DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Olympia, Washington

TO: HOLDERS OF DCFS MANUAL

NOTICE NO: T-9
Issued: 1/3/85

FROM: Gerald E. Thomas, Asst. Secretary
Health and Rehabilitative Services

SECTIONS REVISED::
N/A

EFFECTIVE: Upon Receipt
FOR INFORMATION CALL:
Jean Gregory
SCAN 234-7136 or
Non-SCAN 753-7136

IF NOT DELIVERABLE, RETURN TO: MANUAL PRODUCTION UNIT MS OB-16

SUBJECT: SOCIAL SERVICE PAYMENT SYSTEM - INTERIM SOCIAL SERVICE OVERPAYMENT PROCEDURES

Place this notice in front of Chapter 05, DCFS Manual, and note on the Tan Notice Control Sheet the date Notice No. T-9 was entered. Remove previous Notice No. G-190. Retain Administrative Policy No. 10.02.

Chapter 05, DCFS Manual, Social Service Overpayments, will be issued at a later date.

INTRODUCTION

The Interim Social Service overpayment instructions will provide social service staff with a uniform procedure to handle overpayments as defined below. An overpayment is defined as a billing error mutually recognized by the Vendor/Client and Department, but cannot be dealt with under SSPS by adjustment on future billings. The interim procedure will also provide notification to the Office of Financial Recovery to establish an accounts receivable for the overpayment.

For contracted vendors, see Administrative Policy No. 10.02. The interim vendor payment instructions do not supersede Administrative Policy No. 10.02 (see attached).

A. Identification of Overpayment

The responsibility for verifying if a client/vendor has incurred a social service overpayment is determined by who authorizes the social service payment. This may be the Program Manager, Regional Office Staff, DCFS center staff, DDD Field Service Staff, Community Service

Office Social Service Staff, or DCFS Social Service Staff. As necessary, he/she will consult with staff who licenses and/or contracts with the Social Service Vendor. See attached list for Licensing, Contracting Responsibilities.

B. Setting Up Overpayment

When an overpayment has been identified, the responsible staff will:

1. Prepare an overpayment letter to send to the client/vendor. The overpayment letter (DSHS 18-398 or DSHS 18-399) instructs the vendor or client payee to forward repayment directly to the Office of Financial Recovery (OFR), MS OB-21, not to the CSO, FSO, or DCFS office. A copy of the overpayment letter must be retained in the client and/or the vendor's file. See DCFS Manual, Ch. 99, for the forms and instructions.

2. Prepare an overpayment packet for OFR which will contain the following:

   a. Client Payee Overpayment

      (1) DSHS 18-199(X), Accounts Receivable Input Document. DCFS Manual, Chapter 99, contains the form and instructions for completion.

      (2) The OFR copy of the DSHS 18-398, Overpayment Letter, sent to the client payee.

      (3) A copy of the DSHS 14-154/159 authorization form that authorized the service.

      (4) Supporting documentation (see b.).

   b. Vendor Overpayment

      (1) The OFR copy of the DSHS 18-399, Overpayment Letter, sent to the vendor must include the SSPS service code, reason code, and source of funds (if available). The Accounts Receivable Input Document, DSHS 18-199C, is completed by OFR.

      (2) A copy of the DSHS 14-154/159 authorization form that authorized the service.

      (3) Supporting documentation, such as a print from the invoice or authorization screen, audit reports, or other documentation verifying an overpayment has occurred.

C. Payment

The vendor or client must send the repayment directly to OFR. If a DCFS office should receive monies that are to be applied to a vendor overpayment, they must be transmitted to OFR on a Daily Funds Transmittal (DSHS 18-320(X)). This is done by the accounting section. The comment section of the DSHS 18-320(X) should indicate the nature of the overpayment. (See Manual E, Chapter 32.)

