

## Management Plan Evaluation Guide

**How to use this guide:** This guide is organized in three sections which correspond to the three key areas of a management plan. Section I is Financial Viability; Section II is Organizational Capability; and Section III is Internal Controls. Each section provides State agencies with a listing of what information, at a minimum, must be collected from each institution during the application process, as well as a corresponding listing of criteria by which to evaluate this information. For each management plan element (for example, Description of Need/Recruitment, Fiscal Resources and Financial History, Administrative Budgets, etc.), there is a list of necessary support/documentation in the first column which the State agency must gather in order to evaluate that element. The evaluation criteria in the second column guides the reviewer in asking questions and judging the information submitted by the institution.

NOTE: This guide is a working document. It is not intended to be all inclusive. There may be other support documents or criteria that a State agency may use in evaluating a potential applicant's financial viability, organizational capability and internal controls. Comments on how to improve this guide are encouraged.

### Definitions:

Necessary Support/Documentation: The information a State agency must collect in order to evaluate an organization's ability to administer the CACFP. Necessary support includes but is not limited to the following types of documentation: responses to management plan elements, copies of written policies and procedures, rental/lease agreements, written cost justification, forms, training agendas, etc.

Evaluation Criteria: The resources, policies, and guidelines a State agency applies to the documentation it has gathered in order to evaluate institutions' eligibility to administer the CACFP. These criteria include, but are not limited to, the following: FNS regulations, instructions, the Management Improvement Guidance, other guidance materials issued by FNS, institutional program files, information from past reviews and audits, etc.

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## I. Financial Viability

<b>A. Description of Need/Recruitment</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<ol style="list-style-type: none"> <li>1. Description of proposed geographic area of service.</li> <li>2. Listing of potential or currently participating providers.</li> <li>3. Licensing/alternate approval information for all listed providers.</li> </ol>	<ol style="list-style-type: none"> <li>1. Review the institution's proposed service area and compare to SA data on other institutions' operations in that same area in order to evaluate the need for this sponsorship. Compare the list of providers to the State's licensing/registration data with regard to the number of homes in that geographic area (also, the number of potential unlicensed/unregulated homes in area if the institutions plans to recruit/sponsor this type of home).</li> <li>2a. Determine whether the number of providers under the sponsorship is adequate to generate the amount of administrative reimbursement necessary for the proper administration of the CACFP and all required activities.</li> <li>2b. Verify that names and addresses valid/homes exist.</li> <li>3a. Perform a cross-check of the listed providers to determine whether the homes already participating with another sponsor.</li> <li>3b. Cross-check for homes terminated by another sponsor (especially for cause).</li> </ol>
<ol style="list-style-type: none"> <li>4. Copy of the institution's recruitment policies and procedures.</li> </ol>	<ol style="list-style-type: none"> <li>4. Evaluate these procedures to determine whether they are consistent with State rules. These policies must not promote regional sponsor competition for providers and cannot "steal" or lure providers to its sponsorship from another sponsor.</li> </ol>

**B. Fiscal Resources and Financial History**

Necessary Support/Documentation	Evaluation Criteria
1. Description of all organizational activities, non-CACFP.	1. Keep this information in mind when evaluating all other information provided by the institution with regard to its financial and operational status.
2. Total revenue broken out by source, frequency, type (earned income, grants, donations), function or purpose, and amount. Information should also indicate how long this revenue has been available to the organization, whether the level, function or nature of the funding is expected to change in the coming fiscal year and if so, what impact it will have.	2a. Use this information to evaluate the institution's total revenue support; compare these amounts with the organization's activities. If the institution's level of activity appears to overshadow its available resources, this should represent a flag that the institution may not be fiscally viable.  2b. Evaluate revenue characteristics to determine whether other revenue sources are regular/reliable. Ask: Is there adequate funding to support non-CACFP administrative staff salaries and benefits as well as other non-CACFP costs?  2c. Keep this information in mind when evaluating the institution's proposed budget, especially its cost allocation plan.  2d. If a given source of revenue is expected to cease during the coming fiscal year, evaluate what impact this loss of revenue may have on the organization's overall operations; determine what other funds will be available/used to cover costs.  2e. There are costs associated with the operation and establishment of a business and/or nonprofit agency which, while required under State corporation laws, are not allowable costs under the CACFP (e.g., preparation and submission of the IRS form 990). If an institution has no available revenue

## B. Fiscal Resources and Financial History

Necessary Support/Documentation	Evaluation Criteria
	<p>sources besides the CACFP, it cannot cover these costs and should not be viewed as financially viable.</p> <p>2f. The state can also use the Single Audit Clearinghouse (at <a href="http://harvester.census.gov/sac">http://harvester.census.gov/sac</a>) to verify/discover other Federal funding sources received by the institution. For more information on both the Clearinghouse and audit oversight for institutions, refer to "Questions and Answers on A-133, Second Edition".</p>
<p>3. Listing of all other resources available to the organization (fixed assets such as office space, desks, office equipment, etc., human resources, professional services, consultants, a board of directors, etc.).</p>	<p>3a. Use this information to determine whether the institution is an established organization. For instance, if the institution has no fixed assets of its own, then it must rely solely on CACFP administrative funding to support its general organizational costs. This not only indicates a lack of financial stability, but should cause the SA to look closely at any general purpose equipment or services budgeted by the institution for CACFP.</p> <p>3b. Determine whether the organization has staff in place or ready for job placement. If the organization has not begun the process of identifying staff for job placement, this may be an indicator that the institution is not ready to apply for CACFP participation.</p> <p>3c. If the organization has no history or experience in managing other types of programs, the SA should expect to see that some of its principal employees have such experience, or that the organization intends to contract for assistance.</p> <p>3d. If the institution has little or no available human/professional</p>

**B. Fiscal Resources and Financial History**

Necessary Support/Documentation	Evaluation Criteria
	resources, this indicates that it will have difficulty administering the CACFP.
4. Description of the institution's plan for repayment of fiscal overclaims, should they occur.	2. Evaluate the institution's response to determine whether it commands adequate alternate resources to cover any potential overclaims without jeopardizing Program delivery
5. Copy of the organization's most recent independent audit or audited financial statements as prepared by a certified accountant.	5a. Review the audit/financial statements to determine whether there are any indications that the organization has had difficulty with financial accountability, cash flow, asset management or expense-to-income ratios. Ask: Is there sufficient evidence of the organization's going concern?  5b. Review financial statement/audit report for outstanding loans, bad debts, overdue bills, cash flow problems, etc. These conditions indicate a lack of viability.  5c. Verify that the organization's audit/financial statement was completed by a certified accountant. Comprehensive financial statements must show all expenditures and sources of income or other funding relevant to the proposed activity.
6. Obtain an indication as to whether the organization been terminated or determined to be seriously deficient in any other program (or in the CACFP).	6. If the organization has been either terminated or declared seriously deficient in another program or in the CACFP, its application for participation must be denied.

