Bad Debt Collection

Nutrition Programs

Illinois State Board of Education

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Bad Debt Collection

What to do???
Discovery Of Debt Owed

- Provider has a claim adjustment for a prior month.
  - Provider still active
  - Provider no longer active
Provider Active

- Is provider Serious Deficient?
- Is provider still claiming?
Provider Is Seriously Deficient

- A provider can continue to claim through the seriously deficient process up and to the termination date.

- The claim must be a valid claim for eligible meals served.

- Therefore, deductions for prior claim errors may continue to be made.
UNLESS . . . .

- The serious deficiency(ies) constitute(s) an imminent threat to the health and safety of participants, or the provider has engaged in activities that threatened the public’s health and safety. Then the Sponsor is prohibited to make payment until an Administrative Review (appeal) of the proposed termination is completed.
No Appeal Or Loses Appeal

- Provider is immediately terminated at the expiration of the right to appeal. Deductions can be made for any valid new claims and suspended claims submitted prior to termination date.

- Any debt unable to collect will be listed on the termination letter and identified as debt owed on the National Disqualified List.
What Happens After The Appeal?

- The deductions can be made to the claims if the provider wins the appeal.

- If the provider loses the appeal, provider is terminated immediately.
  - Termination date is the Appeal Official’s decision date.
  - Valid claims submitted prior to the date can be used for offsets of deductions owed.
What If The Provider Stops Claiming During The Seriously Deficient Process?

- Any debt remaining will be required to be repaid prior to the provider returning to the program.
- A provider not repaying CACFP debt is a seriously deficient violation ending in termination from the program.
What If The Provider Is Not Seriously Deficient, But Quits And A Previous Claim Adjustment Has Not Been Able To Be Deducted Prior To Them Quitting?

- Any debt remaining will be required to be repaid prior to the provider returning to the program.
- A provider not repaying CACFP debt is a seriously deficient violation ending in termination from the program.
Sponsor’s Responsibility

- Must make reasonable effort to collect
- Seriously deficiency process identifying debt owed from provider as seriously deficiency.
- Turn to the State’s Attorney for prosecution.
- Turn to collection
  - Be sure to add wording of debt plus claim fee
- If dollar amount is within limits, take to Small Claims Court.
Sponsor Minimum Requirement

- Seriously deficient letters requiring return of funds would be the minimum requirement to satisfy sponsor responsibility.
If Claims Are Still Not Recovered.

- Sponsor should use the seriously deficient process to place the provider on the National Disqualified List. The seriously deficiency letters must include the amount owed the CACFP.
Sponsor Has No Success In Collecting…

- Sponsor records the owed funds on an internal report.
  - Amount owed by provider
  - Month of claim (s)
  - All details for unrecovered claim
    - Tiering
    - Number of meals
    - Type of meals
  - ISBE site number
- Maintain record (s) for seven years after repayment. Forever if never repaid.
  - Provider actual record file must also be maintained.
Does Sponsor Adjust The Claim?

- **NO!** Claim is not adjusted!

- Claim is only adjusted when provider pays 100% of the debt and the sponsor submits the funds due to ISBE-Funding and Disbursements.
When Are Provider Funds Submitted To ISBE?

Provider Claim funds are not returned until 100% of the funds are received from the provider.

Funds are submitted with the adjusted provider claim for the original discovered errors and irregularities.
What About The Admin Money For The Home?

- Admin money for the home is not returned, even if the total month claim for the provider is adjusted to zero.
  - Consider it a payment for all your trouble.
When Provider Pays Later….

- Sponsor receives funds from provider.
- The Sponsor, and **not** ISBE, receives the funds.
What If Partial Payments Are Received?

- Sponsor records payment and reduces debt owed in sponsor records. Once all debt is repaid, the funds are submitted.

- Partial payments are not submitted to ISBE-Funding and Disbursements.
What’s Next?

- Sponsor submits funds to ISBE- Funding and Disbursements with revised claim.
  - Identifying month and fiscal year of the adjustment.
  - Downward revisions have no expiration.
Something To Consider…

- Providers on the National Disqualified List will not be considered by ISBE for removal until the outstanding debt for the related claim has been cleared through the sponsoring organization.
Questions?

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