I  Purpose

This Instruction implements the Agency's policy on administration of multi-State sponsoring organizations in the Child Care Food Program. Due to their structure it is necessary to utilize special management procedures to ensure effective and consistent administration of these organizations.

II  Background

In 1982, the Child Care and Summer Programs Division issued FNS Instruction 788-5 (previously Policy Memorandum No. 25) which designated certain Regional Offices as cognizant for multi-State sponsoring organizations in the Child Care Food Program (CCFP). These cognizant Regional Offices were determined based upon the location of the headquarters office of the multi-State sponsoring organization. Cognizant offices were designated as responsible for negotiating and approving an 'allocation method by which the multi-State sponsoring organization could claim shared costs among the various administering agencies. Approval of the levels of these shared costs was left to the discretion of the individual administering agencies.

On September 30, 1982, the Office of Inspector General released Audit Report No. 27639-1-Ch, Quality Child Care, Inc., to the Administrator. This audit made several recommendations concerning improved administration of multi-State sponsoring organizations in the areas of administrative reviews, audits, and administrative budgets. In the course of resolution of this audit, several meetings were held which were attended by representatives from four Regional Offices, the Child Care and Summer Programs Division and State agencies. A summary of the results of the final meeting was circulated to all Regional Offices in January 1983. This summary contained suggested procedures to address the administrative areas identified as problems by the audit. In addition, this summary contained procedures to be used to provide guidance and technical assistance to multi-State sponsoring organizations to coordinate procurements by these organizations. In general, comment received from Regional Offices concerning these suggested procedures was supportive. Therefore, this Instruction will establish new administrative procedures and responsibilities for multi-State sponsoring organizations in four general areas: administrative budgets, administrative reviews, audits and procurements.
III Policy

A Administrative Budgets

FNS Instruction 788-5 established procedures to develop appropriate methods of allocation for allowable shared costs for multi-State sponsoring organizations. However, this Instruction also specified that right of approval of the permissible levels of each shared cost item was to be retained by each administering agency. To ensure the accuracy of this process, it will be necessary for the cognizant Regional Office to receive and review the entire administrative budget of the multi-State sponsoring organization. While the procedures described in FNS Instruction 788-5 to develop methods of allocation remain in effect, authority is hereby given to cognizant offices to approve cost levels for these cost items to be allocated among more than one administering agency. Thus, for allocable cost items, the cognizant Regional Office will (1) negotiate and approve a method of allocation, (2) approve cost levels for those allocable costs, (3) notify the administering agencies of these approved allocable cost levels and the portion which each administering agency must consequently fund, and (4) provide guidance to each administering agency, as necessary, to ensure consistent treatment of these allocable costs. Should a multi-State sponsoring organization affected by this provision decide to appeal, its appeal will be filed with the FNS Administrative Review Staff.

Costs which are direct to each administering agency remain the responsibility of each such administering agency. This will permit the adjustments necessary for operation within a particular State. Of course, all requirements of Regulations and Instructions previously issued remain in effect for these direct costs, thus providing a framework for consistent treatment on a national basis of direct costs.

B Administrative Reviews

Each administering agency, whether State agency or Regional Office, continues to be responsible for the administrative review of any multi-State sponsoring organizations operating within their respective States. However, the timing of these reviews should be coordinated by the cognizant office. Summary reports of reviews conducted within each State should be forwarded to the cognizant office by a date established by the cognizant of file. Should analysis of these reports by the cognizant office establish the necessity for an additional coordinated administrative review, the cognizant office will take the lead role in assembling the review team and conducting the review. Should a multi-State sponsoring organization operate in more than one Region, the Child Care and Summer Programs Division will take the lead role in assembling the necessary review team and conducting the review.

C Audits

Since multi-State sponsoring organizations are usually large and complex, multi-State sponsoring organizations should have annual audits. The agency administering the State where the headquarters office of the multi-State sponsoring organization is located shall take the lead role in ensuring that the organization-wide corporate audit requirement is met for the multi-State sponsoring organization. Payment for these audits shall be negotiated among the administering agencies. Complete audit reports shall be sent to all
administering agencies and appropriate resolution activity shall be the responsibility of each administering agency. Although this audit requirement will be the only Federal audit requirement, the State agencies may, at their discretion, engage in additional audit activity.

D  Procurements

For procurements which benefit all States in which the multi-State sponsoring organization operates, the administering agency for the State in which the headquarters office of the sponsoring organization is located should apply that State's procurement requirements. For procurements which benefit a single State's program, the procurement requirements of that State agency should be applied.

The procedures described above are effective with the date of this Instruction. However, it is understood that all situations are not necessarily covered by these procedures. Therefore, Regional Offices and State agencies should take any additional appropriate action to ensure that multi-State sponsoring organizations are administered properly.

It is intended that this Instruction be modified, if necessary, as practical experience is gained. Therefore, please submit comments or suggestions to the Child Care and Summer Programs Division.

Administrator