### **C. Administrative Budgets: Basic Criteria**

1. Refer to FNS Instruction 796-2, section VII, Basic Guidelines for Determining Allowability of Costs.
2. For renewing sponsors, always compare the current budget to budgets submitted by the sponsor in prior years. At a minimum, State agencies should make comparisons to the prior year's budget.
3. For renewing sponsors, always refer to past review and/or audit findings when evaluating current year budgets.
4. Make sure that the sponsor has specified whether the budget is original or amended.
5. Verify the sponsor's projected revenue levels upon which the budget is based. For renewing sponsors, projected revenue should not exceed regulatory formulas (homes times rates) plus a reasonable historical growth factor. Budgets whose totals exceed revenue projections cannot be approved.
6. Sponsors with multiple funding sources must either submit a cost allocation plan for approval or supply a cost allocation plan as approved by the appropriate cognizant agency.
7. Sponsor budgets must also include and document the source and amounts of non-Federal funds dedicated to unfunded CACFP budget costs.
8. Verify the sponsor's chosen accounting method, e.g., cash (expenses and income reported when paid/received) or accrual (expenses and income recorded when incurred) basis. Sponsors who use a cash basis must report based on accrual of costs on the final claim for the fiscal year, so that all costs incurred during that fiscal year are reported in the correct period.
9. Suggestion: When faced with a questionable budget or a budget submitted by a problematic sponsor, obtain copies of the sponsors' IRS 990 forms for the past three years and compare 990 figures with the budget.

**C. Administrative Budgets: Budget Cost Categories by Line Item**

*Administrative Labor—Wages*

Necessary Support/Documentation	Evaluation Criteria
1. Total hourly/annual salaries and benefits for each employee (listed by name and position).	1. Compare salary/benefit outlays (by employee and sponsor-wide) to total sponsor revenue to determine whether a) the sponsor can afford the wages they have budgeted, b) these resources could be better used in other areas of the program and c) whether the majority of salaries/benefits are disproportionately allocated to the sponsor's top officials.
2. Work schedules and job descriptions for each employee.	2a. Use reported employee work schedules to determine whether adequate staffing is available for the proper administration of the CACFP and whether employee work hours are acceptable.  2b. Use information from employee job descriptions regarding levels of responsibility, educational qualifications, etc., to determine whether salaries reflect job requirements.
3. Total hours worked per employee and hours worked on CACFP as well as total salary earned per employee and portion paid by CACFP.	3a. Use information on employee time spent on CACFP to determine whether salaries are appropriately prorated (this also helps states see the extent to which sponsor staffing resources are devoted to CACFP).  3b. Compare this information to the sponsor's written allocation method for discrepancies. Salary allocation must be based on actual hours worked on CACFP; time studies, estimates or general percentages cannot be used.
4. Information on the size, geographic location and function of each sponsor.	4a. Use information on sponsor size, geographic location, and function to evaluate whether salary/benefit levels are reasonable in terms of what similar institutions are paying

**C. Administrative Budgets: Budget Cost Categories by Line Item**

*Administrative Labor—Wages*

Necessary Support/Documentation	Evaluation Criteria
	<p>their employees.</p> <p>4b. Refer to Bureau of Labor statistics website at WWW.BLS.GOV for information on surveys and programs, employment and unemployment, occupational employment statistics, occupational employment and wage estimates, and 1997 national salary estimates.</p>
5. Obtain copies of canceled checks for payments made to the Social Security Administration and the IRS, if necessary.	2. Verify that payments are made to cover the institutions employment taxes, etc., when questions exist as to whether the organization is actually paying employment taxes. Evaluate the timing and amounts of payments to ensure consistency with budgeted amounts.
6. General	3. Ask “can the program run properly without this cost?” (e.g., the cost of a nutritionist with a PhD versus one with a RD).

*Administrative Labor—Benefits*

Necessary Support/Documentation	Evaluation Criteria
1. Total benefits broken out by type and CACFP portion.	<p>1a. Use this information to establish what types of benefits the sponsor offers its employees and how much of these costs are charged to the CACFP.</p> <p>1b. Benefits must be charged in the same manner as those salaries upon which the benefit is based.</p>

***Administrative Labor—Benefits***

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
2. Sponsor's written personnel policies governing benefits (e.g., vacation and/or sick leave, health insurance, retirement benefits, incentive payments and awards, etc.).	2a. Evaluate these policies to determine whether benefits are limited to specific individuals, under what circumstances employees qualify for benefits, whether employees contribute to their benefit packages, and how accumulated fringe benefits are reconciled in the case of employee termination (accumulated wages must be either paid to the employee or returned to the SA).  2b. Verify that written policies are consistent with those employees budgeted to receive benefits.
3. Copies of life insurance and retirement plans.	3a. Verify that retirement/insurance costs are associated with defined plans (SAs may need to identify resources to help them review insurance plans, such as expertise from the State Insurance Commission, when plans appear questionable or are difficult to decipher).  3b. Verify that plans provide coverage to allowable personnel per the sponsor's written policies.
4. Copies of canceled checks paid to health benefit programs, retirement plans, etc.	4. Obtain this information a) for years when a review of this sponsor will not be conducted and b) if there is reason to doubt the validity of the sponsor's budgeted costs. Verify amounts and payees.

***Facility Rental/Lease***

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<ol style="list-style-type: none"> <li>1. Copy of the rental/lease agreement and copies of canceled rent payment checks (if necessary).</li> <li>2. Copy of procurement records, if applicable.</li> </ol>	<ol style="list-style-type: none"> <li>1a. Use the rental/lease agreement to determine what services are included in the lease (janitorial, maintenance, etc.) and verify that these costs, if included, are not reported separately in the budget.</li> <li>1b. Check for related parties; if in doubt, use canceled checks to determine who receives payments and verify that checks are made out to the same entity named on the rental/lease agreement (the budget form should specify that all less-than-arms-length rental/lease arrangements must be reported).</li> <li>1c. Verify that rental/lease costs budgeted are consistent with amounts established on the rental/lease agreement.</li> <li>2. Verify that proper procurement procedures were followed (if applicable).</li> </ol>
<ol style="list-style-type: none"> <li>3. Documentation of actual time/space usage for CACFP, if applicable.</li> <li>4. Obtain a copy of the sponsor's written cost allocation plan.</li> </ol>	<ol style="list-style-type: none"> <li>3. Use documentation to evaluate the sponsor's allocation of space costs to CACFP for consistency and reasonableness (a good standard to apply would be IRS rules). Keep sponsor salaries in mind; if wages are prorated, it is likely that space costs must be prorated also.</li> <li>4. Evaluate whether employee time charged to CACFP is consistent with space time charged to CACFP.</li> </ol>
<ol style="list-style-type: none"> <li>5. For new sponsors budgeting rental costs for use of a private residence, obtain data on rental costs of comparable property, availability of commercial property in the same area (if any), and type, life expectancy, condition, and value</li> </ol>	<ol style="list-style-type: none"> <li>5. Use this information to determine the reasonableness of the rental transaction for the private residence (e.g., whether comparable space in the same area costs less than the sponsor has budgeted for, whether commercial space is</li> </ol>

