

**ACTION BY:** Child Nutrition Division  
Regional Offices  
State Agencies

**INFORMATION FOR:** Accounting Division  
Food Distribution Division  
Nutrition and Technical Services Division

Child Nutrition State Administrative Expense Funds

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I PURPOSE

This Instruction is:

A An index to policies and procedures relating to Child Nutrition SAE funds.

B Intended for use by the FNS and SA officials.

C Divided into several sections covering the SAE funds process, allowable costs, SFR, special funding issues, and references in other sources.

While some policies are set forth in this Instruction, the primary purpose is to guide the user to the appropriate source or document for more information. This approach was selected to prevent duplication of policies and procedures already firmly established and described in other sources (e.g., program regulations, legislation, or guidance), and to create a comprehensive, but not unwieldy, Instruction covering SAE issues. SA's should consult their respective FNSRO's when questions arise or if they need copies of any of the materials cited for further reference.

II AUTHORITY

A Legislation. Section 7 of the CNA requires that the USDA make funds available to the States for their administrative costs incurred in connection with the NSLP, SBP, SMP, and CCFP. States are also authorized to use SAE funds allocated to them under this section for costs incurred in administering the FDP. This legislation prescribes formulas for use by USDA in allocating SAE funds to States.

B Regulations.

1 7 CFR Part 235 sets forth regulations to implement Section 7 of the CNA.

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2 7 CFR Part 3015 sets forth Department-wide policies and standards for administration of grants and cooperative agreements, and implements OMB Circulars A-102 (Revised), A-110, and A-128, which supersedes Attachment P of OMB Circular A-102 (Revised).

C Circulars.

1 OMB Circular A-102 (Revised) prescribes administrative requirements including application procedures and financial reporting instructions, which SA's must meet as a condition of receiving SAE funds.

2 OMB Circular A-87 (Revised) prescribes criteria for determining which items of cost incurred by grantees may be charged to their Federal grants.

III ABBREVIATIONS

ADP - Automated Data Processing  
CCFP - Child Care Food Program  
CFR- Code of Federal Regulations  
CNA - Child Nutrition Act of 1966, as amended  
CND - Child Nutrition Division  
FDP - Food Distribution Program  
FNS - Food and Nutrition Service  
FNSRO - Food and Nutrition Service Regional Office  
GAD - Grant Award Document  
LOC - Letter of Credit  
ME - Management Evaluation  
NETP - Nutrition Education and Training Program  
NSLP - National School Lunch Program  
OMB - Office of Management and Budget  
SA - State Agency  
SAE - State Administrative Expense  
SBP - School Breakfast Program  
SF - Standard Form  
SFR- State Funding Requirement (Maintenance of Effort)  
SFSP - Summer Food Service Program  
SMP- Special Milk  
U.S. - United States  
USDA - United States Department of Agriculture

IV FORMS

FNS-495, Grant Award Document  
FNS-525, State Administrative Expense Funds Reallocation Report  
SF-269, Financial Status Report  
SF-1193A, Letter of Credit

## V DEFINITIONS

A Administrative cost means a State-level item of cost chargeable to the organization, management, monitoring, technical assistance, or policy implementation functions of a child nutrition program, in contrast to costs incurred in the actual delivery of program benefits to eligible persons. Such items include salaries, fringe benefits, supplies, travel, ADP equipment or services, and indirect costs.

B Approved plan amount means the SA's actual funding needs, not including State funds, as identified in an SA's SAE Plan, i.e., the amount of SAE approved in the SAE Plan; This amount may be less than, but can never be greater than the authorized funding level.

C Authorized funding level means the total amount of SAE funds available to an SA for obligation and expenditure during a given fiscal year, i.e., the SA's SAE formula allocation for that year plus the carryover from the previous fiscal year. The amount of these funds to which the SA has access through its LOC is determined by the approved plan amount. The authorized funding level may change during the fiscal year to reflect better carryover estimates, or other changes in funding levels, e.g., transfers of SAE funds between SA's, reallocation results, or start-up funds.

