

## **SA-3300 ADMINISTRATION OF CHECKS AND PAYMENTS**

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### **I. INTRODUCTION**

County departments are responsible for determining initial and continuing eligibility and ensuring that payments are correct according to procedures and regulations of the Special Assistance (SA) Program.

### **II. ESTABLISHING A PAYEE**

#### **A. Recipient is Payee**

The recipient is payee for his/her own SA check unless he/she is unwilling or unable to manage his/her assistance (e.g., he refuses to pay the facility).

#### **B. Substitute Payee**

If the recipient is unwilling or unable to manage his/her assistance, a substitute payee must be established. Substitute payees are responsible for receiving and disbursing checks to meet the recipient's needs. It is recommended that a copy of legal documents such as the POA or guardianship appointment be filed in the record.

1. A substitute payee may be:
  - a. Representative chosen by the a/r
  - b. Trustee
  - c. Power of attorney
  - d. Legally appointed guardian, or
  - e. County DSS
2. The following persons are ineligible to serve as payee:
  - a. Member of the board of county commissioners, or
  - b. Member of the county board of social services.

### III. MAILING AND DELIVERING CHECKS

#### A. Check Preparation

Checks are issued by the State according to authorization from the county director or his/her designee. The county DSS does not initiate SA checks.

#### B. Check Issuance

1. All checks, except replacement checks, are mailed directly to the address indicated in EIS.
2. Replacement checks are mailed to the county DSS.
3. Regular run checks for recipients are delivered to the post office on the last workday of each month.
4. A listing of straggler checks is sent to the county departments on a daily basis.

### IV. RECEIPT OF PAYMENT

#### A. Endorsement of Check

1. The a/r or substitute payee must endorse the check exactly as the name appears on the face of the check. It is illegal for anyone else to endorse the check.
2. If the payee is unable to endorse the check, the payee must make his/her mark (X) in the presence of two witnesses. One of the witnesses must write the recipient's name and the words "His/Her Mark" on the back of the check. Both witnesses must write their names and addresses below the endorsement. See example below.

Example: Henry T. Wilson

His mark: (X)

Witnesses: Harry Smith

Route 3

Gloverdale, NC

Julia Harrington

201 Dixie Street

Any City, NC

3. Advise the payee to not endorse the check until ready to cash it.
4. IMCs must not endorse or cash checks, or witness signatures.

- B. The check is to be applied to cost of care (room and board) and personal needs. Refer to [SA-3220, Budgeting Principles](#).**

**V. LOST OR STOLEN CHECKS AND SUSPECTED FORGERIES**

**A. Request for Replacement Check**

Immediately have the payee sign the [DSS-8129, Request for Replacement Check and Affidavit](#), stating that a/r did not receive and/or endorse and/or cash a/r's assistance check. Complete the form and immediately submit it to:

Program Benefits Payment Section  
2019 Mail Service Center  
Raleigh, NC 27699-2019

Note: If the check has not been paid, a replacement check will be issued.

**B. Check Has Been Paid**

If the check has been paid by the State Treasurer, a photocopy of the check will be sent from Program Benefits Payment Section to the County DSS. Compare the signature on the back of the check to verify it is the signature of the payee.

1. If the payee endorsed the check, and the check was subsequently lost or stolen:
  - a. Encourage the recipient to file a theft report with the police.
  - b. Submit a request for replacement check to the Program Benefits Payment Section and note that the check was endorsed.
    - (1) If the check has not been paid by the State Treasurer, it is returned through banking channels to the original cashier who is financially responsible. The Program Benefits Payment Section then issues a replacement check.
    - (2) If the check has been paid by the State Treasurer, a replacement check is not issued. It is the responsibility of the recipient to take legal action if he wishes. Upon request, the Program Benefits Payment Section furnishes copies of the paid check to local law enforcement agencies.
2. If it is suspected that the payee endorsed and cashed the check:
  - a. Notify the Program Benefits Payment Section. That section voids the Request for Replacement Check originally submitted. A replacement check is not issued.