<i>Facility Rental/Lease</i>	
Necessary Support/Documentation	Evaluation Criteria
<p>of the private property.</p> <p>6. Obtain information on the cost and square footage of the property, as well as the value of the land. Also refer to IRS rules governing business use of one's home.</p>	<p>available, whether the property's physical characteristics are consistent with the cost budgeted by the sponsor, etc.).</p> <p>6. Evaluate information on the cost and size of the property, as well as the value of the land to determine whether the space has been properly prorated for use by the CACFP.</p>
<p>7. Sponsor's proposed depreciation schedule or use allowance, if applicable.</p>	<p>7a. For privately owned buildings, any depreciation method used by the institution on its income taxes is adequate, or the 30 year straight line method.</p> <p>7b. For publicly owned buildings, both the depreciation method and the amount assigned by the sponsor as the acquisition cost upon which the depreciation is based, must be approved by the State agency.</p> <p>7c. Any public building cost paid for with Federal funds cannot be depreciated.</p> <p>7d. For both privately and publicly owned buildings, the acquisition cost must exclude the value of the land.</p> <p>7e. Verify that space costs included in the budget do not exceed allowable amounts based on the sponsor's depreciation schedule or use allowance (use allowances for buildings and/or improvements cannot exceed 2% of the acquisition cost annually).</p>

***Facility Maintenance, Janitorial Services, Utilities***

Necessary Support/Documentation	Evaluation Criteria
1. Copies of appropriate contracts (e.g., for janitorial/maintenance services).	1a. Evaluate the level of service for reasonableness; also determine whether costs are appropriate for services rendered.  1b. Verify that these costs are not included in either the rental/lease agreement or elsewhere in the budget, such as indirect costs.
2. Copies of past bills for utilities or documentation justifying increases.	2a. Use past bills when costs for utilities budgeted appear excessive.  2b. Request sponsor justification if utilities costs have increased significantly.  2c. Verify that these costs are not included elsewhere.
3. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	3. Compare proration of utilities/maintenance costs to proration of space costs; the allocation criteria should be the same.

***Communications—Telephone, Fax, Email, Cellular Telephones***

Necessary Support/Documentation	Evaluation Criteria
1. Copy of the sponsor's policies on personal and business use of the sponsor's communications systems, which employees may use them and under what circumstances.	<p>1a. Review the policies to determine whether the extent to which communication systems are used is reasonable (e.g., if cell phones are issued to all employees, determine whether that is truly necessary for the proper administration of the program).</p> <p>1b. If policies indicate that communication systems can be accessed for employees' personal use, first determine whether allowed personal use is reasonable or excessive, then ensure that sponsor policies include procedures for employee payment of their share of communication costs (or be included as a part of the employees' taxable income).</p>
2. Breakout of telephone charges, e.g., local, long distance and service charges.  3. Copies of past bills, if needed.	<p>2. Use breakout information to assess reasonableness of sponsor charges; if long distance charges far exceed local charges, obtain justification. If service fee charges far exceed annual calling costs, obtain more detailed information about the number and type of services the sponsor subscribes to.</p> <p>3. Review copies of past bills if budget amounts for communications seem excessive. If costs have significantly increased, obtain justification.</p>
4. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	4. Unless sponsor maintains separate communication systems/ phone lines for CACFP only, verify that the sponsor's allocation method for telephone service fee costs fairly measures the extent to which this cost benefits the CACFP.

**Equipment**

Necessary Support/Documentation	Evaluation Criteria
<p>1. Cost and description/purpose of the equipment.</p> <p>Note: The cost of a single piece of equipment includes the cost of any and all components needed for the equipment to properly operate (e.g., the cost of the various components of a computer together equal the cost of the item).</p>	<p>1a. For items costing \$5,000 per unit or more, determine whether the equipment should be directly expensed or depreciated. If depreciated, the sponsor must submit a depreciation schedule or use allowance (use allowance for equipment cannot exceed six and two thirds percent of acquisition cost), and the budgeted amount for the equipment cannot exceed the depreciation/use allowance. Also, the SA should identify the source of any other funds used to purchase depreciated items.</p> <p>1b. For items costing less than \$5,000 per unit, the sponsor may directly expense the full cost of the equipment upon purchase, and include its full cost in the budget. Items costing \$5,000 per unit or more may be directly expensed with SA approval (SA budget approval constitutes prior written approval). Note, if a budget indicates that the sponsor wishes to directly expense cost of an item costing \$5,000 per unit or more, SA may request sponsor justification, as necessary.</p> <p>1c. Review description of the equipment to determine whether it qualifies as general purpose equipment (e.g., equipment that could be used in many different activities such as office equipment and furnishings, air conditioning, motor vehicles, computers, etc.). All general purpose equipment over \$5,000 per unit must be depreciated.</p> <p>1d. Determine whether the equipment is necessary for the operation of the CACFP.</p>

<i>Equipment</i>	
Necessary Support/Documentation	Evaluation Criteria
2. Copies of the purchase orders.	2a. Use this information to verify that the organization, not a private individual, will hold title to the equipment.  2b. Verify that the cost of the equipment and budgeted amounts are consistent.
3. Copies of procurement documents, if applicable.	3. If over \$10,000, verify that equipment has been properly procured.
4. Copy of equipment rental/lease agreement, if applicable.	4a. Verify that costs reported on the agreement and on the budget are consistent, and that the lease is in the name of the organization.  4b. If costs associated with equipment maintenance are included in the lease agreement, verify that these costs are not reported elsewhere in the budget.
5. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	4. Unless sponsor maintains separate equipment for CACFP use only, verify that sponsor allocation method is consistent with actual time/space usage.

