



Child and Community Services Division **Policy & Procedures**



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Error & Fraud Management Policy

I. POLICY STATEMENT

The purpose of this policy is to provide standardized guidance on the processes used by the Child and Community Services Division (CCSD or Division) of the Arizona Department of Economic Security (DES or Department) to review and take action in benefits programs due to administrative error and fraud. Separate program-specific policies may also detail further processes and procedures used to prevent and detect fraud.

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III. APPLICABILITY

This policy applies to all DES Employees and contracting staff who are involved with administration of DES Programs.

IV. AUTHORITY

42 U.S.C. § 8621	Low Income Home Energy Assistance Program
45 CFR 96	Block Grants
45 CFR 75	Administration of Health and Human Services Awards
2 C.F.R. 200 , see also Subpart E	Uniform Administrative Requirements, Cost Principles for Federal Awards
Pub. L. 116-260	Consolidated Appropriations Act of 2021
Pub. L. 117-2	American Rescue Plan Act of 2021

V. DEFINITIONS

Administrative Error: A Client unintentionally giving the Department incomplete or incorrect information, or failing to correct erroneous information, or other error at no fault of the client.

Administrative Review Team (ART): A designated panel of CCSD Program experts that review grievances and associated case files, evidence, and statements provided by Clients, when requested.

Appellate Services Administration (ASA): Administration within the DES Office of Inspector General (OIG) that holds administrative tribunal hearings related to unemployment and public assistance benefits for multiple programs within DES.

Applicant (or Client): A person who applies for, or receives benefits from a Program Subject to this Policy.

Collection: The process of recovering Overpayment of Department funds from a Client using formal Office of Account Receivable and Collections (OARC) debt collections processes. Collections may be initiated by CCSD or other DES entities, and are processed by OARC in accordance with applicable OARC guidance.

Employee: Any full-time or part-time worker, or temporary paid or unpaid worker, who is employed directly by DES.

Fraud (Intentional Program Violation): Any knowing misrepresentation or concealment of material facts to obtain benefits to which the Client is not lawfully entitled.

Office of Account Receivable and Collections (OARC): Administration within the DES Division of Business Services that provides interpretation and application of federal and state rules, regulations, and laws applicable to accounts receivable and overpayment collection activities for DES.

Overpayment: Any payment of funds that exceeds the amount to which the Client was lawfully entitled.

Overpayments Unit: The designated CCSD staff responsible for processing Overpayments for CCSD Programs Subject to this Policy.

Program Subject to this Policy (Program): This Policy applies to the following CCSD programs: Arizona Rental Assistance (ARA), the Emergency Rental Assistance Program (ERAP), the Low Income Home Energy Assistance Program (LIHEAP), the Low Income Household Water Assistance Program (LIHWAP), and Power AZ.

VI. STANDARDS

A. Administrative Errors

1. An Administrative Error includes:
 - a. A Client unintentionally giving the Department incomplete or incorrect information, or failing to correct erroneous information; or
 - b. Other error at no fault of the Client.
2. Administrative Errors may include:
 - a. By the Client:
 1. Transposing letters or numbers in an application;
 2. Providing clearly contradictory information in an application due to apparent confusion or misunderstanding;
 3. Apparent misclicking of selection-boxes (e.g., an applicant selects “no” to having income, but provides income documentation);
 4. Submitting an incomplete application (e.g., applications which generally require more information to be processed);
 5. Errors due to apparent misunderstanding of Program rules or benefits (e.g., requesting assistance for an ineligible expense); or
 6. Other application errors which may be resolved through Employee navigation assistance, and which do not have clear evidence of Fraud.
 - b. By the Department:

1. Erroneously approving or denying an application that is not eligible for benefits;
 2. Erroneously approving a higher or lower benefit amount than a Client is entitled; or
 3. Payment processing errors such as a duplicate payment, or payment failure.
3. In all cases, action will be taken on Administrative Errors in accordance with the procedures established by this Policy.
4. Cases where Administrative Error is identified may be subject to:
 - a. An amended benefits decision correcting the error;
 - b. Supplementary benefits payments (in cases of underpayment);
 - c. Recoupment of benefits (in cases of overpayment).
5. Other Administrative Error standards:
 - a. Employees will follow applicable law, policy, procedures and other guidance in managing Administrative Errors in the Program.
 - b. Nothing in this Policy shall limit an adjudicator, navigator, or other DES employee's ability and duty to assist in the Program application or navigation process.
 - c. Administrative Error procedures will be conducted in a timely manner in accordance with the timelines established by this Policy.

