



**Report to Congress:**

**Reducing Paperwork  
in the Child and Adult  
Care Food Program**

**August 2015**

**Appendix D**

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## **Report to Congress: Reducing Paperwork in the Child and Adult Care Food Program**

This Report to Congress is submitted by the U.S. Department of Agriculture, Food and Nutrition Service on behalf of the Child and Adult Care Food Program (CACFP) Paperwork Reduction Work Group. This report examines the feasibility of reducing unnecessary or duplicative paperwork for States, sponsoring organizations, and child care homes and centers.

CACFP was created as a pilot program to support working families in 1968. It was permanently authorized in 1975 under section 17 of the Richard B. Russell National School Lunch Act, 42 U.S.C. 1766. The Program assists States through grants-in-aid and other means to initiate and maintain nonprofit food service programs for children in various forms of child care. Although CACFP is also available in adult day care centers and emergency shelters, this report focuses on paperwork requirements in traditional child care settings.

In fiscal year 2014, 780,000 children in child care homes and 3 million children in child care centers received meals through CACFP at a total meal cost of \$2.72 billion. More than 890 sponsoring organizations administered CACFP in 118,000 child care homes and 39,000 sponsored centers. Another 20,000 centers chose to participate directly with the State agency.

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## **The Purpose**

The Child and Adult Care Food Program (CACFP) is the most important source of funding for nutrition for children in early childhood education and care programs. CACFP provides grants-in-aid to States that allow child care homes and centers to provide the nutritious foods that young children need for healthy growth, development, and wellness.

The complexity of CACFP requirements creates unique administrative challenges for the child care homes, centers, and agencies that are responsible for delivering the Program's essential benefits to children. This report, submitted on behalf of the CACFP Paperwork Reduction Work Group (Work Group), examines the paperwork that is needed to comply with the requirements. The Work Group explored how to make CACFP requirements more efficient, while maintaining Program integrity.

In this report, the Work Group proposes that Congress make improvements to CACFP that would:

- Extend the use of location in eligible areas to child care centers to determine CACFP eligibility;
- Extend community eligibility and other approaches to facilitate a child's participation in CACFP; and
- Engage a representative work group to continue to guide paperwork reduction efforts.

This report also addresses the Work Group's recommendations to the U.S. Department of Agriculture (USDA) to make improvements to CACFP. These recommendations would:

- Work with State agencies to implement existing flexibilities to reduce paperwork;
- Make a child's eligibility for CACFP benefits easier to document and improve access through direct certification;
- Align monitoring requirements to streamline reviews of child care homes and centers;
- Establish a single, blended-rate method of payment, which is determined annually for centers;
- Simplify the documentation of food service records required by the State agency;
- Establish annual eligibility determinations for certain for-profit centers;
- Simplify verification of the nonprofit food service status of sponsored centers;
- Eliminate budget requirements that are counterproductive to a fiscally responsible Program operation;
- Further streamline the CACFP renewal process for sponsoring organizations and centers;
- Support the sponsoring organization's ability to mediate and fix problems through improvements in the serious deficiency process;

- Expand the appeals process to resolve disputes over State-specific requirements; and
- Embrace technology solutions to improve integrity and reduce paperwork.

All of the Work Group's recommendations for improvement are intended to streamline paperwork and remove barriers to participation without compromising the integrity of CACFP.

### **CACFP benefits our children**

The benefits of CACFP are clear. CACFP provides nutrition and nutrition education to improve health and wellness of more than 3.56 million children receiving child care each day. This Program is a leading source for information about health and wellness so that our Nation's children get the best start when it comes to healthy eating and physical activity. It inspires innovative State and local improvements to enhance nutrition and promote physical activity of our children.

CACFP makes it possible to provide the good nutrition infants and children need in child care homes, centers, and a variety of nontraditional child care settings, including after-school programs for children and youth. CACFP meals are an essential part of the early childhood education and care each child receives. Participating child care homes and centers receive reimbursement for serving meals to children that meet USDA guidelines.

Sponsoring organizations conduct training, monitor compliance, process claims for reimbursement, and provide other Program assistance to child care homes and centers. While a child care home must participate in CACFP under a sponsoring organization, a center may participate directly with the State agency or elect to participate through a sponsoring organization. Centers may be sponsored by an organization with which they are affiliated, such as a day care chain corporate office, or an unaffiliated, not-for-profit organization with which they have no preexisting relationship.

With its unique combination of training and oversight, CACFP is effective at sustaining and enhancing the quality of early childhood care experiences for children. The Program plays a vital role in creating and maintaining higher quality, affordable care for infants, young children, school-age children, and youth. However, the diversity of CACFP settings and forms of participation also create unique administrative challenges.

The CACFP community has long been concerned about the level of complexity that is required for administration of the Program. There is strong advocacy to support efforts to reduce paperwork requirements, within a framework of integrity, and make CACFP less burdensome and more cost-effective to administer. Sponsoring organizations, which bear a significant burden in CACFP, have pushed for greater flexibility in determining how records are reported and stored, wider application of electronic solutions, and a streamlining of paperwork for sponsored child care homes and centers.

Central goals include guaranteeing the integrity of CACFP and also ensuring that administrative requirements for improving Program management produce the outcomes for which they were designed. There is a balance, between the goal to increase access on the one hand and the goal to

maintain integrity on the other, which drives USDA and stakeholders to improve CACFP. There is also a strong urgency to reduce complexity and streamline administrative burden so that this Program can continue to do what it does best – deliver nutritious meals to children in various forms of early childhood education and care.

### **A mandate from Congress to examine the feasibility of reducing paperwork**

The Healthy, Hunger-Free Kids Act of 2010, Public Law 111-296, directs USDA to work with State agencies and sponsoring organizations to reduce paperwork and improve Program administration. Section 336 requires USDA to continue to examine the feasibility of reducing unnecessary or duplicative paperwork resulting from regulations and recordkeeping requirements for State agencies, sponsoring organizations, child care homes, and centers participating in CACFP. Additionally, USDA is provided discretion, in conjunction with State agencies and sponsoring organizations, to examine any other aspect of administration of the Program. Section 336 also requires USDA to submit a report to Congress detailing the results of the examination. The provisions of section 336 are found under Appendix A.

USDA formed a representative Work Group to help the Food and Nutrition Service (FNS) meet the requirements outlined in section 336. The Work Group includes a cross-section of CACFP professionals from State and local agencies and national associations, as well as experts in early childhood education and care, nutrition, and technology. A list of Work Group members is found under Appendix B. Engaging State agencies and sponsoring organizations was critically important to help USDA understand the needs and concerns of the CACFP community, develop recommendations for Program improvement, and produce a report to Congress on paperwork reduction efforts.

The Work Group set out to review and evaluate recommendations, policy guidance, and regulatory priorities that USDA had implemented to comply with previous paperwork reduction efforts authorized under the Child Nutrition and WIC Reauthorization Act of 2004, Public Law 108-265. The Work Group also looked at paperwork and administrative requirements that were established since February 23, 2007, to consider further reductions and simplifications.