<i>Office Supplies</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	1. Verify that CACFP share of supplies is charged based on an allocation method that fairly measures the extent to which this cost benefits the CACFP (e.g., compare to institution's prior year needs).
2. Documentation of the value of the sponsor's existing supply inventory.	2. Review this information to determine whether the sponsor's existing supplies render certain current year budgeted supply costs unnecessary.
3. Copies of supply invoices, if needed.	3. Review documentation of past supply usage if budgeted amounts appear excessive or have significantly increased (keep in mind the amount of time spent by the sponsor on CACFP and determine whether the supply budget is proportionate with the level of CACFP activity).

<i>Printing, Photocopying</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	1. Verify that CACFP share of printing/photocopying is charged based on an allocation method that is consistent with actual use.
2. Copies of orders or proposals for commercial printing (or documentation detailing what materials will be produced commercially, quantities, cost per unit, etc.), if applicable.	2. Use this information to determine whether the use of commercial printing is more or less cost-efficient than in-house reproduction.

<i>Printing, Photocopying</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
3. Information on the type of materials to be produced, quantities, and cost per unit.	<p>3a. Use this information to determine whether quantities are excessive for the number of providers administered and whether the cost per unit is reasonable.</p> <p>3b. Determine whether the materials to be printed are necessary for the proper administration of the CACFP.</p>

<i>Postage</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Total postage costs.	1. Compare to last year's budget to identify increases. Request copies of metering bills, etc. if amounts appear excessive or have increased significantly. (If necessary, make a note to verify postage usage during administrative reviews).

<i>Training</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>1. Total facility rental cost.</p> <p>2. Copies of facility rental contracts, if necessary, as well as copies of canceled checks if the same space was used in previous years for training.</p>	<p>1. Verify that facility costs are reasonable and necessary for the size/scope of the training (e.g., could the training be conducted at the sponsor's office or someplace less expensive?).</p> <p>2. Verify that costs detailed in the contract (and recorded on canceled checks) reflect budgeted costs and determine if any unallowable services are included in the cost of renting the facility (e.g., entertainment).</p>

<i>Training</i>	
Necessary Support/Documentation	Evaluation Criteria
3. Copy of training agenda.	3. Evaluate whether proposed training plan will satisfy sponsor requirements to adequately train providers.
4. Cost of training supplies/materials as well as nature of supplies.	4. Verify that costs of training materials do not duplicate budgeted amounts under Printing and Photocopying.

<i>Travel</i>	
Necessary Support/Documentation	Evaluation Criteria
1. Both in- and out-of state travel costs, broken out by employee, including detail on destination/purpose of trip, number of travelers, length of trip, transportation costs, lodging costs, and per diem costs.	<p>1a. Review this information to determine whether the number of trips and travelers per trip are necessary or excessive and whether appropriate sponsor staff are assigned travel. Also review the purpose for each trip and determine whether travel is necessary for the proper administration of the program.</p> <p>1b. Evaluate lodging and per diem costs for reasonableness. If they appear excessive, request sponsor justification.</p> <p>1c. Refer to any existing State agency travel policies.</p>
2. Sponsor's written policies regarding travel; who gets to travel, under what circumstances, what per diem rates may be claimed, when per diem and lodging can be claimed, etc.	2. Verify that written policies are consistent with budgeted costs, and that per diem rates are reasonable. If the sponsor's per diem appears unreasonable, the SA may hold the sponsor to either IRS or GSA standards. Federal and proprietary sponsors must be held to GSA standards.

***Automobile Leases***

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>1. Copy of the lease agreement which should include detail regarding make of car, cost of lease, and nature, length and terms of lease.</p> <p>2. Copy of the vehicle insurance information.</p>	<p>1a. Determine whether the vehicle to be leased is reasonable in terms of make and cost (e.g., the cost associated with leasing a mid-size or sedan versus an economy car).</p> <p>1b. Verify that sponsor holds a business lease for the vehicle, not a personal use lease.</p> <p>1c. Verify that lease is held by the organization, not an individual employee.</p> <p>1d. If lease includes maintenance, verify that maintenance costs are not budgeted elsewhere.</p> <p>2. Information included on the vehicle insurance policy and lease agreement should be the same.</p>
<p>3. Justification for leasing the vehicle.</p>	<p>3a. Determine whether the vehicle is necessary for the operation of the CACFP (e.g., does the sponsor demonstrate a need for leasing a vehicle? What purpose does the vehicle serve?).</p> <p>3b. Verify that vehicles are leased primarily for program purposes.</p>
<p>4. Written sponsor policy on the use of the leased vehicle; who uses it, under what circumstances, whether vehicle can be used for both personal and business purposes, if so, how is use documented, etc.</p>	<p>4a. Verify that vehicle is used for necessary program functions.</p> <p>4b. If vehicle is used for personal travel, determine how the sponsor prorates the lease cost. Also determine the sponsor's method for identifying these personal use costs and reporting them as taxable employee income.</p>
<p>5. Copies of vehicle use log, if applicable.</p>	<p>3. Review the logs to determine whether lease costs budgeted</p>

<i>Automobile Leases</i>	
Necessary Support/Documentation	Evaluation Criteria
	are consistent with use of the vehicle for CACFP.
6. Costs associated with gas, oil, and maintenance by category.	4. Verify that costs are reasonable in terms of the extent to which the vehicle is used for CACFP.

<i>Mileage</i>	
Necessary Support/Documentation	Evaluation Criteria
1. Mileage estimates for each employee, indication of the purpose of travel (if a certain employee claims mileage for different purposes, it is helpful to have a breakout of mileage claimed for each type of trip), vehicles to be used, and mileage rate to be applied.	<p>1a. Use this information to develop a clear picture of who travels and how much (e.g., does the executive director claim more mileage than the monitors and if so why, etc.). Review the mileage levels per employee for reasonableness (e.g., do monitors' mileage estimates appear consistent with the size and geographic area of their caseloads?).</p> <p>1b. Determine whether the purpose for each trip budgeted for mileage is necessary for the operation of the CACFP (e.g., is mileage budgeted for things like running errands excessive? If questionable, request justification from the sponsor).</p> <p>1c. Verify that mileage rate is appropriate and consistently applied; mileage rates claimed by nonprofit sponsors should be evaluated for reasonableness. Mileage rates for Federal or proprietary sponsors should not exceed either GSA, IRS, or the state's own established rate.</p> <p>1d. Verify that mileage allowance has not been budgeted for any vehicle leased by the sponsor. Mileage allowance cannot be claimed for leased vehicles (however, costs such as gas, oil, etc. are allowable).</p>

<i>Mileage</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
2. Copies of mileage logs detailing dates and times, who traveled, beginning and ending odometer readings, purpose for trip and approving official's signature.	2. Use this information if sponsor claims in this area have been problematic in the past or if budgeted mileage appears excessive. Review the logs for high numbers of monitoring visits made by one monitor in a single day, high mileage levels claimed for what might be short trips, and general discrepancies.

