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| LOCAL COMMISSIONERS MEMORANDUM |  
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Transmittal No: 90 LCM-204

Date: December 31, 1990

Division: Income Maintenance

TO: Local District Commissioners

SUBJECT: Collection of Overpayments from Closed Public Assistance  
Cases

ATTACHMENTS: None

The purpose of this LCM is to encourage active recovery of public assistance overpayments to former recipients and to provide procedures to follow for the recovery of these overpayments. The active recovery of public assistance overpayments to former recipients is an additional source of revenue for both local districts and the State.

Department regulations require that recovery of public assistance overpayments be made by appropriate legal action against the income or resources of those individuals who are no longer recipients.

Collection Efforts

Local districts should examine their procedures to ensure the routine review of closed public assistance cases with outstanding overpayments so that recovery action can be initiated as quickly as possible.

At a minimum, local districts must attempt to notify the individual about the amount of, and the reason for, the overpayment and request that repayment be made.

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NOTE: Local districts must waive recovery of an overpayment from an individual no longer receiving assistance if the amount of the overpayment is less than \$35 and the overpayment was not the result of fraud on the part of the recipient as defined in section 348.1 of Department regulations. In cases involving fraud, local districts must continue to make an effort to recover the overpayment, regardless of the amount. When the overpayment is \$35 or more and does not involve fraud, local districts may elect to discontinue collection procedures when it is determined that the cost of recovery is greater than the cost of collection and reasonable efforts to recover the overpayment have been made. Reasonable efforts must include notification of the amount of, and reason for, the overpayment and that repayment is required.

Local districts should send a letter after case closing informing the former recipient of the outstanding overpayment balance and requesting voluntary repayment or agreement to a repayment plan. If this first effort is not successful, efforts must continue so long as it is cost effective or if the overpayment involves fraud. Continued efforts include additional letters advising the client that legal action may be taken, use of collection agents and/or legal action itself. The cost of each level of continued effort should be weighed against the amount of the outstanding balance. Local districts are strongly urged to renew these efforts at least once a year when previous attempts to recover have been unsuccessful and a balance remains. Districts that have not done this in the past should now review outstanding balances on cases closed for over a year and, at least for those cases with significant balances, make renewed efforts to recover.

Where an overpayment has been identified and it has been established that the recipient is deceased, appropriate legal action should be initiated to recover the overpayment from the recipient's estate, where possible.

Suspending Collection Efforts

Collection efforts should be suspended when a district has been unable to locate the former recipient after a diligent search has been made, including, but not limited to, the following sources:

- (1) Coles Directory (or other types of City directories found in most public libraries)
- (2) Bank Clearance
- (3) Credit Check
- (4) Post Office
- (5) Telephone Directory
- (6) Motor Vehicle Bureau Clearance
- (7) State Unemployment Insurance Bureau
- (8) Bendex

Collection efforts should be suspended on those cases in which, after a thorough investigation, it is determined that the individual is unable to pay. Discretion should be exercised in marginal cases (i.e., individual is employed but without other resources, and an imposition of a repayment schedule would cause a return to public assistance).

Efforts to determine the ability to pay will include reviewing for resources from the following sources:

- (1) Bank Clearance
- (2) Motor Vehicle Bureau Clearance
- (3) Credit Bureau Clearance
- (4) Ownership of Real Property Listing
- (5) Federal Tax Liens on Real Property Listings
- (6) Employers
- (7) Unemployment Insurance Bureau Records
- (8) Uniform Commercial Code Listings

The district must maintain a record of the outstanding overpayment in the event that the former recipient's financial circumstances change or the case is reopened. As mentioned above, local districts should establish procedures that require the routine review of closed public assistance cases with outstanding overpayments which have had no collection activity within one year of the review.

This Department is considering additional measures that will assist local districts to recover overpayments from closed cases.

Questions regarding this LCM should be referred to John McCarthy at 1-800-342-3715, extension 4-9346.

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Division of Income Maintenance