

**§ 201.66**

(7) It is the responsibility of the State agency to establish the allowability of a deferred claim.

(8) The Regional Office or the Administrator will notify the State in writing of the decision on the allowability of the deferred claim.

(9) If a deferred claim is disallowed, the Regional Administrator or the Administrator shall advise the State of its right to reconsideration pursuant to § 201.14.

(10) A decision to pay a deferred claim shall not preclude a subsequent disallowance as a result of an audit exception or financial management review. If a subsequent disallowance should occur, the State, upon request shall be granted reconsideration pursuant to § 201.14.

[41 FR 7104, Feb. 17, 1976, as amended at 42 FR 51583, Sept. 29, 1977; 47 FR 7669, Feb. 22, 1982; 53 FR 36579, Sept. 21, 1988]

**§ 201.66 Repayment of Federal funds by installments.**

(a) *Basic Conditions.* When a State has been reimbursed Federal funds for expenditures claimed under titles I, IV-A, X, XIV, XVI (AABD) which are later determined to be unallowable for Federal financial participation, the State may make repayment of such Federal funds in installments provided:

(1) The amount of the repayment exceeds 2½ percent of the estimated annual State share for the program in which the unallowable expenditure occurred as set forth in paragraph (b) of this section; and

(2) The State has notified the Regional Administrator in writing of its intent to make installment repayments. Such notice must be given prior to the time repayment of the total was otherwise due.

(b) *Criteria governing installment repayments.* (1) The number of quarters over which the repayment of the total unallowable expenditures will be made will be determined by the percentage the total of such repayment is of the estimated State share of the annual expenditures for the specific program against which the recovery is made, as follows:

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Total repayment amount as percentage of State share of annual expenditures for the specific program	Number of quarters to make repayment
2.5 pct. or less .....	1
Greater than 2.5, but not greater than 5 .....	2
Greater than 5, but not greater than 7.5 .....	3
Greater than 7.5, but not greater than 10 .....	4
Greater than 10, but not greater than 15 .....	5
Greater than 15, but not greater than 20 .....	6
Greater than 20 but not greater than 25 .....	7
Greater than 25, but not greater than 30 .....	8
Greater than 30, but not greater than 47.5 .....	9
Greater than 47.5, but not greater than 65 .....	10
Greater than 65, but not greater than 82.5 .....	11
Greater than 82.5, but not greater than 100 .....	12

The quarterly repayment amounts for each of the quarters in the repayment schedule shall not be less than the following percentages of the estimated State share of the annual expenditures for the program against which the recovery is made.

For each of the following quarters	Repayment installment may not be less than these percentages
1 to 4 .....	2.5
5 to 8 .....	5.0
9 to 12 .....	17.5

If the State chooses to repay amounts representing higher percentages during the early quarters, any corresponding reduction in required minimum percentages would be applied first to the last scheduled payment, then to the next to the last payment, and so forth as necessary.

(2) The latest State Agency Statement of Financial Plan for AFDC submitted by the State shall be used to estimate the State's share of annual expenditures for the specific program in which the unallowable expenditures occurred. That estimated share shall be the sum of the State's share of the estimates (as shown on the latest State Agency Statement of Financial Plan for AFDC) for four quarters, beginning with the quarter in which the first installment is to be paid.

(3) In the case of a program terminated by law or by the State, the actual State share—rather than the estimate—shall be used for determining whether the amount of the repayment exceeds 2½% of the annual State share for the program. The annual State

share in these cases will be determined using payments computable for Federal funding as reported for the program by the State on its Quarterly Statement of Expenditures reports submitted for the last four quarters preceding the date on which the program was terminated.

(4) Repayment shall be accomplished through adjustment in the quarterly grants over the period covered by the repayment schedule.

(5) The amount of the repayment for purpose of paragraphs (a) and (b) of this section may not include any amount previously approved for installment repayment.

(6) The repayment schedule may be extended beyond 12 quarterly installments if the total repayment amount exceeds 100% of the estimated State share of annual expenditures. In these circumstances, the criteria in paragraphs (b) (1) and (2) or (3) of this section, as appropriate, shall be followed for repayment of the amount equal to 100% of the annual State share. The remaining amount of the repayment shall be in quarterly amounts not less than those for the 9th through 12th quarters.

(7) The amount of a retroactive claim to be paid a State will be offset against any amounts to be, or already being, repaid by the State in installments, under the same title of the Social Security Act. Under this provision the State may choose to:

(i) Suspend payments until the retroactive claim due the State has, in fact, been offset; or

(ii) Continue payments until the reduced amount of its debt (remaining after the offset), has been paid in full. This second option would result in a shorter payment period. A retroactive claim for the purpose of this regulation is a claim applicable to any period ending 12 months or more prior to the beginning of the quarter in which the payment is to be made by the Administration.

[42 FR 28884, June 6, 1977, as amended at 47 FR 7669, Feb. 22, 1982; 52 FR 273, Jan. 5, 1987; 53 FR 36579, Sept. 21, 1988]

#### § 201.67 Treatment of uncashed or cancelled checks.

(a) *Purpose.* This section provides the rules to ensure that States refund the Federal portion of uncashed or cancelled (voided) checks under titles I, IV-A, X, XIV, and XVI (AABD).

(b) *Definitions.* As used in this section—*Check* means a check or warrant that the State or local agency uses to make a payment.

*Cancelled (voided) check* means a check issued by the State agency or local agency which prior to its being cashed is cancelled (voided) by State or local agency action, thus preventing disbursement of funds.

*Uncashed check* means a check issued by the State agency or local agency which has not been cashed by the payee.

(c) *Refund of Federal financial participation (FFP) for uncashed checks—(1) General provisions.* If a check remains uncashed beyond a period of 180 days from the date it was issued, i.e., the date of the check, it will no longer be regarded as an amount expended because no funds have actually been disbursed. If the State agency has claimed and received FFP for the amount of the uncashed check, it must refund the amount of FFP received.

(2) *Report of refund.* At the end of each calendar quarter, the State agency must identify those checks which remain uncashed beyond a period of 180 days after issuance. The State agency must report on the Quarterly Statement of Expenditures for that quarter all FFP that it received for uncashed checks. Once reported on the Quarterly Statement of Expenditures for a quarter, an uncashed check is not to be reported on a subsequent Quarterly Statement of Expenditures. If an uncashed check is cashed after the refund is made, the State agency may submit a new claim for FFP.

(d) *Refund of FFP for cancelled (voided) checks—(1) General provisions.* If the State agency has claimed and received FFP for the amount of a cancelled (voided) check, it must refund the amount of FFP received.

(2) *Report of refund.* At the end of each calendar quarter, the State agency must identify those checks which were cancelled (voided). The State