<i>Advertising/Public Information Service Costs</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Total advertising costs, including purpose/content of advertisement.	<p>1a. Verify that advertisement costs are for either the solicitation of bids, recruitment of personnel, or disposal of surplus material.</p> <p>1b. Costs should be reasonable in terms of the type of advertising medium being paid for and should directly benefit the CACFP.</p>

<b><i>Advertising/Public Information Service Costs</i></b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
2. Total public information costs, including purpose/content of the public information to be disseminated and the scope of the sponsor's effort.  3. Sponsor demonstration of need for public outreach efforts, if applicable.	2a. Evaluate the reasonableness of the costs in terms of the type of public outreach (pamphlets, news releases, etc.) and the scope of the activity. Costs to solicit nonprogram business or increase attendance of individuals not eligible for the CACFP are unallowable.  2b. Verify that these costs do not duplicate budgeted amounts under Printing and Photocopying.  3. Verify that the purpose of the public information is necessary for the function of the sponsor (e.g., a large sponsor or one which has demonstrated growth already without the use of public outreach may not be able to justify these costs).

<b><i>Professional/Contract Services</i></b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Total contract cost and description of contracted services to be rendered.	1. Use this information to determine whether the cost of the contract is reasonable in terms of the services to be provided; if the cost appears excessive or questionable, request sponsor justification.
2. Copy of the contract, including name(s) of contracted personnel.	2a. Review the contract for less-than-arms-length arrangements; employees of the sponsor and relatives cannot be contractors.  2b. Determine whether contracted services are necessary, e.g., could the service be provided less expensively and/or more efficiently by in-house staff?
3. Copy of procurement documentation, if applicable.	2. Verify that services were properly procured.

I. FINANCIAL VIABILITY

C. Administrative Budgets: *Advertising/Public Information Service Cost/ Professional/Contract Services*

**Professional/Contract Services**

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
4. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	3. Unless the contract is for CACFP-specific services, verify that CACFP share of the contract is charged based on an allocation method that is consistent with actual benefit to CACFP and/or actual time usage/approved cost allocation plan.

**Audit Costs**

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Copy of engagement letter.	1. Verify that audit costs budgeted are consistent with costs detailed in the engagement letter.
2. Documentation which supports the sponsor's allocation of costs to CACFP, if applicable.	2. Unless the sponsor is funded solely through CACFP, review the sponsor's audit cost allocation method to ensure that audit costs budgeted do not exceed the portion of the audit's cost equal to the CACFP's pro rata share of total funds expended.
3. General	3. Access the Single Audit Clearinghouse (at <a href="http://harvester.census.gov/sac">http://harvester.census.gov/sac</a> ) to verify that institutions required to submit an audit during the past fiscal year(s) have done so. Institutions found to be delinquent with a required audit must be declared seriously deficient and, if they fail to comply, must be terminated. The state can also use the Clearinghouse to verify/discover other Federal funding sources received by the institution. For more information on the Clearinghouse and its use, refer to "Questions and Answers on A-133, Second Edition", pages 33-40.

<i>Dues, Subscriptions, Memberships</i>	
Necessary Support/Documentation	Evaluation Criteria
1. Costs of dues, subscriptions and memberships, including descriptions of the nature/purpose of each.	1a. Use this information to determine whether the nature of the membership or subscription benefits the sponsor's administration of the CACFP and whether the cost is reasonable in terms of the benefit it provides.  1b. Verify that the membership/subscription is in the name of the organization, not an individual employee.  1c. Costs of memberships/subscriptions that involve or promote lobbying activities are unallowable (e.g., the National Association for the Education of Young Children, the Children's Defense Fund, etc.).

<i>Bank Charges</i>	
Necessary Support/Documentation	Evaluation Criteria
1. Cost of bank charges, including a description of the nature/purpose of the charges.	1. Review the description of the charges to ensure that charges for fines, penalties, insufficient funds or interest are not included. These costs are unallowable.

<i>Bonding Expense</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Copy of the bond agreement, including name(s) of employee(s) covered and extent of coverage.	<p>1a. Bonding costs are only allowable for those employees who handle or process the organization's funds.</p> <p>1b. Verify that the bond is made payable to the State agency, not to the organization or an individual.</p>

<i>Indirect Costs</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. For public institutions with multiple funding sources, a copy of approved plan by the cognizant agency.	<p>1a. If there is no approved plan, these costs are not allowable.</p> <p>1b. Review the approved plan for information on the indirect cost rate, the base that is used, the method used and the effective period for the approved plan. Verify that the plan is not out of date. Any questions the SA has about the plan may be resolved by contacting the cognizant agency.</p>

*Indirect Costs*

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
2. For nonprofit institutions, a copy of their cost allocation plan.	2a. For nonprofit institutions, review this plan for adequacy (see handout on cost allocation plans and indirect costs).  2b. Public agencies and large nonprofits (over \$10 million in Federal funding) which receive funding from multiple Federal sources may submit a plan approved by their cognizant agency.  2c. Plans submitted by nonprofit institutions that receive only CACFP funding will have to be approved by the SA. At a minimum, the plan must separate indirect costs into two categories, "Facilities" and "Administration". Resources available to SAs in evaluating sponsor plans include the new OMB Circular A-122, Attachment A and SA forms and materials used to approve schools' cost allocation plans.  2d. Sponsors cannot simply create indirect cost rates. The plan submitted must be developed based on audited financial information, time documentation reports, etc. Further, the underlying financial information must be audited annually and adjustments made to the plan to reflect actual costs.

<i>Miscellaneous</i>	
Necessary Support/Documentation	Evaluation Criteria
1. Detail of all miscellaneous costs by type and amount, including description of the cost, if necessary.	1a. Review all miscellaneous costs for unallowable items and/or items that may be included elsewhere in the budget.  1b. Review all costs for reasonableness and necessity.

## II. Organizational Capability

<b>A. Organizational Mission and Structure</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. An organizational chart.	1. Determine how CACFP staffing compares to total organizational staffing.
2. Organizational mission statement and bylaws.	2. Verify that the organization has an established mission.
3. Information on the organization's funding sources.	3. Determine whether the organization is multi-purpose or solely operating to administer the CACFP. If the organization is solely CACFP, verify that the organization has other sources of funding to pay for the preparation of IRS paperwork for corporations, State corporate reporting requirements and the cost of conducting State mandated board meetings.

