USDA United States Department of Agriculture
Food and Nutrition Service
Mountain Plains Region
1244 Speer Boulevard, Suite 903
Denver, Colorado 80204-3585

CACFP-710

Child and Adult Care Food Program (CACFP) – Budget Approval Issues

STATE AGENCY DIRECTORS - (Special Nutrition Programs)
Colorado DPHE, Iowa, Kansas, Missouri DHSS, Montana DPHHS, Nebraska, North Dakota, South Dakota, Utah and Wyoming

This memorandum is intended to clarify when the State agency can require an institution to devote a specific amount or percentage of CACFP funds to pay for food or other costs. This memorandum deals specifically with the cost of food, not total operational costs which would be food, meal service related labor, etc.

State agencies should make any needed adjustments to its budget approval and review processes for the program year beginning October 1, 2003. If you have any questions, please contact our office at (303) 844-0359.

Darlene Sanchez

DARLENE SANCHEZ
Regional Director
Special Nutrition Programs

Attachment

Question 1: Now that the interim rule establishes a "cap (15 percent limitation)" on how much CACFP reimbursement a center sponsor can budget for administrative costs, can the State agency require institutions budget a specific percentage of CACFP reimbursement for food?

Answer: Generally no. However, there are three exceptions. The first occurs when the State agency identifies that the lack of adequate food expenditures are the cause or a contributing factor in a center's failure to meet meal pattern requirements. In this case, the State agency can require an increase in food expenditures as part of the corrective action plan to remedy the meal pattern deficiencies. The second exception would occur when the State agency determines that the center's meals need improvement that can be accomplished by increasing food expenditures. The third exception would occur when an unaffiliated sponsored center or institution (independent center, sponsor of affiliated centers or sponsor of both affiliated and unaffiliated centers) has reached the maximum nonprofit food service account balance permitted by the State but is continuing to earn reimbursement in excess of expenditures. In this last case, the State agency can require the center or institution increase its expenditures for food or other operational costs, such as acquiring food service equipment, to prevent an excess account balance from developing.

Question 2: Why does the State agency need to determine that inadequate food expenditures are a "contributing factor" for the meal pattern deficiencies before requiring the center devote more money to food expenditures?

Answer: FNS agrees that all CACFP participants should receive high quality, nutritious meals. However, not all meal pattern deficiencies result from inadequate food expenditures. Requiring a center or institution spend more money on food, when the deficiency actually needs to be addressed through training or technical assistance, will not result in successful corrective action. Some causes of meal pattern deficiencies that are unrelated to food expenditures include:

1. Improper crediting of foods;
2. Using incorrect serving sizes;
3. Incorrectly computing the amount of a food item that must be purchased to provide the correct number of servings;
4. Sub-dividing a lunch meal into a series of smaller distinct meals in an effort to maximize food consumption;
5. Allowing participant food preferences to determine the content of meals offered to participants, for example fruit flavored drink products served instead of milk; and
6. Untrained or poorly trained cooks and other food service personnel.

Question 3: What actions must the State agency take to verify that a center or institution has complied with the requirement to spend a specific amount or percent of CACFP reimbursement on food?

Answer: In addition to requiring a specific budgeted amount, the State agency must also review the center or institution's actual food expenditures. A budget or budget amendment is not sufficient to demonstrate increased food expenditures. Unless the State agency verifies that increased expenditures actually occurred and resulted in the food being used in program meals, the budgeting requirement is meaningless.

Question 4: Can FNS provide guidance on what the State agency would review to verify that increased expenditures actually occurred and that the food was used in program meals?

Answer: The State agency would compare information from its initial review findings that lead to a decision for increased food expenditures with information from the period of corrective action. This would include: (1) Reviewing food purchase records (bills, invoices, and inventories) to identify all of the foods purchases; (2) Comparing the type and amount of food purchased to menus and production records for the same time period; (3) After deducting for food in inventory, computing if the amount of food purchased matches the quantity needed to meet the menu and production records; and, (4) Using on-site observations to verify that meals correspond to menus. Please note, this information is provided as guidance, and is not an FNS mandate on how the State agency must accomplish this review. State agencies may develop other review tools and techniques to verify that the increased expenditures resulted in foods actually used in program meals.

Question 5: Can the State agency require the institution spend more CACFP funds on the food service equipment or conduct more nutrition education?

Answer: The State agency can require improvements in an institution's food service equipment or nutrition education activities and identify that CACFP funds should be used to pay for the improvements.

Question 6: If the State agency decides the cause of a serious deficiency is the institution's failure to hire well-qualified competent staff, can the State agency require the institution spend more of its CACFP reimbursement on labor?

Answer: When the cause of the serious deficiency results from the institution's failure to pay salaries commensurate with competencies required for the position, the State agency can require the institution initiate appropriate corrective action. Generally, the corrective action would be to hire employees that meet specific competency levels versus requiring a specific level of expenditures; however, the State agency can identify that CACFP funds are available to pay for the employee's salary.