**Section 527.100 Initial Collection Activity**

a) The DHS-DRS employee who is responsible for authorizing payments to the recipient of funds must monitor all those payments for proper expenditure. Upon discovering that the funds are being used for purposes other than those specified by the grant or contract entered into by the recipient, this employee must notify the DHS/DRS Central Office. The investigator in Central Office shall make a determination as to whether funds have been misspent or fraud has occurred based on the data provided by the employee.

1) If it is determined that funds were not misspent, the employee shall be instructed to take no further actions.

2) If it is determined fraud may have occurred, depending on the monetary amount involved, the matter shall be referred to the Illinois Department of State Police for disposition. The matter may also be referred to the Illinois State Treasurer's Office to assist in recouping funds, if forgery is involved.

3) If it is determined that funds were misspent, the recipient of the funds shall be requested to sign an Agreement for Repayment of Funds (IL 488-2043 N-8-04).

b) If the recipient of the funds agrees to pay back the misspent monies, DHS-DRS will agree to allow the recipient to pay back the funds in allotments, over a reasonable period of time. The time period shall be based on the amount of money to be paid back and the ability of the recipient to repay. The Agreement to repay shall include the amount of money to be paid back, the schedule of payments and the date payments shall begin and end. The investigator in the Comptroller's office completes the agreements. The investigator shall work with the Bureau of Collections, Revenue Management to assure an account is established and that the Agreement is followed. Monthly statements shall show each payment received and the remaining balance due. If payments are not received in a timely manner as outlined in the Agreement, the account shall be considered in default and the matter shall be referred to the Office of the Comptroller and a collection agency. As an alternative to direct repayment of funds, DHS-DRS will agree to allow the amount of repayment to be offset against existing or future grants, upon agreement between the recipient and the investigator in the Comptroller's office.

c) If no agreement is reached between the employee and the recipient to pay back the misspent funds, the employee must prepare a memorandum to his/her supervisor (or other DHS-DRS staff with supervisory responsibility for a particular grant or contract) providing information on what attempts have been made to date to collect the funds.

d) The employee's supervisor shall prepare a letter to the recipient to notify him/her that actions to collect the funds will proceed and contain information regarding the recipient's right to appeal under 89 Ill. Adm. Code 508.

e) The letter from the employee's supervisor to the recipient shall be sent by certified mail with return receipt requested and will include a copy of DHS' Administrative Hearings rules (89 Ill. Adm. Code 508), as well as:

1) a summary of the information contained in the original report provided per subsection (a) of this Section (including the identification of the allegedly misspent money, the amount of money allegedly misspent, the basis on which this amount was determined, and the basis on which it was determined that the money was allegedly misspent);

2) a statement that the supervisor has reviewed the facts in question and the Central Office has determined that the collection of these funds is appropriate;

3) notice that DHS will initiate collection procedures for the allegedly misspent money after 35 days unless the recipient requests a hearing in writing under 89 Ill. Adm. Code 508, or signs an Agreement;

4) recipients that are not customers must call the investigator to arrange other methods of repayment;

5) a statement that this request for a hearing must be made to the individual's supervisor (including that person's name and address).

f) If the recipient does not request the hearing within 35 days, the supervisor will notify the investigator in the Central Office who shall attempt to contact the recipient and after two attempts shall set up a receivable account with the Bureau of Collections for all collection activity.

(Source: Amended at 34 Ill. Reg. 3881, effective March 11, 2010)