<b>B. CACFP Staffing Plan</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1a. Information on the full-time, part-time and contract employees assigned to perform CACFP duties, including job title and job descriptions.	1. Review all of this information together to determine whether sufficient staff have been assigned to perform all required administrative functions, especially monitoring, training and technical assistance, record keeping and disbursement of program reimbursement, given the size of the sponsor's service area, the number of facilities it sponsors and its performance in past years.
1b. Information from most recent administrative review conducted by the State.	
1c. Information regarding the size of the sponsor's service area and the number of facilities under its sponsorship.	

**B. CACFP Staffing Plan**

Necessary Support/Documentation	Evaluation Criteria
<ul style="list-style-type: none"> <li>2. Description of qualifications for all CACFP positions as well as resumes of individuals employed by the organization.</li> <li>3. CACFP staff training plan.</li> <li>4. Copy of staff performance appraisal procedures.</li> </ul>	<ul style="list-style-type: none"> <li>2. Use this information to determine whether staff have qualifications needed for the proper completion of their duties. Also verify that the institution requires sufficient experience for technical positions such as the CACFP bookkeeper and nutritionist. Confirm that all other staff (and/or contract employees) have sufficient education or experience to perform their respective functions.</li> <li>3. Review the institution's training plan to ensure that it requires formal training for all CACFP positions and that the organization provides sufficient training to ensure that staff are qualified. Also determine how on-going staff training needs are addressed.</li> <li>4. Verify that staff performance is routinely assessed to ensure job duties are completed as required.</li> </ul>
<ul style="list-style-type: none"> <li>5. Projected staffing patterns based on the number of projected facilities to be sponsored during the year.</li> <li>6. Budget information.</li> <li>7. Information on the number of sponsored facilities over the past few years.</li> </ul>	<ul style="list-style-type: none"> <li>5. If the institution anticipates adding facilities during the coming year, verify that staffing needs have been addressed accordingly (i.e., that the institution has made plans to provide adequate staff resources throughout the year), especially if the organization's projected revenue depends on program growth.</li> <li>6. Verify that any anticipated staffing changes are reflected in the budget.</li> <li>7. Compare projected growth with actual growth (or lack of) from past years. If the organization has a history of actually decreasing in number of sponsored facilities, this may</li> </ul>

<b>B. CACFP Staffing Plan</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
	indicate inaccurate institutional projections.
8. Signed certification which confirms that no agency employee has been convicted of a criminal offense. Obtain criminal background checks for all employees, if necessary.	8. Use this information to determine whether agency employees have been convicted of an offense that would have a detrimental effect on administration of the program.
9. Signed certification which confirms that none of the institution's CACFP employees or board members have been associated with any organization terminated for failure to correct serious deficiencies; notices of serious deficiency as prepared by the State agency, and; National listing of Seriously Deficient Organizations.	9. Compare employee/board member information to both state notices of serious deficiency and the national listing of seriously deficient institutions to determine whether any institution personnel have been associated with a seriously deficient organization.

### III. Internal Controls

<b>A. Governing Board</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>1a. Copy of the institution's governing board policies/procedures.</p> <p>1b. Copies of all applicable state rules and regulations regarding governing boards of corporations.</p>	<p>1. Review both the institution's policies/procedures and applicable state rules on governing boards to ensure that the institution's board is in compliance.</p>

<b>B. Fiscal Accountability</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>1. Description of the organization's accounting system and back-up system, as well as information regarding the number of accounts used for CACFP reimbursement.</p> <p>2. Information regarding the separation of administrative costs and operational costs.</p>	<p>1. Use information describing the accounting system and number of accounts to understand how costs are charged and to determine whether the organization can appropriately track all reimbursement. For example, determine whether the institution uses a paper ledger or accounting software and whether there is a back-up system in the event the accounting system is not available (theft, property damage, system crash, etc.). Note the type of accounting system the institution uses (e.g., cash, accrual or a modified accrual system) and how year end adjustments are made.</p> <p>2. Review information on the number of accounts and the separation of funds to verify that food reimbursements are separated from administrative funds. If funds are commingled, determine how are funds tracked. Also, determine how CACFP funds are tracked separately from other organizational funds.</p>

<b>B. Fiscal Accountability</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>3. Copy of the agency's policies and procedures for financial management which include:</p> <ul style="list-style-type: none"> <li>• purchasing and requisition, including bid process</li> <li>• income and expense accounting</li> <li>• processing invoices, including payments from petty cash</li> <li>• reconciliation of expenses</li> <li>• payment authorization procedures, including approval of CACFP expenditures and persons authorized to approve expenditures</li> </ul>	<p>3a. Evaluate methods for approval of expenses to ensure purchasing policies and procedures follow State and Federal procurement requirements, including the bid process. Ensure that all purchases over \$10,000 are formally procured.</p> <p>3b. Review the institution's procedures for income and expense accounting and processing invoices to ensure that only appropriate costs are charged to the CACFP account and that there is at least a second party review of all financial transactions.</p> <p>3c. Review the institution's internal reporting and reconciliation requirements to ensure that expenses are regularly reconciled and reported to the CACFP manager/director.</p> <p>3d. Review the institution's payment authorization procedures to ensure that all payments are reviewed and authorized by appropriate staff for appropriateness before authorized.</p>
<p>4. Copy of the institution's procedures for tracking and reporting administrative costs/reimbursement and tracking expenses to specific cost line items and/or programs, including comparing CACFP expenses to the approved budget.</p> <p>5. Copy of the institution's procedures for compiling and reporting administrative costs to the State agency. The institution may also have to include procedures for submitting administrative expense information to the state, according to state rules. (Note: It is recommended that</p>	<p>4a. For day care home sponsors, ensure that the sponsor regularly tracks and compares (1) year-to-date actual costs, (2) year-to-date administrative earnings based on homes times rates, and (3) prorated year-to-date budget amount. Verify that the sponsor also compares the lesser of these three to 30% of its total year-to-date reimbursement.</p> <p>4b. Review procedures for comparing expenses to budget line items to ensure that the institution regularly monitors its status, and amends line items when appropriate.</p>

