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

Reply to Attn of: CACFP – 723

FEB 13 2004

Subject: Sponsor Monitoring Requirements in the Child and Adult Care Food Program (CACFP)

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

There have recently been several questions regarding the requirements established in Section 226.16(d)(4) for sponsors' review of their facilities. These questions focused on the long-standing requirements that new facilities be reviewed within their first 4-6 weeks of operation, and that each facility must be reviewed three times each year.

The requirements for sponsor monitoring of facilities set forth in Section 226.16(d)(4) are based on the assumption that most facilities participate in CACFP 12 months each year, and that they continue to participate on a full-year basis from one year to the next. Although this is not universally true, it is still the norm in many places.

"First review" Requirement

Sections 226.16(d)(4)(i)(C) and 226.16(d)(4)(ii)(C), which establish the requirements for "first reviews" of sponsored centers and family day care homes (FDCH), respectively, are based on this assumption of continuous, year-round participation. However, at least one State agency (SA) has interpreted the first review requirement to mean that, every time the SA renews a sponsor's application, all of its facilities must again be reviewed on the "first review" schedule. This is not the intent of the first review requirement. If it were, a sponsor with 1,000 day care homes whose application was renewed annually would have to review all 1,000 of its homes within 4 weeks of the SAs approval of the application renewal.

Rather, the first review requirement is designed to ensure that facilities that are new to CACFP receive an early review from their sponsor, to minimize the possibility that the facility is making critical errors that could result in large overclaims. We believe that SAs should interpret the first review requirement to also apply to a facility that changes sponsors (insofar as that facility is a "new participant" in the sponsorship to which it has transferred) or to a facility that re-enters CACFP after a break in participation.

"Three times per year" Requirement

Sections 226.16(d)(4)(i) and 226.16(d)(4)(ii) establish the requirement that each sponsored center and each FDCH must be reviewed three times each year. For example, if a sponsor used the fiscal year (FY) as its normal review cycle, how many reviews would a sponsor be required to conduct for a FDCH added to its rolls on August 29, 2003? The answer is "once in FY 2003 and three times in FY 2004", because the first review requirement would require the sponsor to review the home within its first 4 weeks of operation (i.e., by September 29, 2003). The "normal" three times a year requirement for this home would commence with the new review cycle in FY 2004.

Other variations on "three times per year"

There are, of course, many other scenarios that could occur. To cite two of the more common examples, a FDCH may begin participating in CACFP 6 months into the review cycle, or a sponsored Head Start center may regularly participate for only 9 months each year. In these less typical cases, we expect a SA, in consultation with the Regional Office (RO), to exercise its judgment in determining the minimum review requirements for a given sponsor and its facilities.

The SA will need to establish requirements concerning the monitoring of FDCHs that participate on an other-than-year-round basis. Since all sponsors are required to annually update their management plans (Section 226.6(b)(5)) and must periodically demonstrate, as part of their renewal applications, that they will perform monitoring in accordance with Section 226.6(b)(18)(iii)(D)(2), the management plan might be an excellent vehicle for capturing information on the sponsor's plans for reviewing FDCHs that participate on an other-than-year-round basis. The SAs could then ensure that state-level requirements pertaining to the minimum number of reviews for part-year participants are being met as part of their approval of a sponsor's initial management plan and/or renewal application. When establishing state-level requirements, SAs may wish to consider the proportion of the year that a facility normally participates in CACFP, the quality of the sponsor's Program operations (as assessed through SA reviews of the sponsor), and other relevant factors.

The RO has issued Q&A's regarding monitoring requirements; you may want to review CACFP #470-16 and CACFP# 534-6. If you have any further questions or concerns regarding this memo please contact our office at (303) 844-0354.

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