



Georgia Department of Early Care and Learning

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## Memorandum

To: Administrative and Day Care Home Sponsors

From: Falita S. Flowers   
Nutrition Program Manager

Date: January 5, 2009

Re: Technical Assistance relating to Administrative Costs Charged to the Child and Adult Care Food Program (CACFP)

This memorandum is written to advise Administrative and Day Care Home Sponsors on findings cited in CACFP reviews conducted by Bright from the Start staff and Agreed Upon Procedure reviews completed by MH Miles Co, formerly known as Cameron, Miles and Jackson, PC, during the 2008 fiscal year. In addition, this memorandum will reiterate current CACFP federal regulations and Bright from the Start policies that reference the use of CACFP funds for administrative costs.

During the FY 2008 program year, Bright from the Start conducted 18 scheduled CACFP reviews, five (5) complaint investigations; and requested eight (8) Agreed Upon Procedure (AUP) reviews, all for Administrative and Day Care Home Sponsors.

As a result of the reviews, several Institutions were cited with findings relating to the use of CACFP reimbursement funds for administrative costs. Below is a list of the common finding citations:

- Failure to maintain required records/forms for the CACFP
- Failure to provide all necessary records and/or documents for review
- Failure to maintain final administrative and financial responsibility for the CACFP
- Missing receipts
- Using funds for unallowable costs

In most cases, these findings resulted in Institutions directly repaying Bright from the Start and/or refunding the non-profit food service account large sums of money and issuing additional reimbursements to sponsored facilities. In all cases, these findings were cited because of violations that involved the use of CACFP funds for labor and benefit costs and the lack of

accurate or appropriate documentation to support these costs when charged to the CACFP and paid with CACFP reimbursement funds.

Bright from the Start's goal is to ensure that all Administrative and Day Care Home Sponsors operate and administer the CACFP in accordance with federal regulations, FNS Instructions on financial management, and Bright from the Start policies, and have a comprehensive understanding of CACFP requirements pertaining to the use of CACFP funds. Below is specific guidance pertaining to regulatory requirements for claim submissions, administrative reimbursements, using CACFP funds for labor and benefit costs, and required recordkeeping practices:

- **Submission of Claims for Reimbursement and General Recordkeeping**

In accordance with **Bright from the Start policy CACFP/01-15**, Institutions enter original claims within 30 days of the claim month, and up to two revisions within 90 days of the claim month. All claims are submitted via the CNP 2000 web-based system. Monthly meal reimbursements are calculated based on the submission of monthly claim data that includes reporting facility participation, child or adult enrollment, eligibility data, and monthly meal counts. Day Care Home Sponsors are also required to report actual monthly costs that were incurred during the administration of the CACFP with each monthly claim.

In accordance with **Federal Regulation 7 CFR Part 226.10 (c)**, Institutions certify that all information is correct and that records are available to support each submitted claim. This certification is completed at the end of each claim submission. At the very moment a claim is submitted for reimbursement, Institutions are certifying that all information is accurate and documentation is and will be made available upon request to verify the accuracy of the claim. In conjunction with **Federal Regulation 7 CFR Part 226.10 (d)**, **Bright from the Start policy CACFP/02-18** requires that all Institutions indicate where records will be stored and must make the records available upon request during a review or at any other time. All records must be retained for three years, plus the current year unless audit or review findings have not been resolved. In this case, the records must be retained beyond the end of the three year period as long as may be required for the resolution of the issues raised by the audit or review.

- **Using CACFP Funds for Administrative Costs**

Independent centers, center sponsors, and administrative sponsors are allowed to use a portion of the total meal reimbursement towards the costs incurred to administer the CACFP. **Federal Regulation 7 CFR Part 226.7(g)** prohibit State Agencies from approving administrative budgets for sponsors of centers, or any amendments to the budget, if the budget shows CACFP will be charged for administrative costs in excess of 15% of the meal reimbursements estimated to be earned during the budget year, unless a waiver is granted. Bright from the Start's **Budget Guidance Manual** specifically states that Administrative Sponsors are prohibited from taking a "blanket 15%" of the meal reimbursement for administrative costs. Administrative Sponsors may retain a portion of a sponsored facility's reimbursement, but only up to the amount of the actual net administrative costs for the month. Administrative sponsors must ensure that no more than 15% of the total meal reimbursement for the fiscal year is used towards administrative costs. **FNS Instruction 796-2 revision 3, section IX (D) (2) (a)** requires state agencies to limit the amount of reimbursement payments that can be applied to administrative costs for sponsors of center

program to the lesser of 15% of the total reimbursement payments received or net allowable administrative costs. Further, state agencies must limit costs approved in the center sponsor's budget to not more than 15% of the anticipated reimbursement payments for the budgeted period.

Day Care Home sponsors receive an administrative reimbursement separate from the total meal reimbursement for sponsored facilities. The day care home sponsor's administrative reimbursement is determined based on the annual meal reimbursement rate times the number of approved and participating homes. The reimbursement rates are published each fiscal year by the United States Department of Agriculture (USDA) and are effective from July 1<sup>st</sup> to June 30<sup>th</sup>. **Federal Regulation 7 CFR Part 226.12 (a)** states that reimbursements for administrative costs may not exceed the lesser of actual expenditures incurred in the administration of CACFP, the amount of administrative costs approved by the State Agency in the administrative budget, or the sum of the homes times rate calculation. Administrative payments cannot exceed 30% of the total amount of administrative costs and food service payments (meal reimbursement) for day care home operations. Day care home sponsors are required to submit actual monthly costs with each monthly claim for reimbursement. By doing so, CNP 2000 can determine the final amount of administrative reimbursement to issue to the sponsoring organization. The final amount of administrative reimbursement is issued based on information submitted in the claim.