**B. Fiscal Accountability**

Necessary Support/Documentation	Evaluation Criteria
<p>administrative cost detail be submitted to the state on a monthly or quarterly basis).</p> <p>6. Copy of the institution's procedures in the event expenses deviate from budgeted line items.</p>	<p>5. Review procedures for compiling and reporting administrative costs to ensure that the institution can accurately compile and timely submit this information to the state each month. In addition, verify that all applicable state procedures will be followed.</p> <p>6. Verify that when expense tracking indicates deviation from the budget the institution follows reasonable procedures for increasing or decreasing line items to cover over- or under-spending. States may assign a fixed percentage for such shifting of budgeted costs, but at a minimum, the institution's procedures should always include state approval of any budget changes.</p>
<p>7. Description of the claims processing procedures, including how facility meal counts are tallied, how menus are reviewed for compliance, and how eligibility of facilities, participants, meal service times and meal types are verified before claims are processed for payment.</p>	<p>7a. Review the claims processing procedures to ensure that payment is denied for all ineligible meals and that the institution maintains complete documentation on denial of claims. Institutions must have a system for notifying facilities of claim disallowances, including the reason meals have been denied. Verify that the institution's system ensures that facilities are reimbursed for meals at the appropriate rate by meal and that claim information is both subject to edit checks and second party review for accuracy. (Pay special attention to procedures for processing tiering claims, especially for tier II mixed homes).</p> <p>7b. Verify that the institution's process is capable of readily identifying and promptly correcting over- and/or under-payments made to facilities.</p>
<p>8. Description of the institution's system for disbursing timely, accurate program payments to facilities it administers.</p>	<p>8. Review this description to ensure that the institution can reconcile reimbursement with individual facility claims and</p>

<b>B. Fiscal Accountability</b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>9. Copy of procedures as issued to all facilities regarding the preparation and submission of monthly claims for reimbursement.</p> <p>10. For sponsors of centers, a copy of any applicable procedures for withholding a portion of facility reimbursements, including how withholdings are calculated, documented and supported.</p>	<p>meal counts, print accurate checks, conduct second party review of individual facility reimbursements, sign and mail checks within 5 working days of receipt of reimbursement from the state.</p> <p>9. Verify that facilities have been made aware of all applicable timeframes for claim submission and the preparation of accurate claims.</p> <p>10. To evaluate the institution's proposed level of withholding, divide the institution's prior year actual administrative expenses by the institution's total prior year reimbursement. Apply this percentage to the institution's current year projected reimbursement, and compare to the level of withholding requested for the current year. In addition, verify that the institution has a system in place to monitor actual expenses so that it only retains those funds that are actually needed for program administration. The institution should regularly review its expenses, compare them to the amount withheld from facilities, and immediately remit any excess equally to its centers.</p>
<p>11. Procedures for maintaining inventory, including procedures for disposing of old equipment and for depreciating equipment over \$5,000.</p>	<p>11. Review these procedures for adequacy and to ensure that inventory is clearly identifiable, catalogued and regularly checked. Inventory information should include cost, description, and location. Verify that the institution's depreciation schedule is reasonable and conforms to IRS guidelines.</p>

<b>C. Operations</b>	
<i>Training Plan</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<ol style="list-style-type: none"> <li>1. Description of the sponsor's system for scheduling, conducting and documenting facility training and technical assistance.</li> <li>2. Copy of the sponsor's training agenda and materials as well as a description of the sponsor's method for developing training curriculum/agendas.</li> <li>3. Description of the sponsor's plan for training all new facilities before they begin program operations.</li> </ol>	<ol style="list-style-type: none"> <li>1a. Review the information for sufficient detail regarding the frequency and content of provider training. Verify that all critical topic areas will be covered (record keeping and meal count requirements, meal component and claiming requirements, menu planning, nutrient content, food safety, sponsor payment; disallowance and monitoring policies, etc.). Determine whether the level and extent of the training offered is adequate; the Management Improvement Guidance recommends that providers receive at least 13 hours of training each year. Ensure that the sponsor has a system for documenting training attendance.</li> <li>1b. Ensure that the sponsor can provide technical assistance to all providers in a timely manner (e.g., someone is available to respond quickly to provider inquiries/problems during normal hours of operation).</li> <li>2. Review the sponsor's training agenda/materials to verify the relevance of the topics to be covered. Evaluate the sponsor's method for developing training sessions to ensure that the sponsor integrates its training function with its oversight function; that is, the sponsor's training agenda and the topics it focuses on should reflect problems identified through the sponsor's monitoring and claims processing functions.</li> <li>3. Verify that the sponsor can ensure that all new providers are</li> </ol>

<b>C. Operations</b>	
<i>Training Plan</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
	adequately trained prior to starting program operations.
<p>4. Description of the sponsor's system for conducting and documenting training of program staff.</p> <p>5. Copy of the sponsor's training agenda and a description of the sponsor's method for developing training curriculum/agendas.</p>	<p>4a. Verify that sufficient detail exists to support the sponsor's plans for the development and scheduling of staff training and that training subject matter and attendance will be documented. Verify that staff training will be conducted frequently (at least annually) and that the sponsor will provide prompt, comprehensive training for new staff.</p> <p>4b. Review the sponsor's internal training plan to determine whether cross-training of staff is encouraged, especially with regard to claims processing and monitoring, so that operations continue to run smoothly when staffing is short.</p> <p>5. Verify that training topics are developed based on perceived operational/administrative difficulties or problems, or are otherwise relevant to the participants.</p>

**Monitoring**

Necessary Support/Documentation	Evaluation Criteria
<ol style="list-style-type: none"> <li>1. Copy of the sponsor's monitoring policies and procedures. Description should include number of monitors, assigned geographical areas, how assignments are made, when visits are conducted, what types of visits are conducted (e.g., announced vs. unannounced visits), and caseload size.</li> <li>2. Description of the types of visits to be made, how they are scheduled, how the monitoring schedule is communicated with the monitoring staff, and how/when follow up visits are conducted.</li> <li>3. Information on monitor caseloads from similar sponsors in the same area.</li> </ol>	<ol style="list-style-type: none"> <li>1. Use information on the sponsor's monitoring policies to determine whether its monitoring plan is realistic in terms of the number of visits each monitor will have to conduct in order to meet the requirements. (Sponsors are required to monitor all facilities at least 3 times per year with no more than 6 months between each visit. New facilities must be monitored within the first 4 weeks of operation). For example, based on the number of facilities to be visited, the number of miles to be driven, follow-up work to be done, etc., determine whether monitors can conduct all required visits timely and within reasonable workload constraints. Also, use this information to evaluate whether the sponsor can fulfill monitoring requirements in the event a monitor is out sick or on vacation.</li> <li>2a. Use information on the scope of the monitoring plan to evaluate the sponsor's system for scheduling visits. The sponsor should have a follow-up or reminder system in place to advise staff when a visit is due or has been scheduled. If monitoring visits are always announced, this may indicate that problems exist at the facility level which have not been identified by the sponsor. Also, review this information to ensure that visits are scheduled so that there is enough time between them. If visits seem to be scheduled too close together, this may indicate that not enough time is spent during each visit.</li> </ol>