Tasked with exploring how to make CACFP requirements more efficient, within a framework that maintains Program integrity, the Work Group established goals to:

- Identify regulations and policies related to paperwork that present barriers to participation, particularly among lower income families and child care providers;
- Encourage USDA to issue guidance addressing these barriers to participation prior to releasing the final Report to Congress;
- Simplify CACFP administration while maintaining Program integrity; and
- Increase CACFP participation.

The Work Group's research of CACFP requirements resulting from compliance with the Child Nutrition and WIC Reauthorization Act, as well as requirements for which no regulatory action or policy guidance had been taken, generated recommendations that would have an immediate

impact on reducing paperwork for sponsoring organizations and State agencies. The Work Group recommended that USDA:

- Reduce the frequency of eligibility determinations for for-profit child care centers and outside school hours care centers serving low-income children;
- Encourage State agencies to allow an annual blended-rate determination;
- Maintain a clear division of oversight responsibility between CACFP and child care licensing agencies, and also clarify CACFP's role regarding imminent harm to children;
- Streamline the CACFP renewal process for sponsoring organizations and independent centers;
- Reduce CACFP paperwork requirements for Head Start and Child Care Development Fund grantees;
- Fully utilize technology to streamline CACFP reporting and recordkeeping systems and maintain integrity for State agencies, sponsoring organizations, child care homes, and centers; and
- Reduce unnecessary additional State requirements.

USDA responded by examining practical solutions that were within FNS legal authority and consistent with ongoing efforts to consolidate, simplify, and reduce CACFP requirements. A final rule is under development, for publication in 2016, which would implement several changes to the application and renewal process. USDA has also issued six memoranda to address many of the Work Group's recommendations, provide clarification of CACFP requirements resulting from compliance with the Child Nutrition and WIC Reauthorization Act, and address requirements for which no regulatory action or policy guidance had been taken. A list of the memoranda issued in 2013 is found under Appendix C.

Members of the Work Group also inventoried and conducted an analysis of CACFP requirements, and developed tools to engage their associates in a discussion of paperwork. In February 2013, a consortium of CACFP and child care organizations and advocates, including the National CACFP Sponsors Association, the National CACFP Forum, the Child Care Food Program Roundtable, the Food Research and Action Center, the CACFP National Professional Association, Minute Menu Systems, and the National Head Start Association, reached out to members to request feedback. The opportunity to advise the Work Group on a wide-range of administrative issues generated broad interest. Nearly 3,000 respondents, estimated to represent over 95 percent of sponsoring organizations of child care homes and centers, answered an extensive list of questions regarding a comprehensive set of CACFP procedures and requirements.

In June 2013, the CACFP National Professional Association, which represents CACFP State employees, contacted its members to obtain their feedback. Members coordinated with their State agency colleagues to respond to questions regarding opportunities to improve Program effectiveness. The association provided feedback to the Work Group on behalf of 47 of the 54 State agencies that have responsibility for administering the child care component of CACFP.

Work Group members also consulted extensively with their counterparts at association meetings and national conferences. It was vitally important for members to listen to their associates, represent them, and share their perspectives, challenges, and promising practices with the entire Work Group. These exchanges of ideas guided the members to help the Work Group reach consensus.

Analysis of the responses from sponsoring organizations and State agencies suggests the persistence of many of the unnecessary or duplicative administrative processes that were identified in the Paperwork Reduction Work Group Final Report, authorized under the Child Nutrition and WIC Reauthorization Act. The report, released in February 2007, advised USDA to:

- Reduce the burden associated with the annual submission of information from sponsoring organizations, child care homes, centers, and parents;
- Reduce the paperwork for sponsoring organizations and child care homes and centers, especially non-traditional centers in CACFP;
- Ensure additional requirements established by State agencies are consistent with Federal regulations;
- Promote uniformity among State agencies in terms of the documentation they require during reviews;
- Streamline the collection of children’s “enrollment for care” documentation; and
- Support the increased use of technology solutions to streamline Program administration.

Many of the recommendations emphasized the use of technology or the sharing of effective strategies among State agencies. USDA issued guidance to address the report’s top priorities. A list of memoranda issued during 2007 and 2008 in response to these recommendations is found under Appendix D.

Despite broad agreement by USDA and CACFP stakeholders with the 2007 report’s priorities, the current feedback to the Work Group suggests that concrete action to address many of the recommendations has not been effective or fully utilized. Although implementation of provisions of the Healthy, Hunger-Free Kids Act offered further streamlining of application and oversight requirements, it became increasingly clear to members of the Work Group that additional actions would be needed.

## **Making Improvements to CACFP**

Major themes emerged from the responses that the Work Group received from sponsoring organizations and State agencies:

- Existing flexibilities at the State-level are not being fully realized;
- There is a compelling need to eliminate unnecessary and ineffective reporting requirements;
- Opportunities exist to embrace and update technology solutions to improve integrity and reduce paperwork; and
- CACFP success is dependent upon partnerships.

### **Existing flexibilities at the State-level are not being fully realized**

Flexibilities in USDA regulations and policies provide opportunities for State and local administering agencies to manage resource challenges, particularly in the face of reductions in their operating budgets. The Work Group recognizes that State agency flexibilities enable sponsoring organizations to improve business processes and find efficiencies in managing scarce resources.

However, in practice, State agencies, and sometimes sponsoring organizations, may add requirements in an effort to protect their agencies from audit findings. State-specific requirements may also increase the complexity of the Program in ways that discourage participation.

In addition, State agencies may not be fully embracing flexibilities to reduce paperwork that already exist. For example, the paperwork savings won by allowing child care homes to collect documentation directly from parents or extending categorical eligibility to children in foster care are lost when State agencies require new forms of certification to implement these policies.

The Work Group urges USDA to think through strategies that would ensure State agencies are supporting streamlining efforts. For example, the Management Evaluation process, an assessment by FNS of CACFP administration in every State, would be a useful opportunity to analyze additional State policies and publicize best practices among State agencies.

### **There is a compelling need to eliminate unnecessary and ineffective reporting requirements**

CACFP regulations include monitoring tools and reporting processes that were designed to improve Program oversight and management controls. With more than a decade of experience implementing the regulations, State agencies and sponsoring organizations expressed to the Work Group their uncertainty about reporting processes, which may be reasonable tools in some circumstances, but are frequently required in ways that may not be the best application of scarce CACFP resources.

For example, a majority of State agencies acknowledged to the Work Group that requiring the collection of a child's normal days, hours, and meals in care has not improved CACFP integrity

in their States. Sponsoring organizations repeatedly advised the Work Group that oversight requirements, such as timing of reviews and contacting of households to verify children's enrollment and attendance, are time-consuming and costly, and yet, ineffective at improving CACFP integrity.