D Carryover (State), for the purpose of this Instruction, means SAE funds which are not obligated by September 30 of the first year of the SAE grant and are thus available for State obligation and expenditure during the second year of the SAE grant. The carryover amount is determined using information reported on the fourth quarter SF-269. If the fourth quarter SF-269 is not accurately completed based on instructions provided by the FNSRO, revisions to the fourth quarter report may be necessary. More information about how the carryover is calculated is found in the SAE Management System guidance.

E Child nutrition programs means the NSLP, SBP, SMP, CCFP, and SFSP.

F Distributing agency means the agency within a State which is responsible for the administration of the FDP in schools when this function is not the responsibility of the State educational agency.

G Fiscal year means the Federal fiscal year, i.e., the period of 12 calendar months beginning October 1 of each calendar year and ending September 30 of the following calendar year.

H Grant award document is a document (Form FNS-495) which, among other elements, specifies the current grant authority and establishes the Federal obligations and spending limit of the grant. The GAD also identifies the estimated annual grant and references any conditions placed upon access to these funds through the LOC. A GAD is prepared by the FNSRO for each SA which receives

SAE funds. Refer to section VI D, below, and FNS Instruction 407-3, Grant Award Process, for more detail on GAD's. A copy of a GAD is found in Exhibit A, attached.

I Letter of Credit is a document (SF-1193A) making a specified amount of SAE funds available to each SA authorizing it to withdraw funds from the U.S. Treasury Regional Disbursing Office as needed within a stated time and for a certain amount for the purpose of immediate payment of allowable costs incurred in the operation of FNS program(s). The amount of SAE funds made available to an SA through its LOC is subject to the terms and conditions of the GAD.

J SAE Plan means the document prepared by the SA describing its plan for meeting its administrative responsibilities under the NSLP, SBP, SMP, CCFP, and FDP in schools and child care institutions as applicable.

K State agency means a State educational agency or other agency of the State which administers one or more of the following: NSLP, SBP, SMP, CCFP, or FDP in schools.

#### VI OVERVIEW OF THE SAE FUNDS PROCESS

The SAE funds process involves several specific activities which may overlap but may logically be considered in the following order: allocation of SAE funds among SA's; preparation and approval of the SAE Plan; preparation and approval of amendments to the SAE Plan; preparation of the GAD; reallocation of SAE funds; monitoring SAE grants; and financial reconciliation. Each of these areas is discussed below.

A SAE Allocation Formula. Each fiscal year CND shall allocate SAE funds to each SA in accordance with formulas prescribed in Section 7 of the CNA and in section 235.4 of 7 CFR. The SAE allocation levels determined by these formulas will be available to the SA's for a 2-year period All SAE funds not obligated and expended as of the close of business on September 30 of the 24th month of the grant will be deobligated. The amount of the SAE formula allocation will not . change during the 2-year period of availability unless the SA:

- 1 Voluntarily returns funds to FNS for reallocation;
- 2 Receives additional SAE funds through the reallocation;
- 3 Agrees to a transfer of funds to another SA within the State;
- 4 Is granted additional SAE funds for start-up costs incurred in assuming administrative responsibility for child nutrition programs (except SFSP) from the FNSRO; or

5 Fails to comply with the terms of the grant as set forth in the GAD.

Refer to section 235.4 of 7 CFR for a description of how SAE funds are allocated among SA's.

B SAE Plan. By August 15 of each year, each SA shall submit to the FNSRO an SAE Plan which describes the SA's plan for meeting its administrative responsibilities for the child nutrition programs for which it receives SAE funds. The SAE Plan covers the SA's administrative activities and anticipated costs for 1 fiscal year.

The SAE Plan is a key document in determining how funds will be provided to the SA's. The key features of the Plan are:

1 The SA must have its SAE Plan approved before it can receive any current year or carried over SAE funds (except that an advance may be made at FNSRO's discretion if the Plan has not been approved by the first day of the grant year).

2 The SAE Plan for a given fiscal year cannot be approved for more than the authorized funding level. This includes any adjustments to the allocation levels made necessary by changes identified in paragraph A, above. These adjustments (reallocation, transferring funds, start-up funds, and adjustments for change in administering agencies) are discussed in greater detail in paragraph E and section IX, below.

3 The amount of funds made available to the SA in its LOC is limited to the approved plan amount. The approved plan amount includes carryover and current year SAE funds as appropriate. This does not affect obligation levels on the GAD which are based on the formula allocation for the 2-year grant period.