D. Unsolicited Payments

The Office of Financial Recovery periodically receives payments from vendors who are paid through the Social Service Payment System for whom they have not received an overpayment packet. In order for OFR to deposit and properly account for these payments, they must know if these payments are refunds of overpayments, or submitted to the department in error, or are a program donation. In order for OFR to obtain the information necessary to account for such payments, the following interim procedures will apply:

1. OFR, upon receipt of payment from a social service vendor for whom they have not received an overpayment packet, will send a request for clarification to the appropriate DCFS Office, Program Manager, or regional office staff. The clarification will request a determination of the reason for the repayment (see attached example).

2. Responses from the responsible staff to OFR's request for clarification will be due within 30 days to allow OFR to credit accounts and/or refund in a timely manner.

3. If it is determined that an overpayment has occurred, the vendor overpayment procedures apply and an overpayment packet must be sent to OFR.

4. If it is determined that the payment or any portion was submitted in error, this information must be transmitted by memo to OFR. OFR will then initiate appropriate refunds to the vendor.

5. If the payment or any portion was a program donation, this information should be submitted to OFR including the identity of the program, i.e., mental health, child and family services, adult services, to which the donation was made in order to credit the proper account. OFR will then credit the payment appropriately.

Licensing and Contracting Responsibilities

Community Service Office

- Adult Foster Homes - licensing - contracting
- COPES Individual Provider - Personal service contract
- CCF - contracting
- COPES Agency - contracts

DCFS

- Foster Family Home - licensing
- Family Day Care Home - licensing
- Day Care Mini Centers Within Family Residence - licensing

Regional Office

- Licensed Child Placing Agencies (who in turn license private agency foster homes)
- Day Care Centers - licensing
- Day Care Mini Centers - licensing (outside family residence)
- Juvenile Detention Centers - certification
- Group Homes - licensing
- CRCs - licensing

Community Services State Office

- CCF (Regular, Mental Health, Alcohol, Drug) - Health Services license
- Chore contracts
- DCFS State Office
- Group Homes - contracts
- FRS contracts
- Juvenile Detention Centers - contracts
- Day Care Centers - contracts
- All Day Care Mini Centers - contracts
- CRCs - contracts

Not subject to licensing or contracting: CSO or DCFS is responsible for In-Home Day Care, IPP Chore providers.

Division of Developmental Disabilities Contracting Responsibilities

- Group Homes
- IMR - Level E
- Tenant Support - Regular
  - Intensive
- Alternative Living - Individual
  - Agency
- Residential Skills
- Counties
- BOA - Provider Agreements (i.e., medical care, respite care)
- Personal Service (i.e., Group Home staff training)
- Contracts for Developmental Disabilities Planning Council

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES

Olympia, Washington 98504

TO: DATE:

FROM: Office of Financial Recovery, OB-21
By: _____

SUBJECT: PAYMENT FROM SOCIAL SERVICE VENDOR /__/ / CLIENT /__/

The Office of Financial Recovery (OFR) has received $_____ from

_____
(name)

_____
(addressee)

This office has no record of an account receivable established for this vendor/client.

This office requests clarification on the status of this payment. Please complete the appropriate action based on your determination.

A. Overpayment Refund

Please check appropriate subject box and submit packet as outlined in Manual G, Chapter 5, or DCFS Manual, Chapter 5, to OFR, Overpayment Accounts Receivable Unit, M.S. OB-21.

B. Payment in Error

By memo inform OFR, Cashiers Unit, MS OB-21, that the payment was received in error and is to be refunded to the vendor/client.

C. Program Donation

By memo inform OFR, Cashiers Unit, MS OB-21, that the payment is a donation and the program, i.e., Mental Health, Children and Family Services, Adult Services to which the donation was made. Attach a copy of this letter.

A response within 30 days of receipt of this memo is requested to allow OFR to credit the appropriate accounts.

ADMINISTRATIVE POLICY

SUBJECT:	POLICY NUMBER:
Vendor Overpayment Policy	10.02
ORIGINATING UNIT:	**ISSUANCE NUMBER:**
Division of Administration and Personnel	83-5

DATE			APPROVED:
Feb.	10	1983	Dean J. Gibbs

SUPERSEDES:	RELATED REFERENCES:
Collection of Medicaid Provider Overpayments Thomas, 5/8/78 Collection of Vendor Overpayments Thompson, 1-14-80	Corrective Action Plans and Reports

I. PURPOSE

The purpose of this policy is to establish a uniform approach to the identification and recovery of vendor overpayments.