In addition, CACFP paperwork requirements do not often distinguish between the center that participates directly under the State agency and the center that elects to participate through a sponsoring organization. When centers choose to be sponsored, they are agreeing to daily monitoring of menus, meal counts, and attendance, as well as three onsite reviews of all areas of compliance each year. While it is reasonable for State agencies to receive more reporting from centers when there is a 3-year gap between reviews, much of the paperwork that sponsored centers are required to submit could be reviewed by the sponsoring organization onsite instead. Because of their extensive oversight through monitoring visits, the Work Group agrees that sponsoring organizations should have more flexibility to determine the best methods for verifying the accuracy of meal counts, enrollment, meal production, nonprofit status, attendance, and other paperwork requirements.

The Work Group urges USDA to support flexibilities and eliminate unnecessary or duplicative reporting requirements that have not been effective at improving integrity. For example, sponsoring organizations should have flexibility to determine the best methods for verifying compliance with Program oversight requirements and corrective actions in their child care homes. State agencies should be encouraged to accept a variety of methods to address compliance with CACFP paperwork requirements and not require one specific method for the ease of the reviewer.

### **Opportunities exist to embrace and update technology solutions to improve integrity and reduce paperwork**

Paperwork reduction and technology implementation should be quality indicators for State agencies and sponsoring organizations. However, CACFP lags far behind other Federal programs in modernization and utilization of available technologies. There are clear preferences among many State agencies for "pen-to-paper" solutions, when the emphasis should be on the required units of information that must be reported and not the report formats.

Requiring that only State-specific report formats and handwritten forms be used, when information could be easily printed out from existing data systems, prevents sponsoring organizations from taking advantage of new technology solutions and innovative business processes. When established technologies, such as distance learning, are met with undue skepticism, State agencies and sponsoring organizations are further discouraged from implementing new solutions.

The Work Group's consultation with CACFP stakeholders reveals examples of reporting and recordkeeping that create inefficiencies, such as when reporting must be generated for the benefit of the reviewer, even when the reviewer has electronic access to data already available in another format. The reporting may include producing multiple copies of the same document, or reformatting existing data to match a reviewer checklist, or some other unnecessary or duplicative process that creates inefficiencies.

The Work Group urges USDA to work with State agencies to promote modernization and support policies that encourage replacement of obsolete methods with modern business tools, such as handheld devices that allow onsite recording of data, secure cloud services and storage, digitized historic records, electronic backup systems, and software applications. The Work Group also encourages USDA and State agencies to support the investments in technology that will pay off over long periods of time, reduce the incidence of errors in the daily records that child care homes and centers must maintain, and help sponsoring organizations overcome barriers to participation of child care homes and centers in underserved communities.

### **CACFP success is dependent upon partnerships**

Paperwork reduction is an ongoing effort, and its continuing success depends upon a solid, working partnership among USDA, State agencies, sponsoring organizations, child care homes, and centers.

The Work Group urges USDA to continue to engage a representative advisory group to provide insight into determining how Program requirements may continue to be streamlined and improved. Members would be available to help USDA evaluate potential solutions for effectively reducing paperwork.

USDA, State agencies, and sponsoring organizations have a shared commitment to making CACFP work better. This commitment is rooted in collaboration and facilitating process improvements, highlighting best practices, and working with Federal, State, and local partners to find efficiencies without compromising Program integrity. The Work Group urges USDA to continue efforts to streamline CACFP operations, support partnerships with State agencies and sponsoring organizations, and operate with a strong accountability for Program outcomes.

## **Recommendations to Congress**

Perhaps the most important advantage CACFP gives our children is a diet full of the good nutrition they need to grow up healthy and strong. Access to CACFP will help lead them on the path to becoming part of a healthier generation. However, Federal programs like CACFP face dual challenges of rising demand for services and declining administrative resources.

The Work Group is keenly aware that Congress is operating in tight fiscal times with little room for new spending. Even in this budgetary climate, there are significant ways Congress can remove barriers to participation and reduce paperwork to make CACFP work better. The Work Group's recommendations encompass modification, as well as encouragement to fully utilize existing authorities. The Work Group urges Congress to:

### **1. Extend area eligibility to child care centers in CACFP**

Allow child care centers to establish eligibility based on their location in areas served by schools where at least 50 percent of enrolled children are eligible for free or reduced-price meals, or on their location in areas where census data show that at least 50 percent of resident children are members of households whose income meet the income eligibility guidelines for free or reduced-price meals. Centers that are not area-eligible should be allowed to update eligibility at any time during the year when there are changes reported in school or census data. Under current law, only child care homes and at-risk afterschool care centers may use location in eligible areas to determine CACFP eligibility.

### **2. Extend community eligibility and other certification approaches to CACFP**

Extend USDA's authority to support community eligibility and other certification approaches, which are currently available in the National School Lunch Program, to facilitate a child's participation in CACFP. Community eligibility approaches use information from the Supplemental Nutrition Assistance Program (SNAP) and other means-tested programs, instead of traditional paper applications, to allow schools that predominantly serve low-income children to offer free school meals to all students. "Provision 2" schools establish claiming percentages and can then serve free school meals to all students for a 4-year period without obtaining additional applications. In CACFP, "Provision 2" child care centers would use the existing blended-rate formula to establish claiming percentages in the first year. They would agree to operate as "non-pricing" programs, where there are no charges for meals, and serve all children enrolled in child care. A "Provision 2" option for CACFP would reduce application burdens and simplify meal counting and claiming procedures.

### **3. Continue to engage a representative work group to guide CACFP paperwork reduction efforts**

Authorize a representative work group to continue to guide paperwork reduction efforts in CACFP. This work group, with insight into determining how Program requirements may continue to be streamlined and improved, would be a resource to assist USDA in evaluating potential solutions for effectively reducing paperwork. Members of this work group would include CACFP and child care professionals, advocates, and industry stakeholders.

## **Recommendations to USDA**

The feedback from the Work Group’s consultation with CACFP stakeholders serves as the basis for the recommendations that are at the heart of this report. The Work Group has compiled a set of recommendations and proposed practical solutions to overcome administrative challenges and barriers to participation.

The Work Group urges USDA to:

1. Work with State agencies to implement existing flexibilities to reduce paperwork;
2. Make a child’s eligibility for CACFP benefits easier to document and improve access through direct certification;
3. Align monitoring requirements to streamline reviews of child care homes and centers;
4. Establish a single, blended-rate method of payment, which is determined annually for centers;
5. Simplify the documentation of food service records required by the State agency;
6. Establish annual eligibility determinations for for-profit centers;
7. Simplify verification of the nonprofit food service status of sponsored centers;
8. Eliminate budget requirements that are counterproductive to a fiscally responsible Program operation;
9. Streamline the CACFP renewal process for sponsoring organizations and centers;
10. Support the sponsoring organization’s ability to mediate and fix problems through improvements in the serious deficiency process;
11. Expand the appeals process to resolve disputes over State-specific requirements; and
12. Embrace technology solutions to improve integrity and reduce paperwork.

