USDA

United States
Department of
Agriculture

Food and
Consumer
Service

Mountain Plains
Region

1244 Speer Blvd.
Denver, CO
80204-3581

MAY - 4 1998

Reply to
Attn. of: CACFP-545

Subject: Administrative Costs Charged Sponsored Centers

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas,
(Child Nutrition Programs) Missouri DH, Montana DPHSS,
Nebraska ED, North Dakota,
South Dakota, Utah and
Wyoming ED

A Management Alert was issued by the Office of Inspector General (OIG) on December 1, 1997, concerning the Child and Adult Care Food Program (CACFP) National Initiative to Identify Problem Sponsors-Audit No. 27601-03-SF. OIG has alerted the Agency to what they perceive as a problem in the CACFP, concerning the amount of administrative cost being charged to child care centers by sponsoring organizations. According to the Management Alert, there is a wide disparity in the amount of funds that sponsors of child care centers are retaining for administrative purposes. Further, OIG stated this action has created an environment that encourages fraud and abuse in the CACFP. The OIG has recommended that: (1) all child care centers that participate under sponsors be notified that they have the option to participate directly with the State agency (SA), and (2) centers be informed that if they choose to participate under the auspices of a sponsoring organization, the sponsoring organization may retain a portion of their reimbursement to cover their administrative cost.

As a result of the OIG's recommendations, all SAs which administer the CACFP must advise sponsored centers that they have the option of becoming an independent center. These sponsored centers may directly enter into an agreement with the SA, thereby assuming the administrative and financial responsibility for Program operations.

Should you have questions, concerns, or comments, please contact my staff at (303) 844-0359.

Ann C. DeGroat

ANN C. DEGROAT
Regional Director
Child Nutrition Programs

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