Additional information regarding the SAE Plan approval process can be found in the SAE Plan guidance provided annually by the FNSRO's and CND; the SAE Management System guidance issued by CND; and paragraphs 235.5(b) and (c) of 7 CFR.

C Amendments to the SAE Plan. The SA can amend the SAE Plan at any time during the fiscal year, for up to the amount allocated plus carryover plus or minus any adjustments identified in paragraph A, above. The SA must amend its SAE Plan any time the actual performance or funding levels vary significantly from what is included in the approved SAE Plan. The SA must obtain formal approval from the FNSRO for amendments for:

1 State or SAE fund decreases which result in significant decreases in levels of activity in the approved SAE Plan or are so large as to suggest that the approved activity level may not be met;

2 SAE fund increases; or

3 Significant changes in the activities even when there is no change in funding levels.

All other amendments will be reviewed, but do not require FNSRO approval.

For further information about the amendment process, refer to the SAE Plan guidance provided annually by the FNSRO's and CND; the SAE Management System guidance issued by the CND; and paragraph 235.5 (c) of 7 CFR.

D GAD. A GAD, as it relates to FNS programs in general and to SAE in particular, is a specific commitment of funds, in accordance with the law and applicable child nutrition regulations, linking a level of funding on the part of FNS with a level of performance on the part of the grantee. A GAD shall be prepared by the FNSRO for each SA receiving SAE funds. The GAD serves as FNS' obligating document to notify the SA of:

1 The total amount of SAE funds available to the SA through the SAE formula allocation plus or minus any adjustments identified in paragraph A, above. information is contained in block 6 of Form FNS-495 and identifies the estimated amount available to the grantee for the term of the grant.

2 The cumulative Federal obligation amount. This amount is the current Federal obligation and the amount available to the SA through the date on the GAD. (The amount of Federal obligations is limited to the amount apportioned, generally on a quarterly basis, by OMB.) This information is contained in block 8 of Form FNS-495. The amount in this block and the amount in block 6 of Form FNS-495 will not normally agree until the fourth quarter of the grant when all funds allocated for the year have been made available.

3 Information on the terms and conditions of the grant. This block will identify such things as limitations placed on LOC funding and refer grantees to other documents (e.g., the approval letter for the SAE Plan(s) or other agreements with FNS) which detail the conditions under which the SAE funds will be made available for payment. This information is contained in block 9 of Form FNS-495.

SAE funds are unique in that they are made available to the SA each year for 2 full years. The formula allocation is provided through the grant award process. A 2-year grant is provided identifying the full allocation as determined by the formulas. SA's must obligate and expend all of the funds allocated which are carried over into the second year of the 2-year grant before obligating and expending funds provided in the current year grant. In effect, funds are treated on a first-in, first-out basis.

The fact that the SAE Plan is submitted on an annual basis and grants are issued on a 2-year basis presents a unique funding situation. While grants overlap, funding is provided through the LOC contiguously, on an annual basis. In the



first year of the grant the LOC is funded up to total obligations provided in the grant. In the second year of the grant, funding through the LOC is based on the first-in, first-cut principle. Any funds which are not obligated by the SA in the first year of the grant will be funded in the new year LOC before funds will be provided in the LOC from the new grant. Regardless of SA budget procedures, SA's should obligate all of the carryover before obligating any funds from the current year grant-

The amount available through the LOC is always limited to the current year's approved plan amount.

Grant funds must be fully obligated and expended by the SA by September 30 of the second year of the grant- For example, a grant issued October 1, 1986 must be fully obligated and expended by the SA by September 30, 1988. Any funds remaining in the grant at the end of the second year will be deobligated by FNS.

For more information about GAD's and how they relate to SAE funds, refer to the SAE Management System guidance issued by the CND. More general information about GAD's can be found in FNS Instruction 407-3.

**E** Reallocation. The reallocation of SAE funds provides SA's the opportunity to request funds in excess of the amount of the formula allocation plus carryover, or to return funds they will not use. Only one reallocation is anticipated each fiscal year. By May 1, each SA must submit to the FNSRO Form FNS-525 on the status of SAE funds.