- b. Send a [DSS-8110, Timely Notice](#), to inform the recipient why he will not receive a replacement check.
3. If forgery is suspected:
  - a. Encourage the recipient to file a theft report with the police department.
  - b. Submit the [BPS-8920, Forgery Affidavit](#), to the Program Benefits Payment Section to request issuance of a replacement check.
4. To request the original check in order to conduct a handwriting analysis:
  - a. The county DSS sends the [DSS-8129, Request for Replacement Check and Affidavit](#), to the Program Benefits Payment Section. Enclose a letter requesting the original check for handwriting analysis.
    - (1) If the check has been cashed, the original check and the Forgery Affidavit will be received by the county DSS.
      - (a) If it is determined the check is forged, return the original check and Forgery Affidavit to the Program Benefits Payment Section. A replacement check is issued. The county will be charged for the check amount if the original check is not returned. The State cannot obtain forgery credit without the original check.
      - (b) If it is determined that the recipient signed the check, return the original check to the Program Benefits Payment Section. Enclose a letter to cancel the Request for Replacement Check.
    - (2) In all situations, return the **original** check to the Program Benefits Payment Section within 60 days after receipt. If the handwriting analysis cannot be completed within 60 days, contact the Program Benefits Payment Section to request a 30-day extension.
  - b. If a replacement check is not required after a request has been made, contact the Program Benefits Payment Section, telephone (919) 733-4640, to cancel the request.

## VI. PAYMENTS TO DECEASED RECIPIENTS

If a recipient dies **without having endorsed** checks to which he was entitled, the checks must be delivered to the Clerk of Superior Court who administers the funds in accordance with North Carolina Law. Checks issued to recipient for any month subsequent to his/her death must be returned to the county DSS.

## **VII. UNDERPAYMENTS FOR ONGOING RECIPIENTS**

### **A. Reasons for Underpayment**

An underpayment occurs when the recipient receives a payment less than he/she is eligible to receive due to:

1. Error in applying program regulations, or
2. Error in computing the payment, or
3. Error in processing, or
4. Recipient fails to report a change in situation timely.

### **B. Reimbursing Underpayments**

Promptly reimburse the recipient for all county and State responsible underpayments when:

1. The case continues to be active; or
2. The recipient reapplies for assistance and is found to be eligible; or
3. The case would have been active if the error had not occurred.

NOTE: Do not authorize assistance or adjust payments for more than 12 months prior to the month the underpayment is discovered. Follow instructions in the [EIS User's Manual](#).

### **C. Computing an Underpayment**

1. Verify all changes according to the appropriate SA Manual section.
2. Determine incorrect payment period. The overpayment/underpayment period includes the month when a change should have been made effective until the month the change is made effective.
3. Determine eligibility for the error period as it would have been done had the error not occurred.
4. Compute income as instructed in [SA-3210, Income](#). Follow all regulations, including notice requirements.
5. Calculate net overpayment and net underpayment when overpayments and underpayments occur during the same period.

6. Determine the difference between net overpayment and net underpayment.
  - a. If the difference results in an underpayment, refer to [VII.D.](#)
  - b. If the difference results in an overpayment, refer to [VIII.C.](#)

Note: Do not count the adjusted payment as income or as a resource.

**EXAMPLE OF UNDERPAYMENT:**

Mr. Jones is an SA facility resident. His only monthly income is RSDI and SA. Social Security realizes that they have overpaid Mr. Jones \$500.00 RSDI in the past. To recoup overpayments, SSA reduced his ongoing RSDI check by \$10.00/month effective April and continuing until the \$500.00 is recouped. Mr. Jones reported to the IMC on May 5 that he was not receiving enough money each month for his cost of care. The IMC verifies with Social Security that RSDI payments were reduced effective April. The IMC issues a \$10.00 supplement for April and a \$10.00 supplement for May. The ongoing case is corrected effective June to reflect decreased RSDI and increased SA payment.

**D. Issuing a supplemental SA payment**

To correct an underpayment, complete a DMA-5022, Retroactive Eligibility screen according to the procedures in [EIS Section 3104](#).

**VIII. OVERPAYMENTS FOR ONGOING RECIPIENTS**

Each DSS establishes internal policies to determine who will calculate overpayments according to the following procedures. Overpayments can only be determined for ongoing SA recipients. (For changes during the application process and prior to disposition of the application, refer to [SA-3110, Application Process](#) and [SA-3220, Budgeting](#)).

