B. Client Losses and Restoration of Benefits

1. Non-negotiated check replacement procedures

Original CMS or Special Cash Pay (SPL) check not negotiated. First, the branch uses MCR1, RCIQ or the branch office’s check register to verify that an original check was issued. Verify the payee name, check number, amount and date of the check.

Next, the branch has the payee complete an Affidavit Concerning Lost Check (DHS 138A). The payee must fill out every section, except payment alert number. When the payee signs the form, it must be notarized.

The branch calls Forgery Services (in the DHS General Accounting Unit) and gives them the information needed to complete a Request for a Payment Alert and Follow-Up (DHS 435A) (paper only).

Payroll assigns a Payment Alert number to be written in the designated area of the DHS 138A.

The branch writes the Payment Alert number on the DHS 138A and forwards the original to Forgery Services.

The branch can issue a replacement check by computer or by revolving fund (for emergent needs). The procedures are described below:

- **By computer:**
  - If the client did not receive the check, wait five mailing days from the date the check was issued before issuing a replacement;
  - If the check was lost, stolen or destroyed but not endorsed, issue a replacement check without a waiting period;
  - If the payee endorsed the check before it was lost, stolen or destroyed, issue a replacement only if the remnants of the check are provided as evidence, or the check was noted by the payee for deposit only;
  - To issue the replacement check, complete an Authorization of Cash Payment (MSC 437) using pay reason code 03. Refer to the reverse side of the MSC 437 for more information. The computer will generate a check and it will be mailed to the payee.

- **By revolving fund (for emergent needs):**
  - Write the replacement check number on the MSC 437 and the DHS 138A.
Original provider check from PP/SA not negotiated. Only DPU may replace provider checks issued by PP/SA. Branch offices are not authorized to replace provider checks issued by PP/SA.

**Note:** There are two reasons why the branch should never replace a provider check issued by PP/SA:

- *When a provider has multiple claims paid all on one check, each claim must be manually adjusted to reconcile the payment record; and*
- *If the branch and DPU both replace provider checks, it is very likely there could be duplicate payments on the same claim.*

If the provider contacts the branch with a request for a replacement check, the branch must tell the provider to call DPU. The provider must wait at least five mailing days from the date the check was issued before requesting a replacement check.

After receiving a request for a replacement check, DPU will contact Forgery Services and give them the information needed to complete a DHS 435A *(paper only).*

DPU will notify the local branch office that the provider will come in to complete the **DHS 138A**. The local branch office will obtain the payment alert number from Forgery Services, assist the provider in completing the **DHS 138A**, notarize the form, and send to General Accounting, Forgery Services. Forgery Services will make a replacement decision and notify DPU who will replace the check and mail it to the provider.

If the provider wants a replacement check right away, DPU will make a determination of emergent need and contact the branch for issuance of payment.

**Criteria DPU will use to determine emergent need:**

- The payment is at least $100; **AND**
- The provider is in a crisis (in jeopardy of losing housing, utilities or vehicle use). Proof of crisis is required. Documents can be supplied through the branch or faxed to DPU; **OR**
- DHS has made an error causing a financial hardship for the provider by an undue delay in payment through no fault of the provider.

**SNAP cash-out checks not negotiated.** Should any SNAP cash-out clients be unable to adapt to EBT and are instead issued a check, these are the two methods for replacing SNAP cash-out checks.

When the client needs a replacement **right away**, use the following procedure:

- The branch completes the top portion of the **DHS 138A** using information from FSMIS;
The branch gives the DHS 138A to the payee. When the payee signs the form, it must be notarized;

The branch calls Forgery Services and gives them the information needed to complete a DHS 435A (paper only);

Forgery Services assigns a Payment Alert number to be written in the designated area of the DHS 138A;

The branch writes the Payment Alert number on the DHS 138A and forwards the original to Forgery Services;

The branch types a revolving fund check and codes it “SNAP 81”; 

The payment information is entered on SPL5 as a SNAP load sheet.

If the client does not need a replacement right away, use the computer, using “RB” release ATP code.

Administrative checks not negotiated. Have the payee complete a DHS 138A. After the payee signs the form, it must be notarized.