Reallocation requests are approved contingent on adequate justification provided by the SA to support the need for the additional funds and on the availability of funds for reallocation. An approved request is considered an amendment to the SAE Plan for the year in which the SAE funds will be obligated.

During the reallocation, SA's may also return funds which they will not use. In such cases, the Form FNS-525 and accompanying documentation is considered the amendment to the SAE Plan. No formal SAE Plan approval is necessary for returns of funds unless it significantly decreases the approved plan amount or approved level of activity.

Further information about the reallocation process and related amendments to the SAE Plan can be found in the SAE Management System guidance issued by CND, the Reallocation guidance issued annually by CND and the FNSRO's, and paragraph 235.5(d) of 7 CFR.

**F** Monitoring of the SAE Grant. The FNSRO's and CND monitor SAE funds beginning at the time the SAE Plan is approved and continuing through at least the second year of the grant. Thus, as the grant periods for the SAE grants overlap, and funds from grants active in any given fiscal year may be included in the

current approved SAE Plan, monitoring becomes an ongoing effort. Formal monitoring efforts include ME's and assessments made under the SAE Management System. Refer to ME guidance provided annually by the CND and the SAE Management System guidance issued by CND and section 235.8 of 7 CFR for more information about the monitoring of SAE funds.

G Financial Reconciliation (Closeout). SAE funds are closed out at the end of the second year of the grant. The FNSRO's and Accounting Division may close out the SAE grant earlier if all of the SAE funds in the 2-year grant have been expended. For further information refer to FNS Instruction 407-3 and FNS Program Accounting System Procedures, PAS-670, PAS-671, and PAS-674.

## VII ALLOWABLE AND UNALLOWABLE COSTS

A General Statement on Allowable Costs. SAE funds may be used for administrative expenditures for the NSLP, SBP, SMP, and CCFP, as well as for the FDP when funds cover any of these programs. Up to 10 percent of SAE funds may be transferred to cover administrative costs incurred for the SFSP. Funds may be transferred between SA's within the same State as discussed in section IX A, below.

Administrative costs charged to the SAE grant must be "administrative" as discussed in section 235.6 of 7 CFR; "allowable" as defined under OMB Circular A-87 (Revised), Attachment B (sections B and C); and consistent with the SA's SAE Plan. Costs, identified in OMB Circular A-87 (Revised) as allowable only with prior approval, must be identified and explained in the SAE Plan. Approval of the SAE Plan constitutes the prior approval cited above. For more information on allowable costs consult the SAE Plan guidance issued annually by CND and FNSRO's; OMB Circular A-87 (Revised), Attachment B; and 7 CFR Part 3015, Subpart T.

B Expanded Policy on Some Specific Allowable Cost Issues. Some areas of allowable costs have raised frequent questions. These areas, described below, include the use of SAE funds for travel, food distribution, and data processing.

1 Use of SAE Funds To Support Personnel Travel. Generally only travel expenses for SA level personnel may be supported by SAE funds. There are, however, two notable exceptions to this policy. One exception, authorized by paragraph 210.27 (g) of 7 CFR allows SA's to use SAE funds for justified travel expenses incurred for, or by, the State Food Distribution Advisory Council. The second exception allows SA's to use SAE funds to cover travel expenses for local personnel under limited circumstances as specified below.

When an SA authorizes local personnel to act on its behalf in the performance of a service which is normally an SA responsibility, the State may reasonably extend the use of SAE funds to cover the expenses incurred by local personnel in the performance of that service. For example, a State may enlist local personnel to conduct a procurement workshop for local managers, or participate on a panel which is intended to help local personnel improve their food service operations. Any

training needed to prepare local personnel to act on behalf of the SA may also, at the SA's discretion, be considered a component of the expenses incurred in the performance of an SA responsibility. As such, SAE funds may be used for local and SA personnel 'to cover the travel costs incurred for all such training.

States may not, however, extend the use of SAE funds to cover travel, food, or lodging expenses of local personnel who attend or participate in, but are not actively conducting on behalf of the SA, a workshop, training session, etc., regardless of whether it is held in-State or cut-of-State- Even though such local personnel may make a contribution based on their knowledge or experience, they are only incidentally assisting the State, and therefore, their expenses may not be viewed as the State's expenses.