**A. Reasons for Overpayments**

An overpayment occurs when the recipient received a payment for which he is not eligible due to:

1. Error in applying program regulations, or
2. A/r fails to report a change in situation timely, or
3. A/r provides false or incorrect information, or
4. A/r fails to report the receipt of an assistance payment greater than the authorized payment, or

5. A/r fails to report timely a move from an adult care home to independent living, or
6. A/r receives continued assistance during hearing process, and the hearing officer affirms the reduction or termination (Refer to [SA-3340, Hearings](#)).

## **B. Computing an Overpayment**

1. Verify all changes according to the appropriate SA Manual section.
2. Determine and document the date the change occurred.
3. For changes involving a reported or unreported move to a private living situation:
  - a. Apply 5/10 day rule. Using a calendar, count 5 calendar days beginning the day following the date the change occurred and add 10 working days (Using the [calendar below](#), this date is the 20<sup>th</sup>).
  - b. Subtract the date established in [VIII.B.3.a.](#) above from the number of days in the month of overpayment (Using the calendar below, the calculation would be 31 - 20 = 11). This determines the number of days for which the overpayment was made.
  - c. Divide the recipient's monthly SA payment minus the \$46 personal needs allowance by the number of days in the month to determine the per diem rate for that month.
  - d. Multiply the number of days of overpayment in [VIII.B.3.b.](#) above times the per diem rate to determine the amount of overpayment for the month.
  - e. If the recipient was not eligible for SA payment for any month, the overpayment is the full amount.

Refer to [Example 1](#) below.

**Note:** The 5/10 day rule does not apply for changes involving a move from the SA facility to a higher level of care or when the recipient dies. In those situations, the recipient is entitled to the payment for the entire month of change **if he was in the facility on the first day of the month**. The facility is required by licensure rules to refund to the recipient or his estate the portion of the payment after his discharge or death.

4. For changes involving unreported income:
  - a. Verify date new income was received.

- b. Apply 5/10 day rule. Using a calendar, count 5 calendar days beginning the day following the date the change occurred and add 10 working days (See [calendar](#) below for an example).
- (1) If the 5/10 day rule ends in the same month in which change occurred, there is no overpayment because the recipient was eligible for the full amount on the first day of the month.
  - (2) If the 5/10 day rule ends in the next month after the change occurred, subtract the end date of the 5/10 rule from the number of days in the month, recoup overpayment for that number of days.

To calculate overpayment for partial month:

Determine the new SA amount.

- (a) Subtract the new SA payment from the old SA payment.
- (b) Divide the difference by the number of days in the month to determine the daily SA payment amount.
- (c) Multiply the new SA daily payment amount times the number of days of recoupment.

Refer to [Example 2](#) below.

SAMPLE CALENDAR WHEN APPLYING 5/10 DAY RULE						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
	Change occurred	Count 5 days from the change starting here				→
8	9	10	11	12	13	14
Count 10 working days from here	Sunday not a working day, so start 10 day count here				→	
15	16	17	18	19	20	21
					10 day count ends here	Recoup the remainder of the month starting here
22	23	24	25	26	27	28
Recoup	the	remainder	of	the	month	→
29	30	31	1	2	3	4
		→				

5. For unreported changes resulting in excess resources:

- a. Determine number of months the recipient was over the resource limit on first moment of the first day of the month.
- b. The overpayment period begins the second month following month of receipt of excess resources.

NOTE: The month following the receipt of resource is not included in the overpayment period due to the notice requirement.

- c. Recoup full SA payment for any subsequent months. Refer to [Example 3](#) below.

6. For unreported death of recipient recoup the full SA payment for any month following the month in which death of recipient occurred.

**EXAMPLES OF COMPUTING AN OVERPAYMENT:**

Use the following calendar as a reference when referring to the examples below.

<b>MARCH AND APRIL</b>						
<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

**Example 1:** Overpayment (Use [March and April calendar](#) above): Recipient doesn't report moving from an SA facility to a Private Living Arrangement.

Ms. Smith was a resident of an ACH. Ms. Smith signed a contract with the ACH stating she would give a 14-day notice before leaving. She moved to a private living situation on March 25 without prior notice to the facility. Ms. Smith is entitled to a SA payment for 5 calendar days (5 days allowed to report change to IMC) plus 10 working days (10 days timely notice period) after the day she left. Using the calendar above, Ms. Smith is eligible for a SA payment through April 13. She is responsible for making the payment to the ACH to cover the 14-day notice.