<i>Monitoring</i>	
Necessary Support/Documentation	Evaluation Criteria
	<p>2b. Review information to ensure that the sponsor has adequate procedures for facility follow-up in cases of noncompliance.</p> <p>3. Use information on monitoring caseloads for other sponsors in the area to evaluate whether this sponsor's caseloads are reasonable.</p>
4. Copy of the sponsor's procedures for quality assurance and oversight of its monitoring function.	4. Use this information to determine whether the sponsor has assigned personnel to oversee the monitoring function and conduct second-party reviews of monitoring reports. This person should also conduct field visits, both to evaluate the monitor's performance and to ensure consistency between all sponsor monitors. If there is no separate position for monitor oversight, determine how the sponsor will ensure the quality of monitor visits, reports and follow-up.
5. Copy of the monitoring form to be used.	5. Review the form for completeness (compare to the State form or the Federal prototype form), especially if the form to be used was developed by the sponsor. Verify that the form clearly indicates what type of visit was conducted, and what items were out of compliance.
6. Copy of the sponsor's corrective action policy and procedures, including how corrective action plans are developed, how implementation of corrective action is evaluated for completion and effectiveness, and how facilities' compliance status is tracked. Description should also include the sponsor's termination policy for facilities.	6. Review corrective action policies to verify that the sponsor knows how to develop effective, thorough corrective action plans and that the process can ensure that corrective action will be both implemented and evaluated. Corrective action procedures must be clear to both the monitors and the facilities. Evaluate whether the system allows the sponsor access to the compliance status of each facility at any given time for purposes of follow up. Ask, "At what point does the sponsor terminate a noncompliant facility for cause?", and determine whether the sponsor is capable of taking
7. Copy of the sponsor's meal disallowance policy.	
8. Description of the system in place to track meal	

<i>Monitoring</i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
disallowances based on findings made during monitoring visits, including and how overclaim information is communicated to and recorded by claims processing.	<p>decisive action against a facility when warranted.</p> <p>7. Review the meal disallowance policy to ensure that the procedures for disallowing meal claims are clear enough to be understood by monitors, facilities and claims processing staff.</p> <p>8. Review description of claims processing system to verify that all meal disallowances will be consistently communicated to the claims processing staff by the monitors and that all disallowances are reflected on facility claims.</p>
9. Copy of the sponsor's policies and procedures for parental audits or contacts.	9. Review the sponsor's parental audit procedures to determine whether the sponsor routinely conducts parent audits for a percentage of its facilities. If these contacts are not routine, determine whether parental audits are triggered by certain indicators or benchmarks. Verify that the sponsor has a system to document that audits have been conducted.
10. Copy of the sponsor's policy for referring facilities to licensing or child protective services.	10. Review policy to ensure that the sponsor will take appropriate action when its monitors observe licensing violations or violations of child protection mandates/laws.

<b><i>Recordkeeping System</i></b>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
1. Description of the system in place for records retention and storage including approval documentation, financial documents, monitoring reports and documentation, board of directors minutes, tiering information, menus, and meal counts.	<p>1a. Review this information to determine whether the sponsor's system provides easy review of important files and data and that all records are kept current. Ensure that the financial record keeping system allows the sponsor to substantiate all prior claims and that this information includes all pertinent data (e.g., the number of meals served, children enrolled, tiering type, and administrative cost figures and support).</p> <p>1b. Ensure that the sponsor has a system for documenting provider tier eligibility (e.g., school, census, or income documentation and support on file which clearly demonstrates tiering eligibility).</p>
2. Description of the sponsor's plan for retention and maintenance of records for at least three years (even after ending CACFP operations). Some states may require record retention for periods longer than three years.	2. Review this information to determine whether the sponsor has adequate storage facilities for all required records and has an archiving system in place that allows it to easily access requested records. Verify that the sponsor has made plans to retain records for three years if the sponsorship was to close.
3. Copy of the sponsor's confidentiality policy.	3. Verify that the policy ensures that participant and provider eligibility records are kept confidential.

<i><b>Tiering Procedures</b></i>	
<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>1. Copy of the sponsor's written procedures for making tiering determinations based on school, census or income eligibility data. Procedures should include time frames for making Tier I determinations, notifying providers of their status, and for conducting follow-up on those providers who receive temporary Tier I eligibility.</p> <p>2. Description of the sponsor's system for tracking provider eligibility.</p>	<p>1a. Evaluate this information to ensure that the sponsor's procedures and forms are in compliance with regulatory requirements and demonstrate that the sponsor comprehends these requirements.</p> <p>1b. Verify that timeframes for determinations only allow for tier eligibility effective for the beginning of the month (or the first operating day in the month) in which the determination was made by the sponsor. Also verify that all temporary approvals will be followed up on by the sponsor within 45 days of the original determination.</p> <p>2. Verify that the sponsor has a system in place to track all provider determinations for renewal purposes.</p>
<p>3. Copy of the sponsor's written procedures for informing Tier II providers of their options for reimbursement, including timeframes for notification and documentation of provider's option.</p> <p>4. Copies of applicable forms/letters to be used in provider notification.</p>	<p>3. Verify that the sponsor's timeframes for notification are timely. Verify that provider choice will be documented and that copies of all denied Tier I applications will be retained in Tier II provider files. Verify that provider option will be communicated to claims processing.</p> <p>4. Review sponsor option forms for adequacy and compliance with regulatory requirements.</p>
<p>5. Copy of the sponsor's procedures for distributing and collecting household income eligibility statements from families of children enrolled for care in a Tier II home (when this option is elected). Procedures should include a description of the sponsor's process for making income eligibility determinations, including timeframes.</p>	<p>5. Verify that the sponsor will distribute income applications to all households of children enrolled for care in Tier II homes; sponsors cannot selectively distribute applications. Verify that income applications will be mailed directly from the households to the sponsor's office. Verify that the sponsor understands the eligibility requirements for making</p>

***Tiering Procedures***

<b>Necessary Support/Documentation</b>	<b>Evaluation Criteria</b>
<p>6. Description of the sponsor's procedures for following up on incomplete or incorrect household income eligibility statements.</p> <p>7. Description of the sponsor's procedures for informing Tier II providers of the number of income eligible enrolled children and for ensuring the confidentiality of these children.</p>	<p>determinations (e.g., expanded categorical eligibility, no need for supporting documentation, etc.). Verify that timeframes for determinations only allow providers to claim Tier I reimbursement for qualified children for the beginning of month in which the determination was made by the sponsor.</p> <p>6. Review the sponsor's follow-up procedures to determine whether the sponsor plans to conduct follow-up of nonresponsive households.</p> <p>7. Review the sponsor's procedures for provider notification of eligible participants to ensure that participant confidentiality is maintained.</p>