2 Use of SAE Funds by Distributing Agencies. Due to wide variances in the degree of administrative and operational responsibilities assumed by the State distributing agencies for these programs, FNS allows some flexibility in the use of SAE funds by distributing agencies. That is, FNS permits the use of SAE funds by distributing agencies for costs which would not otherwise be considered administrative. The expectation in regard to State distributing agency use of SAE funds is that genuine program improvements should result; and the SAE funds are not to be used to supplant State funds. The FNSRO's shall work with the States to determine if their proposed expenditures will have maximum impact in contributing to overall program objectives. In addition to those costs normally identified as allowable SAE administrative costs, the following expenditures are allowable administrative costs for distributing agencies:

- a The leasing of additional space for offices or for warehousing of commodities at the State level.
- b The procurement or rental of equipment for use in the administration or operation of the program. Such equipment may include lift trucks or other vehicles used for distributing food or conducting reviews of the program.
- c The maintenance of equipment used in the ad-ministration or operation of the program.
- d The computerization of food allocations and inventories. Refer to subparagraphs 3 and 4, below, for specific information on the limitations and approval requirements when using SAE for ADP services and equipment.

3 Use of SAE Funds for ADP Services and Equipment. The cost of routine ongoing usage of existing ADP services that support the SA's discharge of its responsibilities under its agreement with FNS is allowable. Such services include automated computation of claims data from local entities; per meal costs under

the SBP or CCFP and the food inventories and allocations under the FDP; the computerized analysis of program beneficiary participation data; and the payment of local entities' claims for reimbursement. The following conditions apply:

a SA's may charge the use of existing SA owned ADP equipment to the SAE grant in accordance with OMB Circular A-87 (Revised), Attachment B, paragraph B.11.

b SA's must obtain approval from the FNSRO prior to State actions to acquire ADP equipment in whole or in part with SAE funds. For ADP equipment with costs up to \$100,000, this approval requirement is satisfied by the approval of the SAE Plan. The SAE Plan requires that the SA identify and support by written justification all planned ADP costs. For ADP costs between \$25,000 and \$100,000, the SA should include with the SAE Plan the Request for Proposal, contract or service agreements, and other documents requested by the FNSRO, with the SAE Plan or as soon as possible thereafter. For ADP costs which the SA anticipates will total \$100,000 or more in Federal and State funds over a 12-month period, or \$200,000 or more in Federal and State funds for the total acquisition, the SA must submit an Advance Planning Document to the FNSRO.

The Advance Planning Document may be submitted in conjunction with prior to submission of the SAE Plan or any amendment to the SAE Plan. For information on preparing an Advance Planning Document, SA's should refer to FNS Handbook 151, ADP Advance Planning Document Handbook for State Agencies. In particular, section 440 and Exhibit A of the Handbook define and provide guidelines for preparing an Advance Planning Document.

4 Use of SAE Funds To Purchase ADP Software. The distinction between State and local level responsibilities and costs has become less clear with the advent of ADP. For example, a State is dependent on local entities for timely and accurate data needed to meet Federal reporting requirements, thus raising questions about the limits on the use of SAE to develop and/or purchase software for use by State and/or local entities. It is recognized that the use of the same software by all local agencies will standardize child nutrition reporting or other designated child nutrition activities at the State level, and thereby improve SA administration. Thus, the following criteria have been established.

The cost of developing and/or purchasing software is an allowable SAE cost if the:

a Software is used to improve the administration of the child nutrition programs, and

b SA either:

- (1) Uses the software for its own purpose, or
- (2) Pays for the development of the software, distributes it to local agencies, and requires the local agencies to use it.

For example, if an SA coordinates with a private company to develop a uniform software package but then requires the local agencies to purchase the software from the company, the developmental costs are allowable SAE costs, but the reproduction and distribution costs are not.

5 Use of SAE for NETP. SAE funds may be used in support of all State-level NETP activities, except teacher training. The NETP, with the purpose of providing nutrition information to children participating in the child nutrition programs, is essentially a support program for the child nutrition programs. SAE funds may thus be used to pay for the salaries of the NETP coordinator, as well as to provide support services to the child nutrition programs in the areas of training for food service personnel and nutrition education for children. All uses of SAE funds must be for State-level administrative costs in accordance with 7 CFR Part 235.

