

ACTION BY: Regional Directors
 Special Nutrition Programs

SOURCE CITATION: Part 226

Approval of Administrative Budgets for Multi-State Sponsoring Organizations
of Family Day Care Homes - Child Care Food Program

The rapid growth of multi-State sponsoring organizations over 'the past several years has presented administering agencies (both State agencies and Food and Nutrition Service Regional Offices) with new problems in reviewing and approving administrative budgets. Budget costs which may be directly attributed to an individual State agency or Regional Office have, of course, been processed as they would be for a sponsoring organization whose operations were confined to only one State. However, those administrative budget costs which must be allocated between two or more administering agencies require both an identification of the allocated costs and a method of distribution of these costs.

Since no single administering agency has had comprehensive knowledge of the conditions which exist in other States or Regions for these multi-State sponsoring organizations, nor has any administering agency been responsible for allocating costs outside its jurisdiction, there has been some difficulty in handling these allocable cost items. Although not all Regions currently have multi-State sponsoring organizations in operation, those Regions with the most experience in this area have expressed a need for a general policy for current and future administrative budget approval for these organizations. In response to these requests and to a clear need to establish consistent treatment for those organizations nationwide, we believe that the following procedures should be followed.

The Regional Office within whose jurisdiction the home office of the multi-State sponsoring organization is located will assume the role of the cognizant office. This will ensure (1) that travel costs, if necessary, between the Regional Office and sponsoring organization are kept to a minimum and (2) that year-to-year consistency is established between the cognizant office and the multi-State sponsoring organization. This cognizant office will not be responsible for those budget items which are directly attributable to operation within an individual State. For example, mileage allowances for intra-State facility monitoring are directly attributable to the State in which the facilities are located. This type of cost shall remain the responsibility of the appropriate State agency or Regional Office administering the Program.

DISTRIBUTION: 5,6,11,14	MANUAL MAINTENANCE INSTRUCTIONS: New Instruction. Insert in Manual. Destroy CCFP Policy Memorandum No. 25.	RESPONSIBLE FOR PREPARATION AND MAINTENANCE: CS-100	Page 1 10-25-82
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For those costs which benefit more than one State agency or Regional Office Administered Program (ROAP), it will be necessary for the cognizant Regional Office to negotiate and approve a method of allocation. This method should be developed using appropriate Office of Management and Budget (OMB) Circulars and related publications. Although OMB Circular A-122, "Cost Principles for Nonprofit Organizations" is the controlling document, the principles and procedures contained in OMB Circular A-87, "Cost principles for State and Local Governments" and in such publications as "Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government" published by the then Department of Health, Education and Welfare (OASC-10), should also be utilized as appropriate.

In those cases where the development of an indirect cost proposal is required, the publications referenced above should be useful. However, we believe that in most cases it will be necessary to develop a cost allocation plan. A cost allocation plan means the documentation identifying, accumulating and distributing allowable shared costs together with the allocation method used. An example of this type of allocated cost would be publications distributed by the multi-State sponsoring organization to all of its homes in several States. Here the costs of development, printing and distribution are costs to be allocated to the several States involved, using a cost allocation plan. Since it is essential that the basis of allocation ensure that the cost be distributed in accordance with the relative benefit received by each State, an appropriate allocation basis for this publication might be the number of homes within each State where the publication is distributed. After all such shared costs have been identified and an appropriate allocation basis for each cost group negotiated with the sponsoring organization, the cost allocation plan shall be distributed by the cognizant office to the other State agencies and/or Regional Offices involved. This process should take place by July 1 of each year for use by State agencies and Regional Offices in approving administrative budgets for the following fiscal year beginning October 1.

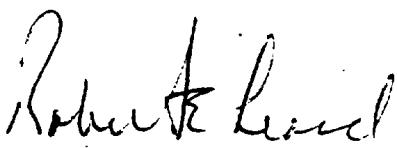
After receipt of the cost allocation plan, the individual State agencies and Regional Offices should proceed with final administrative budget approval. Should an individual State agency or Regional Office decide to disapprove its share of an allocated cost item, that portion may not be assumed by the other State agencies or Regional Offices involved unless certain conditions exist. As discussed above, the controlling factor in a basis of allocation is that the cost be distributed in accordance with the relative benefit received. Therefore, only if the benefits of a particular cost item can be restricted to those administering agencies willing to approve this item, may its entire cost, within regulatory limitations, be funded. Using the publication example cited above two differing results are possible. If the sponsoring organization distributes these publications to all homes, including the State in which the State agency has determined such costs to be not necessary for Program performance, only those portions of the total publication cost allocated to the remaining States will be paid from Child Care Food Program funds. In other words, the sponsoring organization must absorb the disallowed portion.

On the other hand, if the sponsoring organization can confine the benefits of a cost item to those States willing to fund it, its entire cost, within regulatory limits, may be allowed. However, it would be necessary, in this instance, for the sponsoring organization to submit justification to the cognizant Regional Office and any and all adjustments to the cost allocation plan would be made by written notice from the cognizant office to the States involved. Again, using the publication example cited above, the following is possible. If one State agency determines the cost of publication to be unnecessary for Program operations within that State, the sponsoring organization may wish to distribute the publication only in the remaining States involved. Thus, it would submit justification to the cognizant Regional Office. If appropriate, the cognizant office would approve a cost allocation plan based on the number of homes in the remaining States. Administrative budgets in the remaining States would then be amended to reflect this changed distribution and, once again, be subject to approval by these States agencies or Regional Offices. Only if these procedures are followed may a denied cost item be redistributed.

Should the multi-State sponsoring organization decide that the cost allocation plan itself is, at a later date, unacceptable or a dispute arises during negotiations, its appeal will be filed with the FNS Administrative Review Staff rather than a State agency hearing official since the cost allocation plan was negotiated and approved at the Federal level.

The cognizant office retains responsibility for reviewing and monitoring the cost allocation plan as it deems appropriate. This includes amending the cost allocation plan as necessary. Of course, payments made using a cost allocation plan are subject to audit and disallowance as are any other costs claimed.

Finally, if this process is to work effectively it is essential that close and continuous communication with all State agencies and Regional Offices involved takes place. Such dialogue will permit the timely resolution of problems as they surface.



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