

50. Underpayments/Supplements

50.1 General [EAS 44-340]

50.1.1 Rule

Underpayments occur when the applicants or recipients receive less than the amount to which they are entitled in a given month or months. An underpayment must be corrected in accordance with the regulations in effect on the date of discovery. The EW must take all reasonable steps necessary to promptly correct any underpayments that come to the attention of the EW.

This includes case review, recalculation, and correction of any underpayment shall be completed as soon as possible and no later than the following deadlines:

- The date of the next annual redetermination of eligibility or the date of termination, whichever is earlier, for all current recipients;
- Sixty days from the date aid is granted for reapplications and request for restoration of aid; and
- Sixty days from the date of a request for review in all other cases.

50.1.2 When Not to Establish Underpayments

An underpayment does NOT occur in the following circumstances:

- A client's failure to apply for or request aid, including special needs such as the pregnancy special need.
- A change in the current month's budget. (This is not an underpayment but a supplement to the grant).
- When a change in circumstances occurs or actual income received is less than what was reasonable anticipated during the SAR payment period.



Reminder:

The EW must NOT reconcile actual verified income against prospectively budgeted income that was used in the grant calculation as income that was reasonably anticipated at the time benefits were calculated.

50.1.3 Correction of the Underpayment

- Underpayments can be corrected through retroactive payments.
- If an AU has both an underpayment and overpayment, the underpayment must be offset against the overpayment before making a retroactive corrective payment.
- The month of discovery is the month in which the county obtained any information which could have reasonably led to a determination that an underpayment occurred.
- For purposes of continued eligibility and the grant computation, retroactive payments shall not be considered as income or as a resource in the month of receipt nor in the following month.
- There is no minimum underpayment correction, e.g., a \$2.00 underpayment issuance can be issued, as long as there is eligibility.

50.1.4 EW Action

When it is discovered that an underpayment may have occurred, the EW must correct an underpayment as follows:

- Use the regulations in effect on the date of discovery.
- Enter the new income in the **Collect Income Received Detail** or the **Collect Unearned Income Detail** window.
- Add the person in the **Collect Individual Detail** window, as appropriate.
- Select the appropriate Use Effective Month (UEM)
- Run EDBC and evaluate cash benefits for the months affected on the **Capture Discrepancy Information** window.

50.2 Special Considerations [EAS 44-340]

50.2.1 Mandatory Inclusion

An underpayment may only be issued for months in which all technical conditions of eligibility are met. These are considered to have been met as of the date the mandatory person entered the AU, provided:

- The person is cooperating in meeting these conditions, and

- The caretaker relative fulfilled their reporting responsibilities in making a timely and accurate report of the change in AU composition.

Basically, this means that if the fact that an additional person entered the home was not reported in a timely manner, no underpayment exists.

50.2.2 Grant Adjustment Due to SAR 7

If information reported on the SAR 7 results in an increase of cash aid, and the EW cannot increase the grant by the first day of the month of the next SAR payment period, a supplement must be issued for that month. The cash grant for the remaining months of that SAR period is increased.

50.2.3 Voluntary Mid-Period Reporting

A mid-period supplemental payment resulting from a voluntary mid-period report, which was correctly computed based on a recalculation of reasonably anticipated income and or other changed AU circumstances, must not be considered an underpayment and cannot be used to offset an overpayment.

50.2.4 Supplemental Payments

A supplemental payment which was correctly computed, based on the reasonably anticipated income, must not be considered as an overpayment provided that the recipient's report was complete and accurate. If there is a computational error, the supplemental payment must be corrected. Supplemental payments are not issued retroactively, based on actual income, when a client fails to make a voluntary report of a decrease in income. Although supplements can not be issued retroactively, the benefit to the client is that an OP will not be assessed for that month in which a decrease to the income occurred.

50.2.5 Examples of Underpayments and/or Supplemental Payments

Below are examples of when an underpayment and/or supplemental payment may occur:

Example 1

An AU is comprised of Mom, Dad and three children. The AU is on a July through December SAR payment period. Mom is not working and Dad is working full-time. The AU has no other income besides Dad's income. On August 4th, Mom reported that Dad moved out of the home on August 1st. Mom was informed that removing Dad from the case would increase her cash aid because his income will no longer be counted. Mom requested to remove Dad from the case and have her benefits re-evaluated. In this situation, a supplemental payment for the month of August would be issued and the AU's cash aid would increase for the remainder of the SAR payment period.

Example 2

A CalWORKs recipient reported and provided pregnancy verification on April 10th. In this situation, there is no need to wait until the first day of the following month to increase cash aid if the recipient is determined to be eligible for the pregnancy special need (PSN). A supplemental payment of \$47 must be issued for the month of April and for the remaining months in the payment period or until the birth of the child has been reported and the newborn is added to the AU, whichever occurs first.

Example 3

An AU comprised of Mom, Dad and one child, reapplied for CalWORKs on July 15th. Mom is working part-time, and Dad is unemployed. The application was denied because the AU was over the MBSAC. In August, Mom contacted the EW and requested her case be re-evaluated. The EW determined the case was erroneously denied because the EW counted Dad's income that was previously entered in the system. The EW also discovered the AU has an outstanding overpayment. In this scenario, July would be an underpayment, and since the AU has an outstanding overpayment, the EW would offset the underpayment for July against the prior overpayment and issue the remaining amount to the AU if applicable. A supplemental payment would be issued for August and cash aid issued for the remaining months of the SAR payment period.

Example 4

The AU is comprised of a non-needy grandmother and one grandchild. The AU's AR/CO payment period is February through January. The AU reported timely on the AR 3 that another grandchild moved into the home as of April 10th and provided the required verification to the EW. The EW did not process the paperwork to add the child until June 10th. In this situation, an underpayment will be issued for the month of May, and a supplemental payment will be issued for the month of June and cash aid increased for the remaining months of the AR/CO payment period. If the AU has an outstanding overpayment, then the CWD would offset the May underpayment against the prior overpayment and issue the remaining amount to the AU if applicable.

50.2.6 Erroneous Denial

Underpayments which occur due to the erroneous denial of an application must be corrected even though the client met the technical conditions of eligibility at a later date, when the delay was caused by the denial.



Reminder:

Technical conditions of eligibility include applying for a Social Security number, applying for unconditionally available income such as UIB, and providing the absent parent information.

Example 1

A single pregnant woman applied for CalWORKs for the first time on January 10th. She has no other children in the home, and she was not eligible for immediate need. She provided pregnancy verification with an estimated due date of confinement that shows she is in her second trimester of pregnancy. During her intake interview, she reported that she is attending college and working part time through her school's work study program. The case worker entered the income as earned income instead of exempt income which resulted in the denial of cash aid due to being over the Minimum Basic Standards of Adequate Care (MBSAC). On February 4th, the case worker reviewed the case and realized the income was incorrectly budgeted and rescinded the denial. The worker corrected the error and issued an underpayment for January. The worker also issued a supplemental payment for February and issued cash aid for the remainder of the payment period.

Example 2

A client applies for CalWORKs on January 10th and believes his car is valued at \$12,000. The application is denied on January 25th. On February 1st, the client returns with estimates from car dealers which indicate the car is worth \$10,000. Even though the client failed to apply for UIB, aid shall be authorized effective January 10th, the date of the erroneous denial if such failure was caused by the erroneous denial. The beginning date of aid for an erroneous denial is determined following the general beginning date of aid rules.