The Work Group supports consistency across Child Nutrition Programs, and favors flexibility to allow sponsoring organizations to determine the best methods for achieving compliance with CACFP requirements. The Work Group encourages USDA to implement actions that have effectively reduced or simplified requirements in the National School Lunch, School Breakfast, or Summer Food Service Programs. Where action by USDA has already been taken, or is not required, the Work Group urges USDA to encourage State agencies to fully utilize the authorities they already have to streamline CACFP, increase acceptance and adoption of technology solutions, and examine administrative requirements with an eye toward decreasing paperwork burden while maintaining integrity.

### **Practical solutions to reduce paperwork**

The purpose behind each of the Work Group’s twelve recommendations is to turn “best practices” into standard practices that will be easy to implement, have support of CACFP stakeholders, and be enforced consistently at all levels of administration. The recommendations were drawn from the Work Group’s consultation with stakeholders. Work Group members

listened to the views of their associates, representing 95 percent of sponsoring organizations and 87 percent of State agencies that are responsible for CACFP oversight in child care homes and centers.

To address each recommendation, this report proposes actions that are designed to improve and streamline the Program. A comprehensive discussion of the recommendations is presented under Appendix E, which examines existing CACFP requirements, highlights the views of stakeholders that inspire the recommendation, and suggests policies and procedures for USDA and State agencies to consider changing.

This report identifies actions for USDA to standardize policy and, where necessary, make modifications. However, the majority of implementing actions emphasize policies and procedures that State agencies have existing authority to change. Nearly all of the Work Group's recommendations urge State agencies to support streamlining efforts and implement flexibilities that already exist.

### **1. Work with State agencies to implement existing flexibilities to reduce paperwork**

Since the release of the Paperwork Reduction Work Group Final Report in 2007, USDA's policy and Program development efforts have centered on consolidating, simplifying, and reducing CACFP requirements, where practicable. USDA has issued policy guidance to encourage State agencies to improve participation and reduce paperwork.

The Work Group urges USDA to:

- Provide technical assistance to help each State agency understand how to effectively implement existing flexibilities to reduce paperwork;
- Work with State agencies and their leadership to implement changes;
- Use the Management Evaluation process as an opportunity to analyze additional State policies and promote best practices among State agencies; and
- Plan regional conference calls with State agencies to compare implementation and best practices among States.

### **2. Make a child's eligibility for CACFP benefits easier to document and improve access through direct certification**

All child care homes and most centers serve meals at no charge to children in CACFP. In general, each child's household must provide documentation to establish the child's eligibility for CACFP benefits and determine the level of reimbursement that the child care home or center will receive. While CACFP requires parents to complete traditional paper applications, the National School Lunch Program allows schools to use direct certification, community eligibility, and other approaches to provide free meals to children without another application.

The Work Group urges USDA to:

- Explore USDA's authority to support opportunities for direct certification, community eligibility, and other forms of certifications to approve a child's participation in CACFP; and
- Explore opportunities for USDA to promote current best practices in the use of direct certification in CACFP.

Sponsoring organizations must establish procedures to collect and maintain daily CACFP records as well as records required by the State agency. USDA requires documentation of enrollment that includes information on each child's normal days and hours of care and the types of meals, such as breakfast and lunch, the child is expected to receive while in care. This documentation must be updated annually and signed by a parent. Daily attendance must be recorded separately from meal counts, although they may be maintained on the same form. USDA also requires the provision of information which promotes nondiscrimination, explains CACFP to parents, and encourages access to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).

The Work Group urges USDA to:

- Eliminate the collection of normal days, hours, and meals in care;
- Retrain sponsoring organizations and State agencies so that meals are not disallowed if parents make clerical errors in filling out enrollment forms; and
- Accept meal counts that are identified by the child's name as the attendance record.

The Work Group urges State agencies to:

- Accept any documentation the child care home or center uses that contains the required information;
- Allow sponsoring organizations to pre-populate data fields in forms with information from their electronic databases;
- Allow the parent to make changes if needed and initial the document, instead of filling out new documentation during the annual renewal process; and
- Work with sponsoring organizations to determine the best methods for making CACFP and WIC information available to parents of children in child care homes and centers.

### **3. Align monitoring requirements to streamline reviews of child care homes and centers**

Monitoring is an important process for ensuring integrity and compliance with CACFP requirements. Streamlining the review process would help State agencies and sponsoring organizations manage their staff and administrative resources and focus Program funds on monitoring activities that would be more effective at improving CACFP integrity.

The Work Group urges USDA to:

- Remove the requirement that no more than 6 months elapse between reviews and allow sponsoring organizations to determine how to plan and schedule unannounced reviews;
- Remove the requirement that child care homes notify sponsoring organizations on days when the provider will not be serving meals and allow sponsoring organizations to determine how to manage child care homes when the provider plans to be out of the home during the meal service period;
- Eliminate the requirement that sponsoring organizations conduct household contacts;
- Replace the 5-day reconciliation of meal counts and attendance with a method that compares the number of children served a particular meal type on the day of the review with the number of children served the same meal type over the previous 5-day period;
- Define required data points to be collected, provide a sample form, and allow sponsoring organizations to develop their own method of documenting a review, whether by paper or electronically via computers, mobile devices, or other technology; and
- Ensure that problems of noncompliance are addressed consistently across all States.

The Work Group urges State agencies to:

- Allow sponsoring organizations to conduct the review of a multi-purpose child care center on the same day, at the same time, and on the same form;
- Work with sponsoring organizations to determine the best methods for:
  - Verifying the accuracy of meal counts, enrollment, meal production, nonprofit status, and attendance; and
  - Verifying that child care homes and centers have corrected errors; and
- Eliminate requirements that sponsoring organizations and their child care homes and centers keep duplicate sets of records.

**4. Establish a single, blended-rate method of payment, which is determined annually for centers**

USDA requires State agencies to assign rates of reimbursement, not less frequently than annually, based on family size and income information reported by each child care center. Assigned rates of reimbursement may be changed more frequently than annually if changes in family size and income are warranted.

The Work Group urges State agencies to:

- Implement a single blended-rate method of payment for centers based on an individual center's enrollment;
- Base payments to centers on each center's blended-rate instead of averaging the rates of all centers under the same sponsoring organization; and
- Allow centers the option of amending the rate more frequently than annually.

**5. Simplify the documentation of food service records required by the State agency**

Sponsoring organizations and centers that participate directly under the State agency must establish procedures to collect and maintain records, including copies of menus and any other food service records required by the State agency.

The Work Group urges State agencies to:

- Work with sponsoring organizations to determine the best methods for verifying food production costs, including onsite reviews of food service records, electronic trackers of food costs and production, or portion menus, instead of meal production records;
- Eliminate State mandates that require:
  - Meal production records for sponsored centers;
  - Meal disallowances when meal production records reveal errors; and
  - Head Start centers to document infant formula choices.
- Allow:
  - Recording of infants' meal counts throughout the day;
  - Posted prototype menus to serve as infant meal records;
  - Child care homes and centers to record all creditable meals served; and
  - Sponsoring organizations to determine which combination of meals served will provide the maximum reimbursement to the child care home or center; and
- Support the continued use of simplified menu records in child care homes.