- Forward the DHS 138A to Forgery Services;
- Forgery Services will complete the necessary paperwork and issue a replacement check to the payee.

2. **Restoring benefits**

Authorize restoration or supplemental payment of benefits, even if the benefit group is currently ineligible, if a benefit group received fewer benefits than it was entitled to because of any of the following:

- A change that would cause an increase in benefits was reported before the first of the payment month, but too late for the branch to adjust the next payment;
- The branch caused an administrative underpayment. *Administrative underpayments* include, but are not limited to, the following:
  - Failing to take action on information reported. For example, not canceling the EBT card of alternate payees who leave the household;
  - Using an incorrect effective date;
  - Denying, closing or reducing benefits in error;
  - Making calculation errors;
  - The branch was directed to restore benefits in a hearings decision;
- The repayment of an overpayment was too much;

- A court decision finds benefits to be wrongfully withheld and its action entitles a client to restoration of benefits;

- An IPV disqualification is reversed. Participation in an IPV hearing automatically constitutes a request for restoration of benefits. Do not restore benefits to a disqualified person based solely on the fact that a criminal conviction could not be obtained.

- The amount restored is issued in addition to the benefits that a currently eligible group is entitled to receive. For SNAP, the branch office must honor reasonable requests by benefit groups to restore benefits in monthly installments;

- A benefit group that moves from the state can still receive any restoration of benefits due it.

3. **Calculating restored or lost benefits**

Calculate the amount of benefits to restore using the following process:

1) Determine the effective date the benefit group is eligible for lost benefits. The benefit group is not eligible for restored benefits any month that eligibility for those benefits cannot be established. Give the benefit group an opportunity to prove eligibility for questionable months.

2) Calculate the correct benefit amount for the months the benefit group was underpaid, closed or denied in error.

3) Subtract the amount the benefit group actually received from the amount they should have received.

4) Prior to issuing lost retroactive benefits, review overpayment records for any outstanding overpayment balance in the program in which the overpayment occurred. When an overpayment balance exits, reduce the amount of retroactive benefits otherwise payable to the client, by subtracting the amount of the outstanding overpayment balance.

When an overpayment exists, complete the *Notice of Restoration of Benefits* (DHS 362) and send a copy to the Overpayment Recovery Unit for the retroactive payment to be credited to the overpayment. This form serves as the client’s notice of restoration of benefits.

SEE GP-C.9 ON HOW TO CREDIT THE OVERPAYMENT.
Restore benefits to the group containing the largest number of people who were benefit group members at the time the loss occurred. If the location of this group is unknown, restore benefits to the benefit group containing the primary person at the time the loss occurred. Restorations are limited to the most recent 12-month period for all programs except JPI. JPI may be restored only for the four preceding months.

**FOR CALCULATING RESTORED SNAP BENEFITS, ALSO SEE SNAP-H.15 AND SNAP-H.16. USE THE DHS 221 OR FSCALC.**

Calculating Restored and Supplemental Benefits: 461-165-0210
Methods of Recovering Overpayments: 461-195-0551
Effective Dates; Restored Benefits: 461-180-0130

4. **Replacing benefits**

Lost, stolen or undelivered checks

Payment alert procedures begin when a payee reports a check was lost, stolen, destroyed or not received and completes an **Affidavit Concerning Lost Check (DHS 138A)**.

Issue a replacement check if the original check is still outstanding and the payee claims any of the following:

- The original check was not received. Allow five postal service working days from the date the original check was issued before issuing a replacement;

- The original check was received, but not endorsed. Issue a replacement check without a waiting period if the unendorsed check was received and has been lost, stolen or destroyed;

- The original check was received and endorsed, but not cashed before it was lost, stolen or destroyed. Issue a replacement check if the check was destroyed and remnants of the check are provided as evidence or if the check was noted by the payee “for deposit only.”

Issue a replacement for an original check (which the payee has reported as lost, stolen destroyed or not received) that is processed by the State Treasurer for payment only after:

- The Administrative Payments Unit has begun forgery procedures; **and**

- The client has completed a forgery packet.