The financial management instruction for CACFP is **FNS Instruction 796-2 revision 3**. **FNS Instruction 796-2 revision 3, section VII A** requires all Institutions to account for all costs of operating and the administration of the CACFP through the consistent use of generally accepted accounting principles. While some costs may be necessary and reasonable for the operation or administration of the CACFP, these same costs may not be allowable, even when the preponderance of the institution's revenue is from the CACFP. As a part of the application process, Institutions sponsoring affiliated or unaffiliated facilities are required to submit an operating and/or administrative budget. It is understood that the institution's budget may be developed based on estimated costs; however, **FNS Instruction 796-2 revision 3, section VII (A) (1) (b)** states that final monthly claims cannot include estimated costs on the Institution's final monthly claim for reimbursement. Although Day Care Home sponsors submit monthly cost information with the claim for reimbursement, all institutions are required to use the Monthly Record of Administrative Costs Form to document monthly costs that are incurred in the administration of the CACFP. The Monthly Record of Administrative Costs Form should indicate all actual costs incurred for the claim month and must be available for review upon request. In addition to documenting monthly costs on the Monthly Record of Administrative Cost Form, Institutions are required to maintain copies of all records to support the costs indicated on the form and/or submitted with the monthly claim.

Using CACFP funds for administrative costs is allowed, providing costs are allowable as defined by **FNS Instruction 796-2 revision 3**. **FNS Instruction 796-2 revision 3, section VIII (A)** states that allowable costs must be necessary, reasonable, authorized, be within required limitations, current and not assigned to a prior year, incurred during the administration of CACFP, consistent with generally accepted accounting principles, must be the actual net cost minus applicable credits, allocated properly between organization-wide activities and documented in accordance with applicable laws, regulations, and the FNS Instruction.

- **Allowable Labor and Benefit Costs and Recordkeeping Requirements**

**FNS Instruction 796-2 revision 3, section VIII I 23 (a-d)** establish the general requirements for labor costs. This section of FNS Instructions provides a detailed description of allowable and unallowable labor costs. In accordance with **FNS Instruction 796-2, section VIII I 23 (d)**, Bright from the Start issued the **Budget Guidance Manual**, which specifically provides additional guidance on the use of CACFP funds for labor and benefits costs. The Budget Guidance Manual defines Standard Occupational Codes and reasonable salary and hourly wage guidelines for positions generally held in the administration of the CACFP. Institutions that want to pay above the wage guidelines must do so with alternative revenue.

**FNS Instruction 796-2, section VIII I 23, section VIII I 23 (c) (2-3)** provides details on the documentation requirements for labor costs paid with CACFP funds. All Institutions that use CACFP funds for labor costs must establish and maintain a written compensation plan and document all program hours worked by using time and attendance and time distribution reports. Bright from the Start issued additional guidance in policy memorandums entitled **“Labor Costs Documentation”** dated May 23, 2005, and **“Guidance for Establishing Compensation Plans”** dated September 8, 2005. **FNS Instruction 796-2, section VIII I 23 (c) (4)** requires a signature from the employee certifying that information indicated on the time and attendance and time distribution report is true and correct, and a signature from the responsible supervisory official certifying first-hand knowledge of the activities performed by the employee during the period covered by the reports.

**FNS Instruction 796-2, section VIII I 23 (g)** provides detail on allowable Fringe benefits, which include vacation and military leave, health, life and disability insurance, paid holiday pay, and retirement benefits. **FNS Instruction 796-2, section VIII I 23 (g) (7)** requires Institutions to consult with OMB Circulars A-97 attachment B 11 (e) (public) or A-122 attachment B 7 (h) (private) for requirements for pension/retirement costs. Retirement accounts must be for the corporation and/or organization and not for the individual employee, such as Individual Retirement Account (IRA).

This memorandum, or information contained in this memorandum should not act as training alone, but should be considered as a review of previous training. Therefore, Bright from the Start encourages institutions to review each reference in its entirety, and share information with Key staff responsible for CACFP operations. CACFP federal regulations and Bright from the Start policies, memorandums, or guidance material can be found at Bright from the Start’s website at [www.decal.state.ga.us](http://www.decal.state.ga.us).

Institutions participating in the CACFP do so by accepting full financial and administrative responsibility for the CACFP within their own organization and in each sponsored facility. If during a review or any other time it is determined that amounts are reported or recorded inaccurately, do not represent the true and actual cost incurred during the administration of the CACFP, or if documentation is not available at the time of review or upon request, the costs will be disallowed. Using CACFP funds for disallowed costs is unallowable per FNS Instructions and in direct violation of federal regulations, Bright from the Start policy and guidance material. If CACFP funds are used for unallowable costs, a finding will be cited and a claim adjustment will be completed. This adjustment may result in the sponsor’s requirement to repay Bright from

the Start, refund the non-profit food service account, and/or issue a refund to sponsored facilities. The severity and/or frequency of these types of findings can result in the Institution, Principals, and Responsible Individuals determined Seriously Deficient or terminated from the CACFP.

If you have any questions or require additional technical assistance, please contact me at 404.656.6452.