## **6. Establish annual eligibility determinations for for-profit centers**

For-profit child care centers and outside school hours care centers submit claims for reimbursement only for calendar months during which at least 25 percent of the children in care are eligible for free and reduced-price meals or receive benefits under title XX of the Social Security Act.

The Work Group urges:

- USDA to establish annual eligibility determinations for for-profit centers serving high numbers of low-income children; and
- State agencies to eliminate requirements to submit monthly backup documentation of attendance, income eligibility forms, or title XX participation.

## **7. Simplify verification of the nonprofit food service status of sponsored centers**

Centers and sponsoring organizations of affiliated centers must keep documentation of nonprofit food service to demonstrate that all CACFP reimbursement funds are used solely for the operation or improvement of a food service that is conducted principally for the benefit of children. The State agency must have a system in place for monitoring and reviewing this documentation.

The Work Group urges State agencies to:

- Eliminate requirements for monthly verification of nonprofit food service status;
- Work with sponsoring organizations to determine the best methods for monitoring nonprofit status, including the frequency of review and the types of documents that would be reviewed; and
- Allow sponsored centers to maintain nonprofit food service records onsite for review, instead of requiring them to submit backup documentation to the sponsoring organization.

## **8. Eliminate budget requirements that are counterproductive to a fiscally responsible Program operation**

Sponsoring organizations and centers that apply directly to the State agency undergo a rigorous application process to determine their eligibility to participate in CACFP. State agencies must establish procedures that require sponsoring organizations and centers to demonstrate and document that they are financially viable, are administratively capable, and have effective internal controls to ensure accountability with Program requirements. This documentation includes budgets, accounting records, approved budget amendments, and, for sponsoring organizations, management plans and appropriate records on child care homes and centers.

The Work Group urges USDA to:

- Simplify cost allocation of administrative funding among child care homes and centers that operate CACFP;
- Reduce the number of items that need prior written approval and allow carryover of line items that can be adjusted without prior written approval in the end-of-year budget; and
- Standardize a checklist of budget renewal requirements across all States.

The Work Group urges State agencies to:

- Collect annual budgets only from sponsoring organizations, not from the individual centers they sponsor;
- Allow sponsoring organizations to revise their budgets to capture allowable end-of-year budget changes 30 days after the end of the year;
- Adopt Federal small purchase procedures that allow informal procurement methods for services and supplies under \$150,000; and
- Allow sponsoring organizations of centers to:
  - Retain reimbursement of administrative expenses on an annual, not monthly, basis; and
  - Carryover unspent administrative funds after the end of the fiscal year.

#### **9. Streamline the CACFP renewal process for sponsoring organizations and centers**

The Healthy, Hunger-Free Kids Act requires permanent agreements and eliminates annual renewal applications from sponsoring organizations and child care centers to the State agency.

The Work Group urges USDA to:

- Evaluate the documentation, which State agencies collect as part of the renewal process, to ensure that it aligns with USDA guidance;
- Require resubmission of information, such as job descriptions and policies, only when changes are made; and
- Allow licenses to be submitted either as they are renewed or, in States where licenses are permanent, when changes are made.

## **10. Support the sponsoring organization's ability to mediate and fix problems through improvements in the serious deficiency process**

USDA has established a process that applies uniform standards to correct serious problems and, when that effort fails, protect CACFP from abuse. The serious deficiency process is a tool for sponsoring organizations to correct problems and provide due process for child care homes. If child care homes are unwilling or incapable of correcting serious problems, the serious deficiency process protects Program integrity by terminating and disqualifying providers who are not in compliance with the regulations. Sponsoring organizations, centers participating under the State agency, and child care homes have the right to appeal actions by the State agency, which can deny participation, disallow claims for reimbursement, or propose termination for cause.

The Work Group urges USDA to:

- Define standards to measure severity of problems and distinguish between human error and systemic or serious noncompliance;
- Extend the deadline for day care homes to complete corrective action from 30 to 90 days;
- Shorten the 7-year timeframe for disqualification from CACFP; and
- Establish a standard practice with specific steps for requesting reinstatement.

## **11. Expand the appeals process to resolve disputes over State-specific requirements**

USDA has established a process that applies uniform standards to appeal adverse actions that have direct financial impact on CACFP, such as denial of a claim for reimbursement or demand for overpayment. However, this process does not address actions resulting from State-specific requirements.

The Work Group urges USDA to:

- Expand the list of appealable actions to include corrective action steps, interpretation of CACFP regulation and policy, and additional State agency requirements that conflict with USDA regulation or guidance;
- Suggest best practices for State agencies to resolve differences in interpretation and implementation of requirements;
- Create a process for elevating and mediating disputes through USDA; and
- Explore alternative dispute resolution approaches.

## **12. Embrace technology solutions to improve integrity and reduce paperwork**

USDA encourages State agencies and sponsoring organizations to establish internet or electronic-based systems for reporting and recordkeeping.

The Work Group urges State agencies to:

- Accept and provide training to staff and sponsoring organizations in using electronic and digitized signatures;
- Allow all data from required forms to be collected electronically and made available to reviewers in a usable format;
- Accept electronic records and storage in place of paper copying and filing systems;
- Allow electronic monitoring to confirm corrective action and perform followup reviews; and
- Encourage technology solutions that would:
  - Reduce the incidence of errors in the daily records that child care homes and centers must maintain; and
  - Overcome administrative challenges and barriers to participation of child care homes and centers in rural communities.

## **In Closing**

All of the recommendations for improvement are intended to streamline paperwork, without compromising the integrity of CACFP. Action by Congress, USDA and State agencies to implement these recommendations would make CACFP a stronger, better-managed, and easier-to-administer nutrition and wellness program for America's children.

Members of this Work Group see the value of CACFP in child care homes and centers each day. The examination of CACFP paperwork requirements has strengthened the commitment of this Work Group to a long-term, sustained effort, working closely with USDA and Program partners.

However, the Work Group is also very much aware that CACFP's nutrition benefits are out of reach for millions of young children in child care. Across the Nation, over half of the child care homes operate without CACFP support for healthy meals. Although Program participation among child care centers has increased, the number of non-participating centers, located in areas where the median household income is below the Federal poverty level, remains high.

There is strong consensus among Work Group members that efforts to improve and simplify CACFP must also address participation, particularly among lower income families and providers. An essential goal of each recommendation, moving forward, is to remove barriers to participation so that children in various forms of early childhood education and care have access to the benefits of this important nutrition program. While this report focuses on paperwork requirements in traditional child care settings, many of these recommendations will have broader impact to help improve participation and make CACFP less burdensome and more cost-effective to administer in at-risk afterschool care centers, emergency shelters, and adult day care centers.

This report outlines recommendations that would promote local flexibility to tailor policies to particular needs, support innovative ways to expand participation, provide incentives for State agencies to improve Program performance, and encourage consistency with other Child Nutrition Programs. The report identifies specific actions for USDA to standardize policy, work in partnership with State agencies to support the States' implementation of streamlining efforts, and where necessary, make modifications that would improve CACFP participation and performance.