The change of living arrangement was not reported to the IMC until July 7. The remainder of April's SA check (April 14 through 30) must be returned to the county DSS. The full amount of May and June SA checks must be returned to the county DSS.

Outcome:

Ms. Smith has no disregarded income or excess resources. She signs a statement agreeing to pay back the overpayment should she acquire any extra money in the future. If repayment is not voluntarily submitted, refer to [SA-3410, Recipient Fraud](#).

**Example 2:** Overpayment (Use [March and April calendar](#) above): Unreported earned income.

Mr. Jones receives RSDI in the amount of \$720 per month. When he was approved for SA on February 14<sup>th</sup>, he stated RSDI was his only income. His SA payment was determined to be \$528 per month, based on current basic SA Basic rate of \$1,182 and personal needs allowance of \$46. He was in the facility on the first day of February and met all other SA eligibility requirements, so he was authorized for the entire month.

RSDI	\$720.00
General Unearned Income Exclusion	- 20.00
Total Countable Monthly Income (TCMI)	\$700.00
SA Basic Maintenance	\$ 1,228.00
Minus TCMI	- 700.00
SA Basic Payment	\$528.00

On May 5 Mr. Jones notified the county DSS that he began working in March and received his first paycheck March 20. Mr. Jones' gross earned income was determined as \$200 per month. IRWE is 0.

**See the earned income calculation below.**

Earned Income Calculation:

Gross earned income	\$ 200.00
Earned Income Exclusion	- 65.00
Divided by Two	÷ 2 \$ 135.00
Minus One Half the Remainder	- \$ 67.50
Equal Countable Earned Income	\$ 67.50

**Calculating the New SA Basic payment:**

See the new SA Basic payment calculation below.

New SA Basic Payment Calculation:

RSDI	<b>\$720.00</b>
General Unearned Income Exclusion	- 20.00
Countable Unearned Income	<b>\$700.00</b>
Plus Countable Earned Income	+ 67.50
Total Countable Monthly Income (TCMI)	<b>\$767.50</b>
SA Basic Maintenance	\$ 1,228.00
Minus TCMI	<b>-\$767.50</b>
SA Basic Payment	<b>\$460.50</b>
New SA Basic Payment	<b>\$461.00</b>

Counting \$67.50 net countable earned income and **\$720** unearned income minus the \$20 general income exclusion results in SA payment of **\$460.50** rounded to **\$461.00** per month for April and May.

**Calculating the overpayment:**

Mr. Jones began working and received his first paycheck on March 20. Considering the five calendar day reporting requirement, plus the 10 workday timely notice, the 5/10 rule ends April 8. The overpayment period and overpayment amount are computed as follows:

SA Basic Overpayment Calculation:

Old SA payment	<b>\$528.00</b>
New SA payment	<b>- \$461.00</b>
Overpayment for <b>April</b>	67.00

Number of Days in April	30
5/10 Rule Ends April 8 <sup>th</sup> - Subtract 8 days	- 8

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Remaining Days in April	= 22
Number of Days Overpaid in April (April 9-30)	22
Full month overpayment	\$ 67.00
Number of days in month of April	÷ 30
Daily overpayment amount	\$ 2.23
Number of days of recoupment	x 22
Overpayment for April	\$ 49.06

Overpayment for May (full amount)	\$ 67.00
Overpayment for April (partial month)	+ 49.06
Total Overpayment	\$116.06
<b>Total Overpayment (rounded)</b>	<b>\$116.00</b>

The [DSS-8110, Termination or Modification of Public Assistance](#) was issued to Mr. Jones notifying him of reduction of his SA payment effective June. It explained that the \$116.00 overpayment must be paid to the county DSS.

Outcome A: Mr. Jones has \$200.00 in his checking account as reserve. He voluntarily repays \$49 for April and \$67 for May.

Outcome B: If Mr. Jones does not return the \$116 (\$49 overpayment for April and \$67 overpayment for May), then his future checks must be adjusted. Mr. Jones has disregarded income.

