the above identifiers.

After the "debtor" record is created, a "claim maintenance record" is created. This claim record contains information about a specific debt. It includes:

- ◆ A program code related to the category of assistance that was overpaid
- ◆ The primary cause of the debt
- ◆ The time frame of the debt
- ◆ The amount of the debt
- ◆ The referral source
- ◆ The date the claim became delinquent (if applicable)
- ◆ Active Payment Agreement (if applicable)
- ◆ The appeal status
- ◆ The fraud status
- ◆ The notice of debt record
- ◆ The claim status
- ◆ Any transaction applied to this debt
- ◆ Narrative relating to contacts and actions taken on an account

A debtor can have multiple claim records, since debts can occur for various programs or at different times.

Making Fraud Referrals

Legal reference: 481 IAC 71.4(10A)

The DIA Recovery Unit reviews the record to determine whether a referral for suspected fraud should be made to the DIA Economic Fraud Control Bureau (EFCB). All client error claims over \$1,000 are referred automatically by the system. When there are claims for multiple programs, any one claim referred must be over \$1,000.

An IM worker or Hawki policy specialist or PROMISE JOBS worker can also refer a case for fraud investigation using the *Overpayment Recovery Supplemental Information*, form 470-0465. Example: A situation that is less than \$1,000 but the worker believes it warrants an investigation to determine if the claim period should be longer.

Issuing Notice for Repayment

Legal reference: 441 IAC 71.5(10A)

The repayment process begins with a notice to the debtor that a debt has occurred. A notice of debt is sent whether the case is active or closed.

WOPR sends the notice of debt letters for FIP, RCA, Medicaid, Hawki, State Supplementary Assistance, Child Care Assistance, and PROMISE JOBS on the last working day of the month after the claim is entered into the system. The system sends the SNAP notice of debt letter eight calendar days before the end of the month (or the next work day if the eighth day is a weekend or holiday).

The debtor voluntarily completes the repayment agreement section. Failure to return the form may result in further collection action.

- ◆ For SNAP debts, the debtor has 20 days to respond to:
 - Form 470-4668, *Notice of SNAP Overpayment*, for SNAP debts; and
 - Form 470-4179, *Notice of SNAP Debt*, for trafficking or misuse of SNAP benefits debts.
- ◆ For FIP or RCA debts, the debtor has 20 days to respond to form 470-4683, *Notice of FIP or RCA Overpayment*.

- ◆ For Hawki member debts, the debtor has 30 days to respond to form 470-3984, *Notice of Healthy and Well Kids in Iowa (Hawki) Premium Overpayment*.
- ◆ For Medicaid or State Supplementary Assistance debts, the client has 30 days to respond to form 470-2891, *Notice of Medical Assistance Overpayment*, or form 470-4667, *Notice of Medical Assistance Debt Due to Transfer of Assets*.
- ◆ For Child Care Assistance debts, the debtor has 30 days to respond to form 470-4530, *Notice of Child Care Assistance Overpayment*.
- ◆ For PROMISE JOBS debts, the debtor has 20 days to respond to form 470-4688, *Notice of PROMISE JOBS Overpayment*.

These forms inform the debtor that a debt has occurred. They identify:

- ◆ The amount of the debt.
- ◆ The dates of the debt.
- ◆ The causes of the debt.
- ◆ The different options the debtor has to repay the debt.
- ◆ Due dates.

The notice of debt is sent initially for a new claim and then another notice is sent when changes are made to a claim (like a change in the amount owed).

The investigator may also send form 470-0495, *Agreement to Pay a Debt*, when there has been no response to a notice of debt. This form tells the amount and programs for the debt and gives the debtor a choice of repayment methods.

See also 4-Appendix, [PROMISE JOBS Provider Manual](#), for the PROMISE JOBS repayment process.

Debtor Rights and Repayment Options

Debtor rights and repayment options are explained in the following sections:

- ◆ [Appeal rights](#)
- ◆ [Payments](#)
- ◆ [Allotment reduction](#)
- ◆ [How payments are applied](#)

Debtor Appeal Rights

Legal reference: 441 IAC 7.5(6), 7.5(7), 7.6(1), 11.4(5), 11.5(5)

If the debtor wants to contest a notice of debt, the debtor must submit an appeal request to DHS. Notify DIA if a claim is certified for appeal so recovery actions are suspended until the appeal process is complete.

