

**Alabama State Department of Education
Child Nutrition Programs
Child and Adult Care Food Program**

Repayment of Overclaims Policy

A compliance review, follow-up review, audit, or investigation may result in findings for overclaims as defined in federal regulations and guidance. The Alabama State Department of Education (ALSDE) Child Nutrition Programs (CNP) Director sends written notification of fiscal action to the Child and Adult Care Food Program (CACFP) sponsor in the official letter and notice of serious deficiency, including the reasons and the amount to be repaid. The entire debt must be repaid within 30 calendar days unless the sponsor appeals or enters into a formal repayment agreement with the ALSDE within calendar 30 days.¹

Appeals

1. Sponsors have the right to appeal the overclaim that led to the demand for repayment. Collection activities are placed on hold during the appeal process.
2. CACFP sponsors have 15 calendar days to submit a request for an appeal with the hearing officer.

Repayment Plan Options

The sponsor must respond to the initial notification with its plan for repaying the money using non-Program funds. The sponsor's request must identify the non-Program funds to be used. The repayment plan options are:

1. The full amount is automatically withheld from the next available reimbursement².
2. The ALSDE prepares a repayment agreement allowing the sponsor to repay the debt over one or more years.
 - a. This option is available only if the total amount owed is equal to or greater than the average monthly reimbursement of the sponsor.
 - b. The following schedule is used:

Less than \$5,000	3 months
\$5,000-\$9,999	6 months
\$10,000-14,999	12 months
\$15,000-\$19,999	15 months
\$20,000-\$24,999	18 months
\$25,000 and above	24 months
 - c. Payments may be made by:
 - i. Withholding funds from future reimbursements.
 - ii. Sending monthly payments by cashier's check or money order.
 - d. The ALSDE CNP Director must authorize the repayment agreement.

¹ CACFP sponsors annually demonstrate financial viability by having adequate sources of funds to continue operations and pay employees and suppliers during temporary interruptions in receiving reimbursements.

² Automatic withholding is the preferred option.

- e. The repayment agreement must be returned to the ALSDE within 10 calendar days of receiving the agreement.

Payment Due Date

Monthly payments are due by the close of business (5:00 p.m.) on the date specified in the repayment plan. If the due date falls on a State holiday or weekend, the payment is due by close of business (5:00 p.m.) on the last working day before the holiday or weekend.

Overpayments

The interest due for a monthly payment is applied first, then the principal balance is reduced.

Late Payments or Underpayments

1. Late monthly payments or underpayments nullify the repayment plan. The full amount of interest is due and payable. A notification of serious deficiency and intent to terminate is issued.
2. An underpayment is first applied to any interest that is owed. Any remaining funds are applied to principal.

Interest

1. If the entire debt is not repaid within 30 calendar days, interest begins to accrue on the unpaid portion from the date of receipt of the notification letter. This 30-day period may be extended on a case-by-case basis.
2. The interest rate is the Current Value of Funds Rate (CVFR) established by the U.S. Department of the Treasury. Interest accrues monthly. Interest must be paid by cashier's check or money order.
3. Interest continues to accrue during the appeal process. If the hearing officer rules in the sponsor's favor or reduces the amount that is owed, accrued interest on the amount that is no longer due is waived. If the hearing officer rules in the State's favor, the sponsor owes the balance of the overclaim as well as accrued interest. Collection activities resume.
4. Sponsors may request interest payments be waived under extenuating circumstances. The ALSDE CNP Director has the authority to grant a waiver if it is determined that the collection of interest payments is against equity and good conscience or is not in the best interest of the population served by the Program. An example of an extenuating circumstance for a public school would be if the Governor declares proration of education budgets. An example for other CNP sponsors would be if the interest payments risk putting the organization out of business, thereby causing a hardship for the local community.

Follow-up Notifications

CACFP sends follow-up notifications after 30 and 60 calendar days if a satisfactory response to the initial letter and notification of serious deficiency is not received. Failure to respond results in proposed termination and disqualification.

Referral to the ALSDE Office of General Counsel

If a sponsor does not respond to the final follow-up notification, does not enter into or comply with the repayment agreement, or if Program participation is terminated, the matter is referred to the ALSDE Office of General Counsel for continued collection efforts.

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Appendix: Links to Resources

Recovery of Federal Funds

- **2 CFR 200.346 Collections of Amounts Due**
[eCFR Section 200.346](#)
- **7 CFR 225.12 Claims Against Sponsors (SFSP)**
[eCFR Section 215.12](#)
- **7 CFR 226.14 Claims Against Institutions (CACFP)**
[eCFR Section 226.14](#)
- **31 CFR 901 Standards for the Administrative Collection of Claims**
[eCFR Title 31 Part 901](#)
- **Current Value of Funds Rate**
[Department of the Treasury | Current Value of Funds Rate](#)
- **Guidance for Management Plans and Budget: A Child and Adult Care Food Program Handbook**
[Microsoft Word - Guidance for Management Plans and Budgets Final](#) (2013)

Suspensions and Terminations

- **7 CFR 226.6(c) Denial of Applications and Termination of Agreements**
[eCFR Title 7 Part 226.6\(c\)](#) (CACFP)

Financial Viability

CACFP: Adequate Sources of Funds

- **7 CFR 226.6(b)(1)(xviii)(A)(2)**
[eCFR Title 7 Part 226.6\(b\)](#)

Interest

- **31 U.S. Code § 3717 - Interest and Penalty on Claims**
[31 U.S.C. 3717 - Interest and penalty on claims](#)
- **31 CFR 901.9 Interest, Penalties, and Administrative Costs**
[31 CFR 901.9 Interest, Penalties, and Administrative Costs](#)
- U.S. Department of the Treasury: Current Value of Funds
[Current Value of Funds Rate](#)