B. Fraud

1. Fraud is any knowing misrepresentation or concealment of material facts to obtain benefits to which the Client is not lawfully entitled. In public benefits programs, Fraud may also be referred to as an "Intentional Program Violation" (IPV).
 - a. To be classified as Fraud, the violation must be with the knowledge of the Client. An unknowing, inadvertent, or unintentional violation is not Fraud (See Administrative Error).
 - b. A Client is not lawfully entitled to a benefit when they fraudulently attempt to obtain benefits when they are ineligible, or benefits beyond that which they are lawfully entitled.
2. Fraud must be supported by "**clear and convincing evidence**" indicating that it is "**highly probable**" that the Fraud occurred. If this requirement is not met, no Fraud action is to be taken.
3. It is presumed that an Administrative Error has occurred, unless there is **clear and convincing evidence** of Fraud and it is **highly probable** that Fraud occurred.

4. Fraud may include:
 - a. A knowing act or omission that misrepresents, conceals, or withholds material information related to an application and/or benefits determination;
 - b. A knowing act or omission that could (but does not) result in a Client receiving assistance or services to which the Client is not entitled, or greater than that to which the Client is entitled;
 - c. Providing false or inaccurate documentation as part of an application;
 - d. Abuse or misuse of Department or Program systems; or
 - e. Any other failure to repeatedly or substantially comply with Department rules regarding the Program.
5. In all cases, action will be taken on Fraud in accordance with the procedures established by this Policy.
6. Applicants who commit Fraud may be subject to:
 - a. Administrative disqualification;
 - b. Investigation;
 - c. Recoupment of benefits; and
 - d. Criminal and civil penalties.
7. Other Fraud standards:
 - a. Employees will follow applicable law, policy, procedures, and other guidance in managing and reporting Fraud in the Program.
 - b. Nothing in this Policy shall limit an adjudicator, navigator, or other DES employee's ability and duty to assist in the Program application or navigation process.
 - c. Employees will always treat Clients with dignity and respect regardless of whether a Client has committed or is suspected of Fraud, and exercise discretion in any interaction with Clients who are subject to Fraud processing reporting procedures.
 - d. Fraud procedures will be conducted in a timely manner in accordance with the timelines established by this Policy.

C. Overpayments

1. Overpayments may be caused by either Administrative Error or Fraud;
 - a. Administrative Overpayments may be processed in all cases.
 - b. Fraud Overpayments may only be processed after a Fraud determination by OIG.

2. Regardless of the cause of an Overpayment, the Client is liable for the amount of the Overpayment and is subject to Collection in accordance with this Policy and any Program rules and/or policy.

NOTE: Overpayments may be waived or otherwise not collected in limited circumstances. For these exceptions, see Program policy.

3. Overpayment procedures will be conducted in a timely manner in accordance with the timelines prescribed in Section VII(C), below.

D. Prudent Decision-Making Principles

1. The policies and procedures included in this Policy compile and prescribe guidance for error and fraud management. Employees will use reason and apply good judgment in making decisions when addressing specific scenarios not directly addressed by this Policy or referenced Authority. Decision-making by Employees based on the best information available, program knowledge, experience, and expertise is referred to as the Prudent Decision-Making Principle. Prudence may also include seeking CCSD or DES guidance on specific Program or policy interpretation. Employees should document their rationale used to make decisions not contemplated by this Policy or Authority, and cite any applicable references.

E. Policy Administration

1. Updates and/or amendments to this Policy will be issued as complete numbered revisions that supersede all prior revisions.
2. Minor clarification to this Policy may be issued in the form of Policy Memoranda, providing interim guidance between revisions.
3. Questions or requests for clarification regarding this Policy should be submitted to the respective Program representative.

VII. PROCEDURES

A. Monitoring

1. Employees will monitor cases for Administrative Errors and Fraud to ensure that payments are in compliance with applicable guidance, and that payments do not exceed the amount to which the Client is entitled.
2. Monitoring shall be conducted in accordance with the Standards established in this policy (see Section VI(A)(1)-(2) for Administrative Error and Section VI(B)(1)-(2) for Fraud), and any applicable Program guidance.

B. Corrective Actions

1. Employees will take appropriate action on identified Administrative Errors and Fraud within one (1) business day.

- a. Pending Applications. Applications that are under review, prior to a benefits determination, shall be corrected prior to any benefits decision.
 - i. Administrative Errors. If an application that is under review has an Administrative Error, Employees shall correct the error prior to issuing a benefits decision.
 - ii. Fraud Denials. If an application that is under review meets the Fraud standards of this Policy (see Section VI(B)), the application shall be denied for Fraud, in addition to any other basis of ineligibility.