Forms used to notify the debtor of a debt have appeal rights on the back, if applicable, and constitute notices of adverse action. The Department grants a hearing according to policies and procedures in 1-E, [Appeals Procedures](#). Time limits for filing appeals vary by program.

- ◆ **FIP, RCA, and CCA** participants have 30 days from the date the form 470-4683, *Notice of FIP or RCA Overpayment*, or form 470-4530, *Notice of Child Care Assistance Overpayment*, is issued, as noted at [Issuing Notice for Repayment](#), to file an appeal on the existence, computation, and amount of a debt issued.

Time limits for appeals on recovery of the debt through benefit reduction begin with the notice of decision informing the person that benefits will be reduced to cover a FIP or RCA debt.

- ◆ **SNAP** participants have 90 days from the date of the *Notice of SNAP Overpayment* or *Notice of SNAP Debt* to appeal the amount, dates, or reason for a SNAP debt. Time limits on recovery through allotment reduction begin when the notice of debt is issued, as described under [Issuing Notice for Repayment](#).
- ◆ For **Medicaid** or **State Supplementary Assistance**, the 30-day time limit for granting a hearing on the existence and amount of debt also begins with the date of the first *Notice of Medical Assistance Overpayment*, form 470-2891.
- ◆ For the **Hawki** program, the 30-day limit for granting a hearing on the existence and amount of a debt also begins with the date of the first *Notice of Healthy and Well Kids in Iowa (Hawki) Premium Overpayment*, form 470-3984.
- ◆ **PROMISE JOBS** participants have 30 days from the date form 470-4688, *Notice of PROMISE JOBS Overpayment*, or form 470-4530, *Notice of Child Care Assistance Overpayment*, is issued, as noted at [Issuing Notice for Repayment](#), to file an appeal on the existence, computation, and amount of a debt issued.

NOTE: Changes, such as a change in the debt amount, generate another notice of debt with appeal rights.

A debtor who wants to contest an **offset** must submit a written request to the Department within 15 days after one of the following notices is mailed. (NOTE: DIA handles these appeals.)

- ◆ Form 470-1668, *Notice of Setoff of an Iowa Income Tax Refund for Debts Owed the Department of Human Services.*
- ◆ Form 470-4139, *Notice of Income Offset Against State Warrants.*
- ◆ Form 470-4140, *Notice of Income (Payroll) Offset.*

If DIA is upheld in the final decision, the offset process continues. The refund or other state payment is applied to the appropriate delinquent claims.

If DIA is reversed in the final decision, the Department of Administrative Services or the Department of Revenue releases the debtor's refund or other state payment to the debtor unless there are other creditors.

Debtors who want to contest the delinquency status of their SNAP claims referral to the Treasury Offset Program may submit a written request to DIA within 60 days of the date of the *Treasury Offset Program (TOP) Pre-Offset Notice*, form 470-3797.

Appeal rights for claims submitted to federal offset have been exhausted. DIA will determine if the claim is past due and legally enforceable and notify the debtor in writing of the decision.

Payments

Legal reference: 481 IAC 90.5(10A)

Making payments towards the debt is the only repayment method available for Medicaid, State Supplementary Assistance, Child Care Assistance, and Hawki cases.

For active cases on FIP or SNAP, the debtor has the option to repay by making payments or by benefit reduction. FIP participants with a PROMISE JOBS debt may repay by making payments or by authorizing FIP grant reduction in writing.

For FIP and RCA repayments for active cases, the debtor may choose to make payments only when the amount owed exceeds what would be collected by grant reduction. Payment in SNAP benefits is accepted only for SNAP debts. For SNAP repayments, the payment amount must equal or exceed the benefit reduction amount.

When a debtor returns an agreement indicating a choice of making payments, the DIA investigator reviews the agreement and compares it to the recommended payment guidelines.

Debtors who have made payment agreements to repay their claim receive form 470-0130, *Billing Statement*, each month. WOPR issues these statements on the last working day of the month. Payments are due by the 25th of the following month.

Statements may also be sent in other situations like on newer debts or when a debt is paid off.