The written report by the Oregon State Police on the handwriting analysis of the check signature is binding on DHS. The payee has the right to prove the analysis incorrect.

**Do not** issue a replacement check in either of the following situations:
• The client fraudulently cashes a dual-payee check without the second party’s signature. The second party can take civil action against the client to recover the money, but the branch office does not replace the check to the second party;

• A check has been direct deposited to the account specified by the client;

• A check was issued in the TA-DVS program, as requested by the client, to a vendor or as a dual payee check and the client decided not to use that vendor and no safety concern was identified related to use of the vendor.

Replacing EBT benefits (cash and SNAP)

Do not replace benefits issued via EBT:

• When benefits are considered to be issued and received because the card and PIN have been issued in person to the client and the benefits have been deposited to the client’s account;

• When EBT benefits were issued by a state other than Oregon. EBT states either convert client’s remaining SNAP benefits to coupons or issue a check. Cash benefits are converted to a check.

Benefits issued via EBT are replaced under the following circumstances:

• EBT benefits that were accessed by the wrong person because the Department of Human Services (DHS) inadvertently switched cards and issued a card and PIN to someone unrelated to that case or failed to cancel an EBT card when removing an alternate payee from a case. When reported by the client, deactivate the card issued to the wrong client, issue a card and PIN to the correct client and replace the amount of lost benefits;

Example: In the process of issuing cards to several clients, the card issuer enters a card number on Mary Munro’s case but assigns the card to Bad Pitt and helps Bad select his PIN. Bad Pitt’s case was in pending status and with no benefits but Mary Munro has available both TANF and SNAP benefits. Bad Pitt takes his new card (on Mary Munro’s case) and leaves the office. To Bad’s delight, he finds both cash and food benefits available and promptly depletes both accounts. The branch realizes the error after Bad emptied both accounts. The branch deactivates Bad’s card, issues a card and PIN to Mary, and replaces the amount of lost benefits.

Example: Tobey reports on May 15 that his brother, William, has left the household. The branch removes William from the case effective June 1 but fails to note that he is an alternate payee. In June, William continues using Tobey’s benefits. Because DHS failed to cancel William’s access to Tobey’s benefits, we must restore the loss to Tobey.
• For SNAP, replace the value of food destroyed due to either a verified household misfortune, (e.g., a fire or loss of electricity) or a state or federally declared disaster (e.g., a flood or earthquake). The branch must replace the value of food destroyed within 10 calendar days if the benefit group:
  
  - Reports the disaster loss within one month of the disaster and the last issuance of SNAP benefits;
  
  - Has not been issued two replacements for disaster losses within the past six months and the amount replaced does not exceed one month’s allotment.

**Note:** *If the U.S. Department of Agriculture has issued a disaster declaration and the household is otherwise eligible for emergency SNAP benefits, the household cannot receive both disaster benefits and benefits to replace the value of lost food.*

Replacing Lost, Stolen, Destroyed or Undelivered Checks: 461-165-0220

5. **Negotiated check replacement procedure**

To replace a check that is reported lost, stolen, destroyed or not received, but has been processed by the State Treasurer for payment, **Forgery Services** will send a forgery packet to the branch when the original check is returned from the State Treasury as paid. The packet includes:

• *Affidavit, Claimant’s Endorsement Forged (DHS 163) (available from Internal Control/Forgery Services only)*;

• *Handwriting Exemplar (AFS 597) (available from Internal Control/Forgery Services only)*;

• *Payee Statement Concerning Endorsement (AFS 980) (available from Internal Control/Forgery Services only)*;

• Photocopy of the original paid check, front and back;

• Postal Lost Check Report (for checks not received);

• Signature page.

**Note:** *DD benefits, received by the bank into the account specified by the client, are not replaced.*

If the original check was issued by CMS, Special Cash Pay (SPL) or PP/SA, or was a SNAP cash-out check, **branches** will do the following (except as noted for provider checks issued by PP/SA):

• Make a preliminary determination whether the payee cashed the original check, before authorizing a replacement. (DPU will do this for checks issued by PP/SA.)
• Briefly review the copy of the paid original check with the payee to determine whether the signature on the check is the payee’s.