6 Use of SAE for Building Repairs. The cost of building repairs or improvements at the State level is allowable only with approval by the FNSRO. Since such costs are not usually considered administrative costs, the SA must show that the cost is a legitimate administrative cost chargeable to SAE. FNSRO's shall approve such costs on a case-by-case basis.

C Unallowable SAE Costs. The following items of cost are unallowable costs for SAE funds. Some of these may be allowable under other programs, while others are unallowable costs which have been defined specifically with regard to SAE.

1 Contingency Funds. Contributions to a contingency reserve or other provision for unforeseen events are unallowable.

2 Expenses of General Government. Under the regulations, SAE funds may be used only for the child nutrition programs for which SAE funds are made available. Thus, costs which the State government would have incurred had no Federal grants for the child nutrition programs been provided to it are unallowable because they cannot be attributed to the administration of child nutrition programs. Examples of these unallowable SAE costs include salaries and expenses of the Governor and State legislature.

3 Foreign Travel.

4 Real Property. The outright purchase of land or buildings from SAE funds is unallowable.

5 Other Unallowable Costs. OMB Circular A-87 (Revised), Attachment B, section D lists other unallowable costs.

## VIII SFR (MAINTENANCE OF EFFORT)

A General. Each fiscal year, each State must expend for administration of the NSLP, SBP, SMP and CCFP, as applicable, the amount of funds from State sources required in section 235.11 of 7 CFP, By law, this SFR applies to the State as a whole. Funds from State sources used by any or all of the SA's in the State to administer the NSLP, SBP, SMP, and CCFP may be counted toward the SFR.

A State which does not meet the SFR loses its right to SAE funds. If the FNSRO determines that a State will definitely not meet the SFR for the current fiscal year, the FNSRO shall withdraw all unexpended SAE funds available to the State. Also, if a State indicates that it will definitely not meet the SFR for a subsequent fiscal year, the FNSRO shall not release any of that allocation to that State until it does so. These are examples of extreme instances which would probably only occur if a State intentionally did not appropriate sufficient funds to meet the SFR.

It is more likely that the FNSRO or CND would identify a State's failure to meet the SFR during the subsequent fiscal year when the expenditures data is reviewed. The FNSRO shall notify such a State which according to reporting records, does not meet the SFR and provide the State the opportunity to review its records for omissions and revise its reports as necessary. If the FNSRO confirms that the State did not meet the SFR, it shall impose a sanction and negotiate the amount and the method of repayment of SAE funds. The FNSRO shall evaluate the State's ability to meet the SFR for the current and future fiscal years, and if necessary, encourage the State to take corrective action and/or withdraw SAE funds as discussed above.

B Funds Which May Be Counted Towards Meeting the SFR. Only State revenues used for the administration of the NSLP, SBP, SMP and CCFP are countable toward meeting the SFR. By limiting the requirement to State revenues, the CNA excludes all other funding sources such as in-kind contributions and income generated by the program (e.g., assessment fees and container salvage fund income) from being counted toward this requirement. This is based on definitions provided by 7 CFR Part 3015, Appendix A.

To be counted toward the SFR, expenditures of funds from State revenues must be made for allowable administrative costs as discussed under section VII, above. Such costs will be included in the SAE Plan discussed in section VI, above.

Further information on what funds can be counted towards meeting the SFR can be obtained from OMB Circular A-102 (Revised), Attachments F and G, and 7 CFR Part 3015, Subparts G and H.

C Reporting and Documentation. To enable the FNSRO's and CAD to monitor the SFR, SA's shall report outlays and unliquidated obligations attributed to State revenue sources for the administration of the NSLP, SBP, SMP, and CCFP, on

a quarterly basis on the SF-269. Specifically, these data are reported on line "f" (Non-Federal share of outlays) and line "i" (Non-Federal share of unliquidated obligations) under column 11 (SAE) for each quarter. A copy of the SF-269 is included in Exhibit B, attached.