The *Billing Statement*:

- ◆ Tells the debtor the amount of the payment due for the month.
- ◆ Lists all payments received **during the current month**. (This billing cycle also determines delinquent accounts.)
- ◆ Serves as a receipt.

When the debtor makes a payment by check or money order, instruct the debtor to make the remittance payable to the Iowa Department of Human Services. EXCEPTION: Criminal judgment payments are made to the clerk of court where the order is filed.

Debtors should send payments directly to the Iowa Department of Human Services, 1305 E Walnut Street, Des Moines, Iowa 50319-0114.

These payments should be accompanied with the first page of the *Billing Statement*. The statement contains identifying numbers so that a payment can be applied to the correct debtor's account. If there is no accompanying document or identifying numbers, the cashier must search the system to find the debtor record.

The Department's Bureau of Purchasing, Payments, and Receipts is responsible for entering the payments into WOPR. See [How Payments Are Applied](#).

Benefit Reduction

Legal reference: 481 IAC 71.5(1), 441 IAC 46.25(239B); 7 CFR 273.18(g)

“Benefit reduction” is an amount withheld from a public assistance benefit. This means grant reduction for FIP and allotment reduction for SNAP. Benefit reduction is automatic for active FIP and SNAP cases without a payment agreement.

Benefit reduction must be used for all FIP and RCA debts on active cases unless there is a payment agreement that exceeds the amount that may be collected by grant reduction, and the payments are actually being made. The FIP grant is not reduced to recover a debt for PROMISE JOBS or Transitional Child Care without the client’s written permission.

A computer interface between WOPR and the ABC System compares records monthly on the working day before timely notice day (the recoupment run). When the conditions for allotment reduction are met, the interface automatically reduces the debtor’s regular monthly FIP or RCA grant or SNAP benefit to pay the debtor’s claim.

The interface initiates SNAP benefit reduction if no payment agreement is entered in WOPR by the recoupment run day of the second month following issuance of the first notice of debt.

The interface initiates FIP or RCA grant reduction if no acceptable payment arrangement is entered in WOPR by the recoupment run day of the second month following issuance of the first demand letter.

The amount of allotment reduction varies based on the type of error. For an explanation of FIP grant reduction amounts, see 4-H, [Recovery Through Grant Reduction](#). See 7-H, [Methods of Collecting Payments](#), for an explanation of SNAP benefit reduction.

When the reduced allotment is first issued, the ABC system generates a notice of decision telling the client that benefits are being reduced to recover a debt. WOPR produces form 470-0130, *Billing Statement*, quarterly to report repayment progress.

How Payments Are Applied

Legal reference: 441 IAC 11.3(217,421)

When a debtor owes for two or more claims for the same program, WOPR prioritizes those claims. When payments are received, those payments will be applied in that priority order. Payments are applied to only one claim per program at a time, and are applied to the highest priority claim until that claim is paid off.

The Department prioritizes a debtor's debts as follows:

- ◆ For debts owed to any program **other than SNAP**:
 - If there is more than one debt for the program, the debt with an agreement is the highest priority for repayment.
 - If more than one debt has an agreement, the debt that was established first is the highest priority for repayment.
 - If there are no agreements, or if all debts with agreements are paid, the debts are prioritized by order of establishment with the debt that was established first as the highest priority.
- ◆ For debts owed to **SNAP**:
 - If there is a debt that had a payment applied to it previously, payments are applied to that debt first. If more than one debt had a payment applied previously, payments are applied in chronological order starting with the debt that received payment first.
 - If there is no debt that has had payments applied to it previously, payments are applied first to all debts with an agreement and then to debts without an agreement. Within each of these groups, payments are applied in the following order:
 - ◇ First to state-only debts in chronological order by date the claim was completed,
 - ◇ Then to intentional program violation (IPV) debts in chronological order by date the claim was completed,
 - ◇ Then to inadvertent household error (IHE) debts in chronological order by date the claim was completed,
 - ◇ Then to agency error debts in chronological order by date the claim was completed.

When there are debts in more than one program, payments received are applied:

- ◆ To the programs as indicated by the mode of repayment.
- ◆ To the programs as indicated by the client at the time of payment.
- ◆ To each program in proportion to the percent each program has of the total debt, if there is no indication of which programs the payment is to be applied to.
- ◆ For debts with a criminal judgment, payments sent to the clerk of court can only be applied to claims included in the judgment.