II. SCOPE

This policy applies to all contractors/vendors receiving funds from the department and all organizations within the department except for cost reimbursement, long-term care programs funded under Title XIX -- SNF, ICF, ICF-MR.

This policy does not apply to processing of billing errors mutually recognized by the vendor and the department, which normally result in recoupment by adjusted payment on future billings.

III. POLICY

Effective management of contracted services is a vital part of the department's overall mission to provide necessary social and health services for the citizens of this state. Since approximately two-thirds of the department's budget is expended through contracts, it is essential that vendor program and fiscal accountability be maintained.

Staff reviewing contracts/vendor invoices shall only approve payments when those invoices are in accordance with existing contract terms and obligations. Overpayments made by the department when the contractor/vendor has billed for services not provided, has billed in excess of a contractual limitation, or failed to meet the contractual performance requirements for which payment was made, shall be promptly recouped/collected.

The attached matrix describes the process by which the department will address vendor overpayment/nonperformance. The process provides for:

- Development of a consistent department position on draft audit findings.
- Vendor participation and input in each stage of the audit.
- The opportunity for a vendor who has participated in the audit process to receive an impartial dispute hearing if the vendor is not in agreement with the final audit report.
- The program manager as being the primary contact point with the vendor.
- An expedited recoupment/collection of overpayments including interest.
- Prompt initiation of necessary corrective action.

While the matrix focuses on vendor overpayments which are identified via the department's audit process, the Audit Division is not the sole organizatoin charged with monitoring vendor performance. Other staff assigned day-to-day monitoring, licensing, certification, etc., of vendors shall, when the vendor is not in compliance with the departmental contracts/standards, initiate corrective action. If those efforts are unsuccessful, assistance should be obtained from the Audit Division, Office of Contracts Management, Division of Administration and Personnel, and/or the Office of the Attorney General.

This policy and procedure supersedes "Policy for Collection of Vendor Overpayments" dated January 14, 1980, and "Collection of Medicaid Provider Overpayments" dated May 8, 1978.

Attachment

VENDOR OVERPAYMENT/NONPERFORMANCE RESPONSIBILITY MATRIX

Responsible Organization	Action	Comments
1. Office of Operations Review	Initiate audit, notify vendor and program manager.	
2. Office of Operations Review	Refer evidence of fraud/criminal conduct to Office of Special Investigation, or, in the case of a Medicaid provider, to the Medical Fraud Control Board.	Office of Special Investigation or appropriate unit investigates referral.
3. Office of Operations Review	Conduct Exit Review with vendor to review audit findings.	Advises vendor of need to respond to Draft Audit to maintain appeal rights.
4. Office of Operations Review	Issue Pre-Draft Audit Report to program manager for review and comment.	Program manager is division or bureau director.
5. Program Manager	Review Pre-Draft Audit Report and provide written response to Operations Review within ten working days of receipt.	Program manager reviews report to determine if it is consistent with applicable program policies. Review is conducted prior to distribution to vendor and provides consistent department position.
6. Operations Review/Program Manager	Attempt to resolve any areas of disagreement.	
7. Office of Operations Review	(a) Schedule Pre-Draft Report for review by Audit Committee if there is no agreement, or	Audit Committee is composed of Deputy Secretary, Assistant Secretaries, Comptroller and Auditor.
	(b) distributes Draft Audit Report to vendor and program manager if there is agreement.	
8. Audit Committee	Resolve differences and establishes department position on Draft Audit Report.	Operations Review and program manager presents views to Audit Committee.