USDA has expressed to the Work Group the importance of doing more to enable the States to succeed – for their success in embracing flexibilities and finding efficiencies will make CACFP paperwork reduction efforts a success. USDA is also mindful that CACFP's mission cannot be accomplished without a strong and sustained effort to ensure that integrity is always a priority in Program administration.

USDA is analyzing the recommendations with the immediate goal to complete actions, which are already in progress, to consolidate and simplify Program requirements through policy guidance. FNS is considering strategies, such as utilizing Federal oversight processes and publicizing best practices among States, which would ensure State agencies are supporting CACFP streamlining efforts already in place. FNS is also determining how each of these solutions will help inform future policy decisions and effect changes that will improve CACFP without compromising the measures taken over the past several years to protect Program integrity.

**Healthy, Hunger-Free Kids Act of 2010**  
**Public Law 111–296**

**SECTION 336:**

**REDUCING PAPERWORK AND IMPROVING PROGRAM ADMINISTRATION.**

**(a) DEFINITION OF PROGRAM.**—In this section, the term “program” means the child and adult care food program established under section 17 of the Richard B. Russell National School Lunch Act (42 U.S.C. 1766).

**(b) ESTABLISHMENT.**—The Secretary, in conjunction with States and participating institutions, shall continue to examine the feasibility of reducing unnecessary or duplicative paperwork resulting from regulations and recordkeeping requirements for State agencies, institutions, family and group day care homes, and sponsored centers participating in the program.

**(c) DUTIES.**—At a minimum, the examination shall include—

(1) review and evaluation of the recommendations, guidance, and regulatory priorities developed and issued to comply with section 119(i) of the Child Nutrition and WIC Reauthorization Act of 2004 (42 U.S.C. 1766 note; Public Law 108–265); and

(2) examination of additional paperwork and administrative requirements that have been established since February 23, 2007, that could be reduced or simplified.

**(d) ADDITIONAL DUTIES.**—The Secretary, in conjunction with States and institutions participating in the program, may also examine any aspect of administration of the program.

**(e) REPORT.**—Not later than 4 years after the date of enactment of this Act, the Secretary shall submit to Congress a report that describes the actions that have been taken to carry out this section, including—

(1) actions taken to address administrative and paperwork burdens identified as a result of compliance with section 119(i) of the Child Nutrition and WIC Reauthorization Act of 2004 (42 U.S.C. 1766 note; Public Law 108–265);

(2) administrative and paperwork burdens identified as a result of compliance with section 119(i) of that Act for which no regulatory action or policy guidance has been taken;

(3) additional steps that the Secretary is taking or plans to take to address any administrative and paperwork burdens identified under subsection (c)(2) and paragraph (2), including—

(A) new or updated regulations, policy, guidance, or technical assistance; and

(B) a timeframe for the completion of those steps; and

(4) recommendations to Congress for modifications to existing statutory authorities needed to address identified administrative and paperwork burdens.

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**USDA POLICY GUIDANCE**  
**Memoranda Issued in 2013 – 2014 to Address Recommendations**  
**Proposed by the Paperwork Reduction Work Group**

<b>Date</b>	<b>Title</b>	<b>Purpose</b>
March 29, 2013	<a href="#"><u>CACFP 09-2013</u></a> Additional State Requirements in the CACFP	Addresses paperwork requirements that State agencies impose above and beyond the Federal requirements, which represent a large majority of paperwork burden complaints reported by sponsoring organizations.
May 17, 2013	<a href="#"><u>CACFP 11-2013</u></a> Questions and Answers Regarding the Participation of Head Start Programs in Child Nutrition Programs	Consolidates guidance on documentation of categorical eligibility, enrollment, and infant formula that affects Head Start programs.
July 26, 2013	<a href="#"><u>CACFP 13-2013</u></a> Health and Safety in CACFP	Provides guidance to help sponsoring organizations detect and report the types of problems that rise to the level of an imminent threat to the health or safety of participating children or to the public.
July 26, 2013	<a href="#"><u>CACFP 14-2013</u></a> Monitoring of Licensing Requirements	Clarifies that, while use of CACFP monitors to review licensing requirements is permitted and may be beneficial, it may not be required by State agencies and is not an allowable use of CACFP funds.
July 26, 2013	<a href="#"><u>CACFP 15-2013</u></a> Existing Flexibilities	Highlights existing flexibilities at the State level to simplify and improve operational provisions related to enrollment documentation, payments, training, single agreements, applications, infant meals, meal production records, media releases, procurement methods, sign-in sign-out records, and additional State requirements.
November 12, 2013	<a href="#"><u>CACFP 03-2014</u></a> Available Flexibilities for CACFP At-risk Sponsors and Centers Transitioning to Summer Food Service Program	Highlights existing flexibilities at the State level to streamline operational provisions related to applications, agreements, site eligibility, health and safety inspection, training, monitoring, and financial management requirements, and encourage participation of CACFP centers in summer meal programs.

**USDA POLICY GUIDANCE**  
**Memoranda Issued in 2007 – 2008 to Address**  
**Recommendations from the 2007 Paperwork Reduction**  
**Work Group Final Report**

<b>Date</b>	<b>Title</b>	<b>Purpose</b>
February 23, 2007	<a href="#"><u>CACFP 02-2007</u></a> Paperwork Reduction in the CACFP	Addresses specific recommendations for policy and regulatory changes that may reduce paperwork and USDA’s response to the recommendations.
May 1, 2007	<a href="#"><u>CACFP 07-2007</u></a> Update on Electronic Transactions in the Child Nutrition Programs	Updates guidance on electronic transfer of information.
May 9, 2007	<a href="#"><u>CACFP 05-2007</u></a> Additional State Agency Requirements	Provides guidance to ensure that approved State-specific requirements are consistent with CACFP regulations and do not deny Program access.
June 15, 2007	<a href="#"><u>CACFP 09-2007</u></a> Electronic Record and Reporting Systems	Encourages State agencies and sponsoring organizations to establish electronic-based systems with alternatives to ensure Program access.
July 3, 2007	<a href="#"><u>CACFP 11-2007</u></a> Accommodations for Non-Traditional Program Operators	Encourages State agencies to take the least restrictive approach in applying CACFP regulations to the day-to-day operations of emergency shelters and other non-traditional child care centers.
November 15, 2007	<a href="#"><u>CACFP 01-2008</u></a> Facility Applications and Agreements in the CACFP	Describes the flexibilities available to State agencies in implementing facility application and agreement requirements.
February 15, 2008	<a href="#"><u>CACFP 05-2008</u></a> Sharing Income Eligibility Information Between Child Nutrition Programs	Highlights existing guidance on the disclosure of children’s eligibility information to persons directly connected to the administration of a Child Nutrition Program.