Other Collection Actions

Legal reference: 481 IAC 71.6(10)

If complete repayment has not been received through payments and allotment reduction, the PADRU may take one or more of the following collection actions:

- ◆ Claims may be offset against the debtor's state income tax refund.
- ◆ Claims may be offset against other income that a debtor receives from the state, through garnishment or attachment of a state warrant.
- ◆ Claims for SNAP may be offset against a debtor's federal income tax refund or other federal payments.
- ◆ Claims may be made against a debtor's estate or in a debtor's bankruptcy proceedings.
- ◆ Claims below \$5,000 may be referred for small claims court action.
- ◆ Claims of \$5,000 or more may be referred for district court action.
- ◆ Claims may be made against sponsors in certain alien cases.
- ◆ Claims may be collected by issuing a distress warrant.

Checking Other Information Systems

Legal reference: 481 IAC 71.8(10A)

The PADRU compares information with other data processing systems to identify the location, resources, or income of a debtor. The Unit uses, but is not limited to, part or all of the systems of the following agencies:

- ◆ Social Security Administration
- ◆ Iowa Workforce Development
- ◆ Iowa Department of Revenue
- ◆ Iowa Department of Administrative Services
- ◆ Iowa Department of Transportation (driver's license and motor vehicle registration)
- ◆ Iowa Department of Human Services

Offset Against State Income Tax Refunds and Other Payments

Legal reference: 441 IAC 11.4(217, 421)

DIA makes a claim against a debtor's state income tax refund or other state payments for public assistance debts when:

- ◆ A debtor has failed to negotiate a repayment agreement or the agreement is not current, and
- ◆ The cumulative balance of the applicable debts in all programs is more than \$50.

An offset will not be made against a debtor when the debt is in appeal status, or is being recovered through benefit reduction (SNAP and FIP).

Debtors may have their state income tax refund held when they have no current payment agreement or when they have agreements that are in arrears. Debtors are "flagged" for offset when they:

- ◆ Are not repaying claims or are not current with payments,
- ◆ Owe at least \$50, and
- ◆ Have a tax refund of not less than \$25.

Debtors may also have other state warrants held when they owe at least \$50 and have no current payment agreement or are in arrears. There are two types of warrant offsets:

- ◆ **Wage garnishment.** Debtors are subject to wage garnishment.
- ◆ **State warrant offset.** Debtors who are eligible for a state warrant are subject to having the payment attached to repay their claim. Examples of payments that may be offset are lottery winnings and payments to providers and contractors. This match is made each time the record for payment matches the debtor's social security number.

No match is made for tax refund offset, wage garnishment, or other state payment offset until a notice of debt has been sent for FIP, RCA, Medicaid, State Supplementary Assistance, SNAP, Child Care Assistance, or Hawki claims.

Offset Process

WOPR generates a list of the debtors meeting the state offset criteria on the 1st and 15th working days of each month. This list is sent to the Department of Administrative Services for matching by social security number.

When the debtor is entitled to a state income tax refund, form 470-1668, *Notice of Setoff of an Iowa Income Tax Refund for Debts Owed the Department of Human Services*, is sent to the debtor to inform the debtor of the amount the Department intends to claim.

The PADRU receives a payroll match from the Department of Administrative Services quarterly. When a match is made, the PADRU mails the debtor form 470-4140, *Notice of Income (Payroll) Offset*. This notice informs the debtor of the amount the Department intends to claim and offers the debtor the opportunity to make an agreement to repay.

The Department of Administrative Services notifies the PADRU when a listed debtor is entitled to any other nonexempt state warrant. The PADRU then mails the debtor form 470-4139, *Notice of Income Offset Against State Warrants*.

When Jointly Owned Payments Are Divided

Legal reference: 441 IAC 11.4(4)

When either spouse wants to request a division of a jointly or commonly owned right to a payment, that spouse must submit a written request to the Department within 15 days after the offset notice is mailed. The offset notices are sent on:

- ◆ Form 470-1668, *Notice of Setoff of an Iowa Tax Refund for Debts Owed the Department of Human Services,*
- ◆ Form 470-4139, *Notice of Income Offset Against State Warrants.*

When the request is received within the 15-day limit, the Department of Administrative Services or the Department of Revenue releases the spouse's proportionate share, as determined by them, unless:

- ◆ Other claims are made on that portion of the jointly or commonly owned right to payment, or
- ◆ That spouse was also a member of the same household, and the spouse's income and resources were or should have been considered in the calculation of public assistance.