Example. Applicant applies for assistance using income documentation that is later determined to be false. Collateral contact with an employer verifies that the applicant has substantially more unreported income. Deny the application for (1) Fraud, and (2) Exceeds program income.

- a) Employees shall deny for Fraud **only** when Fraud standards are met (see Section VI(B)).
 - b) Applications denied for Fraud may be subject to administrative disqualification procedures. For further guidance, refer to applicable Program policy and/or regulations. Generally, administrative disqualification may only be instituted after established criteria and due-process requirements are met.
- b. Completed Applications. Applications that have already received a benefits decision will be processed as follows:
 - i. Administrative Errors or Fraud resulting in an Overpayment. Complete the overpayment referral form and forward to the CCSD Overpayments Unit for processing. Include in the referral form:
 - a) Identifying applicant and case data;
 - b) Overpayment data (approximate timeframe, amounts, basic description of facts);
 - c) Referring staff name and contact information;
 - d) Supervisor signature and date; and
 - e) Any documents or other information that supports the referral as an attachment.

Note: Generally, all Fraud will result in an Overpayment. In unique cases where Fraud is discovered that *does not* result

in an Overpayment, consult with the Program Manager to determine appropriate action (i.e., disqualification or other tracking).

- ii. Administrative Errors resulting in an underpayment. Document the error in the case file and coordinate with the Program Manager and CCSD Finance and Business Operations (FBO) to issue a supplementary benefit.
- iii. Administrative Errors that do not affect the benefits amount should be documented and corrected in the case file.

2. Tracking and Reporting

- a. Errors and Fraud must be documented in the case file to track and verify that corrective action is taken.
- b. Errors and Fraud shall be tracked in a unified tracking system to monitor and report the status of Administrative Error and Fraud cases pending corrective action.

C. Fraud Referral and Overpayment Processing

1. The CCSD Overpayments Unit receives Overpayment referrals via the overpayment referral form. Each referral is reviewed and validated in order to:
 - a. Process the case for Administrative Error Overpayment, where an Administrative Error exists. This review will document;
 - i. Date overpayment referral received;
 - ii. Whether the overpayment was validated;
 - iii. Overpayment type;
 - iv. Overpayment data and substantiation/calculations; and
 - v. Processing staff information.
 - b. Refer the case to OIG using the [OIG Investigation Referral Form](#) when Fraud standards are met in accordance with [Section VI\(B\)](#), and OIG policy and procedures; or
 - c. Close the case without action and return it to the Program representative, when there is insufficient information to substantiate an Overpayment or OIG Fraud referral.
2. Fraud Overpayments may only be collected following completion of an investigation by OIG. Include the OIG case number in the overpayment referral form.
3. OIG investigates Fraud referrals in accordance with OIG policy and procedures.

- a. When Fraud is found against a Program by OIG, CCSD will process any applicable Overpayment.
 - i. If CCSD's calculation of a Fraud Overpayment does not match the amount determined by OIG, consultation with OIG prior to action is required.
 - a) When Fraud is **not** found against a Program by OIG, CCSD will process any Administrative Overpayment.
 - ii. When Fraud is processed by an external agency (e.g., criminal prosecution by the Arizona Attorney General's Office), CCSD will forward information regarding any court-ordered restitution to OARC for processing and tracking collections.
- 4. Overpayment Collection
 - a. An Overpayment Collection is initiated when the Overpayments Unit sends the Notice of Ineligibility and Overpayment. The Notice of Ineligibility and Overpayment includes:
 - i. The date of the Notice;
 - ii. Notification that the Client's eligibility was redetermined;
 - iii. The portion of the Client's benefit for which they were ineligible;
 - iv. An explanation of why the Client was determined to be ineligible for the benefit;
 - v. The amount of the Overpayment; and
 - vi. An explanation of the Client's right to file a grievance.
 - b. Overpayments are forwarded to OARC for processing after a Notice of Ineligibility and Overpayment is sent. OARC may collect Overpayments via payment plan or other enforcement.
 - i. OARC processes Overpayments upon receipt.
 - ii. Filing of a timely grievance by a Client may impact Collection processing, pending the outcome of the grievance.
 - a) CCSD will notify OARC of any change in processing/action that results from a timely request for Administrative Review.
 - b) A Client may request OARC pause Overpayment enforcement when pending a timely Appeal.
 - iii. In the event that any Collection or other enforcement actions are paused due to a timely grievance, processing will resume upon a finding/decision upholding the Overpayment.