The FNSRO and CND shall monitor the amount of State revenue reported on the fourth quarter and all subsequent SF-269's to determine if it is sufficient to meet the SFR. The FNSRO and CND shall compare both line "f" and the sum of line "f" and line "i" with the established SFR level. Since compliance with this requirement is based on State revenues "expended," the amount reported on line "f" must ultimately be equal to or greater than the SFR level. If, for the report being monitored, line "f" is less than the SFR level, then the FNSRO and CND shall add line "i" to line "f" to determine if the State has set aside sufficient funds to meet the SFR. The FNSRO and CND must monitor the SFR until line "f" is sufficient to meet the SFR. If a State has more than one SA expending State revenues for child nutrition programs, the FNSRO and CND shall compare the sum of the data reported by all such SA's to the SFR. SA's shall maintain appropriate documentation to demonstrate that the SFR has been satisfied.

The SA's should consult OMB Circular A-102 (Revised), Attachment G, and 7 CFR Part 3015, Subpart H for more information on how to document expenditures of funds from State revenues to meet the SFR.

#### IX SPECIAL FUNDING ISSUES

A Transferring Funds. States may transfer SAE funds during the first year of the Grant among SA's currently receiving SAE funds within the State. Such a transfer requires agreement among the affected SA's as well as FNSRO approval. The FNSRO must notify CND of the transfer. The amount of funds which an SA may transfer is limited only by the amount of funds available to the SA transferring the funds. A transfer of funds during the second year of the SAE Grant (i.e., carryover) requires the prior notification and concurrence of the CND.

The authorized funding levels for each SA will be revised when the transfer is complete. SA's may have to amend their current or following fiscal year SAE Plans to reflect the transfer of funds. For example, the recipient SA must amend its SAE Plan if it expects to use the transferred funds during the current fiscal year. Similarly, if it intends to use transferred funds during the following fiscal year, it must incorporate this into, or amend, next year's plan. The donor SA must amend its SAE Plan only if the transfer significantly affects the budget or activity levels of its current SAE Plan. Further information about the amendment process is found in the SAE Plan Guidance, SAE Management System guidance, and the 7 CFR Part 235.

The FNSRO's shall review and approve the revised SAE Plans, as appropriate, and change the SA's GAD's, LOC's, etc, accordingly.

B Start-Up Funds. An SA may receive a negotiated amount of between \$10,000 and \$100,000 when it assumes administrative responsibility for child nutrition programs (except the SFSP) currently administered by FNS. The exact amount of the start-up assistance is negotiated with the SA by the Regional Administrator. The following factors should be considered in negotiations:

1 The size and administrative complexity of the programs being taken back;

2 The ability of the SA to incorporate the new program responsibilities into existing systems or the need to develop new systems; and

3 The size and number of programs assumed relative to those remaining under FNS.

The \$100,000 limit applies to each adjustment made for start-up costs. However, no State may receive more than \$100,000 for such adjustments in any fiscal year.

C Adjustments for Change in Administering Agencies. Should an SA's program administrative responsibilities change during a fiscal year, the CND shall prorate accordingly the amount of SAE funds the SA receives. For example, an SA which assumes additional program administrative responsibilities as of July 1 of a given fiscal year will receive an additional amount of SAE funds equal to one-fourth of the additional SAE funds the SA would have received had it administered the program(s) for the entire fiscal year. Similarly the CND shall make a downward adjustment to the amount of SAE an SA receives if it turns program administrative responsibilities over to another SA. The SA must amend its SAE Plan or submit an original, as applicable, to reflect the change in activities due to the change in program administrative responsibilities.

X SUBJECT AREAS DISCUSSED IN OTHER SOURCES

A Accountability. SA's shall maintain a system of financial management that meets the requirements of OMB Circular A-102 (Revised), Attachment G, and paragraphs 235.7(a) and (b) of 7 CFR.

B Apportionments. FNS Instruction 432-1, Uniform State Allocation System for FNS Grant Programs, describes the funds allocation process for the orderly distribution of grant funds following the receipt of approved apportionments of appropriations.


C Fiscal Sanctions. Refer to section 235.11 of 7 CFR.

D Procurement Requirements. All procurements of supplies, equipment and other services carried out by the SA with SAE funds shall be carried out in accordance with the requirements of OMB Circular A-102 (Revised), Attachment O; 7 CFR Part 3015, Subpart S; and section 235.9 of 7 CFR, as applicable.



XI OMB APPROVAL

The reporting and/or recordkeeping requirements contained herein have been approved by OMB in accordance with the Paperwork Reduction Act of 1980.