Because Mr. Jones has disregarded income, the SA payment may be reduced up to 10% of payment amount. His new payment is **\$461.00** and 10% of that is **\$46.10**. Only up to 10% of the SA payment can be recouped. Therefore the recoupment can only be **\$46.00** per month. Assuming no other changes, Mr. Jones should receive **\$415 (\$461.00 - \$46.00)** for June and July and **\$415.00 (\$461.00-\$34.00)** for August. Beginning in September, his continuing payment would be **\$461.00** monthly.

Example 3: Overpayment: Exceeding the Resource Limit

Mr. Brown is a recipient of SA and resides in an ACH. Mr. Brown receives his full SA payment on March 1. On March 6, he received an inheritance check and did not report this to the county DSS. On June 10, the IMC discovered a receipt of inheritance and verified he still had it on hand the first day of April, May and June. Issue a [DSS-8110, Termination or Modification of Public Assistance](#) effective June 30. Recoup full SA payment for April, May and June

## C. Collecting an Overpayment

### 1. Recipient Responsible Overpayments

The collection of recipient responsible overpayments for SAA and SAD cases remains the responsibility of the legal county of residence. Ask recipient to refund the overpayment voluntarily. Refer to [Example 2](#), Outcome A in [VIII.B.6.](#), above.

- a. If recipient refuses to refund overpayment, reduce SA payment up to 10% of the payment amount if there is disregarded income or reserve up to the amount to be recouped. Refer to [Example 1, Outcome](#) in [VIII.B.6](#), above.
- b. If there is no disregarded income or reserve, ask the recipient to sign an agreement to repay if resources are acquired in the future. Refer to [Example 2, Outcome A](#) in [VIII.B.](#) above.

(1) Repayment agreements must contain, at a minimum

- (a) Amount of the overpayment
- (b) Repayment schedule

(2) Provide recipient with a dated copy of the repayment agreement and file a copy in the record.

### 2. County Responsible Overpayments

- a. If an overpayment occurs because of a county office error in applying program regulations, the overpayment will be charged to the county.
- b. When an overpayment occurs because of a county error in processing the check, recoup the overpayment from the recipient only if the recipient was properly notified of the correct amount he/she was eligible to receive. Refer to notice requirements in [SA-3330, Notices](#).
- c. For all county responsible SA overpayments, complete a [DSS-8201](#), County Responsible Overpayment form, and submit the form to the address below:

DHHS Controller's Office  
Program Benefit Payments Section  
2019 Mail Service Center  
Raleigh, NC 27699-2019

When completing the DSS-8201, fill in the full amount (state and county portion) of the SA overpayment in the "Amount" column. The county share of the overpayment will be adjusted and will reflect on the Public Assistance Adjustment Register

(adjustment code 20) that the State will recoup its 50% share of the state/county payment. A copy of the Public Assistance Adjustment Register and a notification adjustment letter is provided to the county DSS director.

3. State Responsible Overpayments

- a. If an overpayment occurs because of a State office error in interpreting program regulations, the overpayment will be charged to the State.
- b. If an overpayment occurs because of a State office error in processing the check, and the recipient has received notification of the correct amount, collect overpayment from the recipient.

4. Refunding Overpayments

a. SA Checks That Have Been Cashed

- (1) Complete [DSS-1656, Refund Receipt](#), when a refund of an overpayment is made either by cash or personal check. Refer to [EIS-3250](#), Processing Cash Overpayment Collections.
- (2) Deposit overpayment refund into DSS account.
- (3) Prepare county DSS check in the amount of refund and submit [DSS-1656, Refund Receipt](#) with check to Program Benefits Payment Section at the address below for cancellation and financial adjustment for the county DSS.

Program Benefits Payment Section  
2019 Mail Service Center  
Raleigh, NC 27699-2109

b. SA Checks That Have Not Been Cashed

NOTE: Do not complete [DSS-1656, Refund Receipt](#) if the original check is returned, even if the check has been endorsed.

(1) To return the SA check:

- (a) Mark "VOID" on signature of returned check. Do not mark over printed information on the check.
- (b) Issue recipient a receipt.
- (c) Send voided check to Program Benefits Payment Section for cancellation and financial adjustment.

Program Benefits Payment Section  
2019 Mail Service Center  
Raleigh, NC 27699-2019

- (2) Verify cancellation of check by reviewing monthly Adjustment Register.

**NOTE:** If fraud is suspected, refer to [SA-3410, Recipient Fraud](#).