This policy applies to anyone who is the co-owner of the payment. If two people are mutually entitled to a payment, but only one of them is responsible for the debt, either one can ask to have the payment divided.

The Department will claim only the part of the payment belonging to the person who is responsible for the debt. The rest will be released to the other owner. However, the payment will not be divided if both people were in the household and responsible for the debt.

Applying the Offset

Legal reference: 441 IAC 11.4(6) and 11.4(7)

If the Department has not received a request for an appeal hearing or a request for a division of a jointly or commonly owned payment within 15 days after the date that the offset notice is mailed, the PADRU notifies the Department of Administrative Services or Department of Revenue to carry out the offset.

For tax refunds and other state warrants, WOPR notifies the debtor of the final decision regarding the claim by mailing form 470-1667, *Debt Setoff Credit*, to the debtor.

Garnishment begins automatically if form 470-4140, *Notice of Income (Payroll) Offset*, is not appealed. When the maximum amount of garnishment for the year has been collected, the Department of Administrative Services notifies the PADRU.

The Department applies any offset received from the Department of Administrative Services or Department of Revenue to the debtor's debts as indicated on form 470-1668, *Notice of Setoff of an Iowa Income Tax Refund for Debts Owed the Department of Human Services*, or form 470-1667, *Debt Setoff Credit Letter*. See [How Payments Are Applied](#).

Federal Offset for SNAP

Legal reference: 441 IAC 65.21(6)

DHS makes a claim offset against federal income tax refunds or other federal payments through the Treasury Offset Program (TOP) for SNAP overissuances when:

- ◆ A debtor is not participating in SNAP.
- ◆ A debtor has not negotiated a repayment agreement and 120 days have elapsed since the due date.
- ◆ A repayment agreement has been signed but is in arrears, and the total unpaid balance on claims for this debtor exceeds \$25.00. A payment agreement is considered to be in arrears when:
 - 120 days have elapsed since the first of the month following the month when the person failed to make the agreed payment, and
 - The person has not subsequently made up the missed payment.)

A claim against an individual will not be referred for federal offset when:

- ◆ The debt is under appeal, or
- ◆ The claim is being recovered by benefit reduction

The Department will submit a monthly certified notification of liability for delinquent claims for SNAP. All debtors will receive a notice, form 470-3797, *Treasury Offset Program (TOP) Pre-Offset Notice*, identifying the amount the Department intends to refer to TOP for offset. A request for a split of jointly owned tax refund must be sent directly to the Internal Revenue Service.

The Treasury Department will charge an offset fee to the debtor when a match takes place. The amount collected through treasury offset is automatically applied to SNAP claims. Any amount remaining after offset is released back to the debtor.

Compromising or Terminating a Claim

Legal reference: 441 IAC 170.9(5) (234)

In some cases, the Department may decide to compromise or write off the amount of a claim. The PADRU must approve compromises caused by court orders, bankruptcy, or death.

Compromises caused by client circumstances can be made only through exceptions to policy. The director of the Department may grant exceptions to the Department's rules in individual cases upon the director's own initiative or upon request. See criteria at 1-B, [Exceptions to Policy](#).

Although this action does not represent actual recovery, it requires system entry, since the balance of the claim is changed. The PADRU will adjust debts according to the DHS director's decision.

The PADRU can also change the balance, as well as the total owed, if it is discovered that the original claim was entered in error. This action is generally initiated by receipt of a claim update from the IM, PROMISE JOBS, or Hawki worker.

SNAP claims that have been reduced to an amount of \$25 or less will be terminated if:

- ◆ The claim is delinquent more than 90 days, and
- ◆ There are no other claims to which the claim can be added to bring the amount owed to an amount greater than \$25.

Child Care Assistance, FIP, and PROMISE JOBS nonfraud debts will be terminated when the claims are less than \$35 and have been in suspension for three years.