  
GEORGE A. BRALEY  
Deputy Administrator  
for Special Nutrition Programs

Attachments



EXAMPLE OF FORM FNS-495

U.S. DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION SERVICE			
GRANT AWARD DOCUMENT FNS Instruction 407.3			
1. GRANTOR AGENCY: <b>FOOD AND NUTRITION SERVICE</b>		2. APPROPRIATION	
3. GRANTEE ORGANIZATION (NAME/ADDRESS)		4. TITLE OF GRANT	
5a. GRANT AWARD DOC. NO.	5b. AMENDMENT NO.	6. ESTIMATED TOTAL GRANT AWARD	
7. GRANT PERIOD: FROM THRU		PREVIOUS LEVEL	\$
		INCREASE (DECREASE)	\$
		CURRENT LEVEL	\$
8. FEDERAL GRANT OBLIGATION(S):			
PROGRAM	PREVIOUS LEVEL	INCREASE (DECREASE)	CURRENT LEVEL
	\$		\$
TOTAL			
9. SPECIAL INSTRUCTIONS/COMMENTS:			
10. AUTHORIZATION			
ALLOWANCE HOLDER (DESIGNEE)		SIGNATURE	
		EFFECTIVE DATE	TELEPHONE NO.
FORM FNS-495 (12-82)			

SPECIMEN

EXAMPLE OF SF-269

**FINANCIAL STATUS REPORT**

1. FEDERAL AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED: **FOOD AND NUTRITION SERVICE, USDA**

2. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER: **Letter of Credit No. 1235**

3. RECIPIENT ORGANIZATION (Name and complete address, including ZIP code):

4. EMPLOYER IDENTIFICATION NUMBER: **6** RECIPIENT ACCOUNT NUMBER OR IDENTIFYING NUMBER: **7** BASIS:  CASH  ACCRUAL

5. PROJECT/GRANT PERIOD (See Instructions): FROM (Month, day, year) TO (Month, day, year)

6. FISCAL YEAR: **2** PAGES: **2**

7. PERIOD COVERED BY THIS REPORT: FROM (Month, day, year) TO (Month, day, year)

8. SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL: \_\_\_\_\_ DATE REPORT SUBMITTED: \_\_\_\_\_

9. TYPED OR PRINTED NAME AND TITLE: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

10. STATUS OF FUNDS PROGRAMS/FUNCTIONS/ACTIVITIES

PROGRAMS/FUNCTIONS/ACTIVITIES	SAE (111) STATE ADMIN EXPENSE		SPECIAL MILK (112)		FEDERAL SHARE (113, 114, 115)		SCHOOL PROGRAMS		TOTAL
	(111)	(112)	(113)	(114)	(115)	(116)	(117)	(118)	
a. Net outlays previously reported									
b. Total outlays this report period									
c. Less: Program income credits									
d. Net outlays this report period (Line b minus line c)									
e. Net outlays to date (Line a plus line d)									
f. Less: Non Federal share of outlays									
g. Total Federal share of outlays (Line e minus line f)									
h. Total unliquidated obligations									
i. Less: Non Federal share of unliquidated obligations shown on line h									
j. Federal share of unliquidated obligations									
k. Total Federal share of outlays and unliquidated obligations									
l. Total cumulative amount of Federal funds authorized									
m. Unobligated balance of Federal funds									

11. INDIRECT EXPENSE: a. TYPE OF RATE: \_\_\_\_\_ b. RATE: \_\_\_\_\_ c. BASE: \_\_\_\_\_ d. TOTAL AMOUNT: \_\_\_\_\_ e. FEDERAL SHARE: \_\_\_\_\_

12. REMARKS: Any explanation deemed necessary or information requested by Federal agencies as to compliance with economic stabilization requirements should be placed under this program activity. This report is complete and final as required by existing regulations (28 CFR 25a).

13. CERTIFICATION: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.

14. SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL: \_\_\_\_\_ DATE REPORT SUBMITTED: \_\_\_\_\_

15. TYPED OR PRINTED NAME AND TITLE: \_\_\_\_\_ TELEPHONE: \_\_\_\_\_

16. STANDARD FORM 269 (7-63) (School, child care and summer program) Form issued by Office of Management and Budget Form No. 269-110

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