## **RECOMMENDATIONS AND ACTIONS**

### **Proposed by the Paperwork Reduction Work Group**

#### **1. Work with State agencies to implement existing flexibilities to reduce paperwork**

Since release of the Paperwork Reduction Report of 2007, USDA's policy and Program development efforts have centered on consolidating, simplifying, and reducing CACFP requirements, where practicable. USDA has issued policy guidance to encourage State agencies to streamline participation and reduce paperwork. This set of guidance addresses a broad range of CACFP topics, including:

- Additional State requirements;
- Participation of Head Start programs;
- Health and safety in child care homes and centers;
- Monitoring of licensing requirements;
- Examples of streamlined operational practices for sponsoring organizations, traditional child care homes and centers, and non-traditional centers;
- Electronic transactions and recordkeeping; and
- Information-sharing.

#### Listening to Stakeholders

Concerns that flexibilities at the State level are not being fully realized generated comments from CACFP participants and State agencies, including the following:

- “[It is] clear to us that USDA issuing memos is not providing enough to give State agencies permission to make the changes.”
- “Flexibilities are not mandates.”
- “State agencies fear that USDA will cite them for not following the regulations.”
- “State agencies lack the resources to get training done.”
- “CACFP needs consistency across States and regions.”

#### Implementing the Recommendation

The Work Group urges USDA to:

- Provide technical assistance to help each State agency understand how to effectively implement existing flexibilities to reduce paperwork;
- Work with State agencies and their leadership to implement changes;
- Use the Management Evaluation process as an opportunity to analyze additional State policies and promote best practices among State agencies; and
- Plan regional conference calls with State agencies to compare implementation and best practices among States.

## **2. Make a child's eligibility for CACFP benefits easier to document and improve access through direct certification**

All child care homes and most centers serve meals at no charge to children in CACFP. In general, each child's household must provide documentation to establish the child's eligibility for CACFP benefits and determine the level of reimbursement that the child care home or center will receive. While CACFP requires parents to complete traditional paper applications, the National School Lunch Program allows schools to use direct certification, community eligibility, and other approaches to provide free meals to children without another application.

USDA requires documentation of enrollment that includes information on each child's normal days and hours of care and the types of meals, such as breakfast and lunch, the child is expected to receive while in care. This documentation must be updated annually and signed by a parent. The requirement to collect this data is waived if the State CACFP or licensing agency requires the use of a sign-in and sign-out attendance sheet for each child, which is signed by the parent.

Child care homes and centers are required to keep accurate records supporting daily attendance that shows when a child is actually present in the day care. Daily attendance must be recorded separately from meal counts, although they may be maintained on the same form. Sponsoring organizations must establish procedures to collect and maintain daily CACFP records as well as records required by the State agency.

USDA also requires the provision of information which promotes nondiscrimination, explains CACFP to parents, and encourages access to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). Child care homes, centers, and parents of enrolled children must receive this information from either the sponsoring organization or the State agency.

### Listening to CACFP Stakeholders

Participants and State agencies provided strong feedback about enrollment forms, income eligibility forms, attendance, and CACFP and WIC information, including the following:

- Though USDA does not require a specific format, 68 percent of sponsoring organizations must use a State prescribed enrollment form, which creates a duplication of effort for centers that capture the required information for each child on other types of forms, such as the Head Start enrollment document.
- 62 percent of sponsoring organizations are not allowed to prepopulate information on enrollment or income eligibility forms.
- 61 percent of State agencies agree that requiring the collection of a child's normal days, hours, and meals in care has not improved CACFP integrity in their States.
- 55 percent of sponsoring organizations must collect a child's normal days, hours, and meals on the enrollment form even though their State licensing agencies require daily attendance sheets signed by parents.
- 49 percent of State agencies require parents to sign consent forms if the child care home provider returns the income eligibility forms on their behalf.

- “Direct certification for children receiving benefits through the Supplemental Nutrition Assistance Program, Temporary Assistance to Needy Families, Head Start, and Child Care Development Funds would reduce red tape for parents, reduce potential errors for child care homes and centers, and ease access for eligible children.”
- “Sponsoring organizations are constrained in how they may make information about CACFP and WIC available to parents.”

### Implementing this Recommendation

The Work Group urges USDA to:

- Eliminate the collection of normal days, hours, and meals in care;
- Retrain sponsoring organizations and State agencies so that meals are not disallowed if parents make clerical errors in filling out enrollment forms;
- Accept meal counts that are identified by the child’s name as the attendance record;
- Explore USDA's authority to support opportunities for direct certification, community eligibility, and other forms of certification to approve a child’s participation in CACFP; and
- Explore opportunities for USDA to promote current best practices in the use of direct certification in CACFP.

The Work Group urges State agencies to:

- Accept any documentation the child care home or center uses, whether paper or electronic, that contains the required information, such as Head Start enrollment documentation, a single form that combines enrollment and income eligibility information, or a combination of forms already used in the child care setting;
- Allow sponsoring organizations to prepopulate data fields in forms with information from their electronic databases;
- Allow the parent to make changes if needed and initial the document, instead of filling out new documentation during the annual renewal process; and
- Work with sponsoring organizations to determine the best methods for making CACFP and WIC information available to parents of children in child care homes and centers.

### **3. Align monitoring requirements to streamline reviews of child care homes and centers**

Monitoring is an important process for ensuring integrity and compliance with CACFP requirements. Streamlining the review process would help State agencies and sponsoring organizations manage their staff and administrative resources and focus Program funds on monitoring activities that would be more effective at improving CACFP integrity.

Before applications are approved, sponsoring organizations are required to visit new child care homes and centers to discuss Program benefits and affirm their ability to meet Program

requirements. After the agreements are signed, sponsoring organizations must conduct reviews of all child care homes and centers three times a year:

- At least two reviews must be unannounced;
- One unannounced review must include observation of a meal service;
- No more than 6 months may elapse between reviews; and
- The timing of reviews must be unpredictable to child care homes and centers.

Frequently, CACFP reporting and recordkeeping requirements do not distinguish between the center that participates directly under the State agency and the center that elects to participate through a sponsoring organization. When centers choose to be sponsored, they are agreeing to daily monitoring of menus, meal counts, and attendance, as well as three onsite reviews of all areas of compliance each year. While the State agency is required to conduct onsite reviews at least once every 3 years, a sponsoring organization will have conducted a minimum of nine reviews of each of its sponsored centers during the same period.

USDA has established minimum review elements for State agencies and sponsoring organizations to conduct reviews, including reconciliation of meal counts, enrollment, attendance, and meal claims for all meals and all children for a 5-day period. The goal of the reconciliation of records is to determine whether the meal counts are accurate by comparing them to the daily attendance for all meal types for the selected meal service period.

As part of the review process, USDA requires State agencies and sponsoring organizations to contact households to verify enrollment and attendance of children in child care homes and centers when there is cause. State agencies are required to establish criteria and procedures for the State agency and sponsoring organization to use in making household contacts. State agencies must also monitor that the sponsoring organization is correctly implementing these requirements.

USDA also requires child care homes to notify sponsoring organizations on days when the provider will not be serving meals. The sponsoring organization's agreement with the child care home must state that, if this procedure is not followed and an unannounced review is conducted when the children are not present in the child care home, claims for meals that would have been served during the unannounced review will be disallowed.