- a) Collection processing will be terminated upon a finding/decision that remands the Overpayment to CCSD for correction.
- iv. If any enforced Collection is later reduced or eliminated due to an Appeal, a refund or other adjustment will be issued.

D. Duties and Responsibilities

- 1. CCSD Program Staff
 - a. Monitor applications for Administrative Errors and Fraud.
 - b. Refer Administrative Errors and Fraud resulting in Overpayments to the CCSD Overpayments Unit using the overpayment referral form.
 - c. Refer Administrative Errors resulting in an underpayment to the Program Manager to process a supplemental payment.
 - d. Document Administrative Errors and Fraud in applicable case files.
- 2. CCSD Overpayments Unit
 - a. Receives and processes the overpayment referral form.
 - b. Refers Fraud to OIG using the OIG Investigation Referral Form.
 - c. Sends Notice of Ineligibility and Overpayment for any Overpayments.
 - i. Fraud Overpayments may only be processed after a Fraud determination by OIG.
 - ii. Administrative Overpayments may be processed in all cases.
 - d. Forwards Overpayments to OARC for processing.
 - e. Receives completed Fraud Referrals from OIG:
 - i. Processes Fraud Overpayments when Fraud is determined by OIG and returned to CCSD for action
 - ii. Processes any Administrative Overpayments in all other cases.
 - iii. Forwards court-ordered restitution information to OARC for Fraud cases processed by external agencies
- 3. CCSD FBO
 - a. Coordinates with OARC for allocation of collected funds to the appropriate CCSD Program/account.
- 4. OIG
 - a. Investigates Fraud in accordance with OIG policy and procedures.

5. OARC

- a. Upon receipt of an Overpayment and Fraud Report, initiates processing of the Overpayment:
 - i. Establishes a repayment schedule or negotiates for repayment with the Client; and
 - ii. Functions as the central unit for tracking Overpayment balances.
- b. Manages Overpayments for CCSD:
 - i. Maintains an accounting system to monitor all active Overpayments;
 - ii. Records the amounts of all funds collected from all Overpayments;
 - iii. Maintains correspondence from Clients from whom Collection payments are being made;
 - iv. May suspend or terminate an Overpayment due to a determination that Collection of the Overpayment is no longer cost-effective, in accordance with OARC policy and procedures;
 - v. Locates and contacts nonparticipants against whom Collection action must be taken and whose location is currently unknown;
 - vi. Pauses enforcement action upon notification that a timely grievance was filed;
 - a) CCSD will provide notification of any change in processing/action that results from a timely request for Administrative review.
 - b) A client may request Overpayment enforcement be paused pending a timely Appeal.
 - c) Any paused enforcement action will be resumed upon a final finding/decision upholding the Overpayment.
 - vii. Amends or terminates Overpayment and enforcement action when a finding/decision remands the overpayment to CCSD for correction;
 - a) CCSD will provide notification to OARC of any necessary amendments to an Overpayment due to an Appeal finding/remand.
 - viii. Determines the method used to collect the Overpayment;

- ix. Identifies those Clients that have failed to make installment payments on their Overpayment;
- x. Sends repayment agreement letters relating to all Overpayments; and
- xi. Sends monthly Overpayments report to CCSD FBO for review and processing of collected CCSD Overpayments.

6. ASA

- a. Processes Client Appeals in accordance with the CCSD Grievances Policy and ASA policy and procedures.
- b. Refers action on Appeals to CCSD for processing.

E. Confidentiality

- 1. All personally identifiable information concerning any applicant for benefits, or claimant for any grievance, is confidential under A.R.S. § 41-1959 unless such confidentiality is waived or otherwise provided by law.
- 2. The U.S. Treasury, Office of Inspector General, U.S. Department of Health and Human Services, and the U.S. Government Accountability Office, or authorized representatives of either, shall have the right of access to confidential records to conduct audits or investigations in accordance with A.R.S. § 41-1959(C)(5).

F. Records Retention

- 1. Records shall be maintained in accordance with the CCSD Records Retention Schedule, DES *Records Management and Reports Policy* ([DES 1-37-12](#)) and associated procedures ([DES 1-37-12-01](#)), and applicable law and regulation. Generally, records must be kept for five (5) years for ERAP, and for three (3) years for other programs. If any litigation or claim is started before the expiration of the retention period, the records must be retained until all litigation or claims involving the records have been resolved and final action taken after all funds allocated to the state have been expended.