If the payee **acknowledges** the endorsement and a replacement check was issued:

• Complete an *Overpayment/Overissuance Report* ([MSC 284](#)). (DPU will do this for checks issued by PP/SA.)

• Complete the AFS 980. Have the payee sign the form;

• Forward the AFS 980, the rest of the forgery packet, and all copies of the [MSC 284](#) (except pink copy) to Forgery Services;

• File the pink copy of the [MSC 284](#). (DPU will do this for checks issued by PP/SA.)

If the payee **does not acknowledge** the endorsement and a replacement check was issued, have the payee complete the entire forgery packet. If the payee requests a replacement check, explain the policy on overpayments and intentional program violations. Have the payee complete the entire forgery packet, then issue a replacement check.

• If the payee does not come to the branch to complete the forgery packet, consider putting a hold on the next check. (This does not apply to checks issued by PP/SA. DPU will take the necessary action on PP/SA checks.)

• If the payee is no longer available to complete the forgery packet, **branches** will do the following, except for checks issued by PP/SA. DPU will do the following for PP/SA checks:
  - Note this information on the AFS 980;
  - Note if the case was closed and the date of closure;
  - Return the forgery packet to Forgery Services.

*Note:* Always complete and return the forgery packet by the due date printed on the forgery packet.

If **Forgery Services** determines that there is good reason to believe that the client or provider may have endorsed both the original check and the replacement check:

• Forgery Services will forward the packet to the Overpayment Recovery Unit (ORU);

• ORU will log the information and then forward the packet to the Oregon State Police;

• The Oregon State Police will review the packet to determine whether the client was the likely endorser of the original check, and will advise ORU or DPU;
• ORU will then advise Forgery Services of the State Police determination;

• If Forgery Services determines that DHS should establish an overpayment against the client for the amount of the replacement check, they will ask ORU to write the overpayment and pursue collection.

Forgery Services will return the original check to the State Treasurer if they do not receive the forgery packet within 30 days from the date the original check was cashed. This action could result in legal proceedings against the state or the payee.

6. **Dual-payee checks**

Replace **dual-payee** checks only if:

• The client completes an affidavit that the unendorsed check has been lost, destroyed, or stolen; or

• The client has endorsed the check and the second party completes an *Affidavit Concerning Lost Check* (**DHS 138A**). The second party must sign a statement that they will reimburse the state and will not hold the client responsible if the original check is negotiated. Issue the replacement check to the second party only (no dual-payee is required).

If a dual-payee check is reported lost, stolen, destroyed or not received, determine which payee is affected by the missing check (that is, determine which payee is claiming the loss).

• If only one payee is claiming the loss, only that payee must complete a **DHS 138A**;

• If both payees are claiming the loss, each payee must complete their own **DHS 138A**.

*Example:* A client receives a check payable to herself and her landlord. She signs the check and gives it to her landlord to sign and use for her rent payment. The landlord then loses the check. Since he is the only one affected by the loss (the client has paid her landlord), he is the only one who must complete a **DHS 138A**.

If the dual-payee check has been processed by the State Treasurer for payment, a forgery packet must be done for each payee claiming the loss.

Replacing Lost, Stolen, Destroyed or Undelivered Checks: 461-165-0220
7. **Subsequent action on payment alerts**

Forgery Services will follow up on all payment alerts and close the check file if the original check is not paid within 60 days.

If the original check is returned to the branch office or DPU, the branch (DPU, if the check was originally issued by them) will verify whether a replacement check has been issued:

- If a payment alert and replacement have been issued, send the original check to the Client Maintenance Unit (CMU) for cancellation;

- If no payment alert or replacement has been issued, attempt to deliver the check to the payee. Send the original check to CMU for cancellation if it cannot be delivered to the client or provider.

Notify Payroll immediately if:

- The original check is given to the payee after a payment alert has been called in;

- A replacement check is issued after the [DHS 138A](#) and the payment alert have been processed stating, “No replacement will be issued”;

- Any business calls or writes to the branch about checks returned to them from the State Treasurer’s office.