

***DRAFT OF THE SABHRS OFFSET SYSTEM MOU REVISED 08-16-2013. A FINALIZED VERSION WILL BE SENT DIRECTLY TO YOUR AGENCY'S LEGAL DEPARTMENT.***

**I. AGENCY'S RESPONSIBILITIES**

- A. The Agency shall not enter any unliquidated debts into the Offset System. An unliquidated debt is a debt where the amount is unassessed, unsettled, or disputed.
- B. The Agency must have followed its internal policies and procedures, as well as any applicable laws regarding debtor notification and dispute resolution, for any submitted debts.
- C. The Agency shall not submit any debts where the age of the debt exceeds the applicable statute of limitations.
- D. The Agency shall provide a valid social security number or other federal identification number for each debtor.
- E. Upon the Department's request, the Agency shall provide the Department with all relevant evidence or other information regarding the debt.
- F. The Agency shall maintain continuous review of debts in the Offset System to confirm that each debt remains valid for collections. The Agency shall promptly remove any uncollectible debt from the Offset System. An uncollectible debt includes any debt that does not meet the criteria for originally placing the debt in the Offset System.
- G. The Agency shall promptly modify the debt in the Offset System if the Agency receives a payment or there is an adjustment to the principal, interest, or penalties that is not based on the Department's collection services.
- H. The Agency shall refund any overpayment to the debtor.
- I. Upon the Agency receiving notification that a debtor filed for bankruptcy, the Agency shall promptly remove the debt from the Offset System.

**II. DEPARTMENT'S DEBT COLLECTION SERVICES**

- A. The Department will seize payments due the debtor within the Offset System for potential offset of the debt.
- B. The Department shall notify the debtor when it identifies funds that may be seized. The notice must identify the debt and the funds held, state that the department will hold the funds for 30 days pending receipt of a hearing request, and inform the debtor of the right to request a hearing on the funds seizure.
- C. The Department will provide the debtor with an opportunity for a hearing to address only whether the seized funds could be used to offset the debt. The Department will not address any challenges to the validity of the underlying debt. If such a challenge is raised, the Department will notify the Agency so that it can address that issue.
- D. The Department will not calculate interest and/or penalties on debts submitted for offset.

- E. The Department shall charge the Agency a percentage of seized proceeds for the cost of assistance. The current service fee is five percent. This percentage is subject to change. The Department shall notify the Agency of any change to this fee. The Department shall deduct its service fee from amounts collected and then remit the balance to the Agency weekly.
- F. In the event of cancelled/closed warrants or ACH returns, the Department shall notify the Agency. The Agency shall return any funds due the Department and modify the debt in the Offset System.
- G. Upon the Department receiving notification that a debtor filed for bankruptcy, the Department shall inactivate the debtor in the Offset System. The Department will not file a proof of claim in bankruptcy proceedings on the Agency's behalf.

DRAFT 08-16-2013