Responsible Organization	Action	Comments
9. Office of Operations Review	Distribute Draft Audit Report to vendor and program manager.	Cover letter includes notice that vendor must respond to maintain further appeal rights.
10. Vendor	Respond to Draft Audit within 30 working days. If vendor disagrees and wants an Audit Conference, the request must be made within ten working days to ensure completion within 30 days.	Request for extension of the 30-day response may be granted by the Auditor, Draft Audit Report is a working paper and receives limited distribution.
11. Office of Operations Review	Schedule Audit Conference with vendor within five working days if vendor and Operations Review disagree on substantial matters that cannot be resolved.	Attendance at Audit Conference: Vendor, Operations Review, and program manager. If no program issues, program manager attendance is optional.
12. Operations Review/ Program Manager	Attempt to resolve any areas of disagreement based on new evidence provided by vendor.	
13. Office of Operations Review	(a) Schedule Draft Audit report for review by Audit Committee if there is no agreement, or	
	(b) distribute within ten working days after appropriate resolution of draft audit Final Audit Report to program manager — when vendor has not responded, or — when vendor responses have been considered for incorporation in the Final Audit Report and no further discussion is necessary, or — when Audit Conference has been completed and no further action is required, or — Audit Committee has determined department position.	Copies of final audit report are sent to Office of Contracts Management and Office of Financial Recovery. Office of Financial Recovery establishes accounting record.

Responsible Organization	Action	Comments
14. Program Manager	Distribute within ten working days Final Audit Report to vendor with Corrective Action Cover Letter (sample provided by Operations Review). Letter includes:	Copies of cover letter are sent to Offices of Contracts Management, Financial Recovery, and Operations Review.
	(a) Notice to correct or develop plan to correct deficiencies.	
	(b) Methods of recovery. (Options include repayment/recoupment from future contract payments.) Recovery to include 1% per month interest beginning on 31st day; except for medical providers as provided in RCW 74.09.220.	For medical care providers, consider recommending the assessment of civil penalties if appropriate as provided for in RCW 74.09.210.
	(c) Need to respond to Final Audit in 20 days.	
	(d) Appeal rights.	
15. Office of Financial Recovery	Adjust account balance and establish account receivable. Suspend file for 30 days.	Notifies program manager and Operations Review if no action is taken within 30 days.
16. Vendor	Review and respond to Final Audit within 20 working days.	
17. Office of Contracts Management	Schedule within ten days Dispute Hearing if vendor has met preconditions and disagrees with Final Audit (hearing is limited to issues of fact). Dispute hearing will be conducted within 30 days and a decision rendered within 15 days. Notify Office of Financial Recovery of all requests for a Dispute Hearing and the date of each hearing scheduled.	Extension of timeliness may be granted with concurrence of program manager and auditor.

Responsible Organization	Action	Comments
18. Office of Contracts Management	Notify Office of Financial Recovery, program manager and Operations Review of hearing decision.	
NOTE: Upon completion of the above steps, the program manager has the option to initiate recoupment/repayment as provided in steps 19 and 20 below, or to refer the matter to the Office of Financial Recovery for actions as provided in steps 21 and 22. If the program manager is unable to recoup or obtain repayment, the collection will be referred to the Office of Financial Recovery.		
19. Program Manager (See 21 below)	Initiate within ten working days recoupment/repayment of overpayments if vendor does not disagree with Final Audit Report or Dispute Hearing has been completed and Audit has been upheld.	Repayment/recoupment schedule over 90 days requires Assistant Secretary's approval.
	Notify Office of Financial Recovery of actions taken and planned. As each recoupment installment is completed, program manager or disbursing unit provides Office of Financial Recovery with data for credit adjustment.	
20. Office of Financial Recovery	Process adjustment to reflect satisfaction in full.	Notifies program manager, Operations Review and Assistant Secretary if recoupment/repayment not accomplished in 90 days or in accordance with approved repayment plan.
OR		
21. Program Manager	Advise Office of Financial Recovery to collect and/or establish repay schedule.	Office of Financial Recovery is to be alerted if vendor is no longer receiving department funds or is going out of business.

Responsible Organization	Action	Comments
22. Office of Financial Recovery	Advise vendor of amount due including interest to date. Establish repay schedules if appropriate.	Account status is available to program manager.
	Initiate within 30 working days collection, legal action, etc. Recover overpayment if Audit is agreed to or upheld and recoupment is not available. Cost effectiveness of recovery will be coordinated with Attorney General.	Referral to Attorney General will be copied to program manager.