### Listening to CACFP Stakeholders

Questions about monitoring requirements also elicited significant feedback from CACFP participants, including the following:

- 80 percent of sponsoring organizations must use State agency review forms.
- 72 percent of sponsoring organizations may not conduct followup reviews electronically.
- 61 percent of sponsoring organizations must print records for State agency review although electronic records are available.
- 75 percent of sponsoring organizations of multipurpose child care centers must keep separate records for each component of CACFP.

- 54 percent of sponsoring organizations of multi-purpose child care centers may not document reviews on a single form and often must make multiple visits on different days to complete separate reviews.
- 50 percent of sponsoring organizations are required to conduct a household contact whenever there is an inconsistency in a claim, although parents are often reluctant to answer.
- “Oversight requirements, such as timing of reviews, notification by child care home providers, and household contacts, are not improving CACFP integrity and divert Program funds from more effective monitoring activities.”
- “There should be less paperwork for the center that receives frequent monitoring from a sponsoring organization, than for the center that participates directly through the State agency.”
- “Requiring child care homes to provide notification when they are not serving meals creates more paperwork and administrative expense than savings for sponsoring organizations.”
- “Conducting household contacts is not a cost-effective method for verifying meal counts.”

#### Implementing this Recommendation

The Work Group urges USDA to:

- Remove the requirement that no more than 6 months elapse between reviews and allow sponsoring organizations to determine how to plan and schedule unannounced reviews;
- Remove the requirement that child care homes notify sponsoring organizations on days when the provider will not be serving meals and allow sponsoring organizations to determine how to manage child care homes when the provider plans to be out of the home during the meal service period;
- Eliminate the requirement that sponsoring organizations conduct household contacts;
- Replace the 5-day reconciliation of meal counts and attendance with a method that compares the number of children served a particular meal type on the day of the review with the number of children served the same meal type over the previous 5-day period;
- Define required data points to be collected, provide a sample form, and allow sponsoring organizations to develop their own method of documenting a review, whether by paper or electronically via computers, mobile devices, or other technology; and
- Ensure that problems of noncompliance are addressed consistently across all States.

The Work Group urges State agencies to:

- Allow sponsoring organizations to conduct the review of a multiple-purpose child care center on the same day, at the same time, and on the same form;
- Work with sponsoring organizations to determine the best methods for:
  - Verifying the accuracy of meal counts, enrollment, meal production, nonprofit status, and attendance; and
  - Verifying that child care homes and centers have corrected errors; and

- Eliminate requirements that sponsoring organizations and their child care homes and centers keep duplicate sets of records.

#### **4. Establish a single, blended-rate method of payment, which is determined annually for centers**

USDA requires State agencies to assign rates of reimbursement, not less frequently than annually, based on family size and income information reported by each child care center. Assigned rates of reimbursement may be changed more frequently than annually if changes in family size and income are warranted.

State agencies are required to assign rates for centers through one of three methods:

1. Actuals – 44 percent of State agencies require sponsoring organizations and independent centers to submit each month's claim for reimbursement based on the actual number of meals served free, at a reduced-price, or at the paid rate;
2. Percentages – 36 percent of State agencies establish claiming percentages based on the number of enrolled children eligible for free, reduced-price, and paid meals; and
3. Blended – 20 percent of State agencies determine a blended per-meal rate based on a formula that multiplies national average payment rates by claiming percentages for free, reduced-price, and paid meals.

#### Listening to CACFP Stakeholders

Determining the methods of payments for centers encouraged feedback from participants and State agencies, including the following:

- 63 percent of State agencies that assign percentages or blended-rates establish the rates monthly.
- “Methods of payments based on actuals and percentages generate confusion and unnecessary paperwork.”
- “Requiring child care centers to re-evaluate the payment rate each month generates unnecessary paperwork.”
- “Child care centers are not properly paid when their rates are blended with the rates of other sponsored centers.”
- “Child care centers should receive payments based on each center’s blend of free, reduced-price, and paid meals.”

#### Implementing this Recommendation

The Work Group urges State agencies to:

- Implement a single blended-rate method of payment for centers based on an individual center’s enrollment;
- Base payments to centers on each center’s blended-rate, instead of averaging the rates of all centers under the same sponsoring organization; and
- Allow centers the option of amending the rate more frequently than annually.

## **5. Simplify the documentation of food service records required by the State agency**

Sponsoring organizations and centers that participate directly under the State agency must establish procedures to collect and maintain records, including copies of menus and any other food service records required by the State agency.

### Listening to CACFP Stakeholders

Questions about menus, meal production records, and meal services for infants also elicited significant feedback from participants and State agencies, including the following:

- 53 percent of State agencies require centers to complete meal production records, although sponsoring organizations and State agencies report that they are complicated and unreliable.
- 50 percent of sponsoring organizations of centers must keep end-of-month inventories to document actual food costs.
- 64 percent of State agencies require centers to record daily the types and amounts of foods served to infants.
- 61 percent of sponsoring organizations of centers must use the State agency's infant meal production record.
- 54 percent of State agencies require child care homes to record daily the types and amounts of foods served to infants.
- "On demand feeding makes maintaining point of service records of each meal component served to each infant difficult."
- "Documentation of an infant's acceptance of formula and other preferences do not apply to Head Start centers which must always purchase the same types of formula and foods parents serve their infants."
- "Reviewing a center's documentation of daily menus, recipes, and costs during an unannounced review is a better indicator of meal pattern compliance than production records."
- "Child care homes and sponsored centers may not be receiving the maximum allowable reimbursement when they are required to 'self-select' which meals are eligible for reimbursement."

### Implementing this Recommendation

The Work Group urges State agencies to:

- Work with sponsoring organizations to determine the best methods for verifying food production costs, including onsite reviews of food service records, electronic trackers of food costs and production, or portion menus, instead of meal production records;
- Eliminate State mandates that require:
  - Meal production records for sponsored centers;
  - Meal disallowances when meal production records reveal errors; and
  - Head Start centers to document infant formula choices;
- Allow:
  - Recording of infants' meal counts throughout the day;
  - Posted prototype menus to serve as infant meal records;

- Child care homes and centers to record all creditable meals served; and
- Sponsoring organizations to determine which combination of meals served will provide the maximum reimbursement to the child care home or center; and
- Support the continued use of simplified menu records in child care homes.

## **6. Establish annual eligibility determinations for for-profit centers**

For-profit child care centers and outside school hours care centers submit claims for reimbursement only for calendar months during which at least 25 percent of the children in care are eligible for free and reduced-price meals or receive benefits under title XX of the Social Security Act.

### Listening to CACFP Stakeholders

Questions about determining eligibility of for-profit centers encouraged feedback from participants and State agencies, including:

- 18 percent of State agencies require for-profit centers to report attendance, income eligibility forms, or title XX documentation each month to verify the center’s eligibility to submit claims for reimbursement.
- “Child care centers do not experience large variability in the percentage of enrollment or licensed capacity.”
- “Submitting monthly documentation results in a disproportional amount of work for any center that serves a high number of low income children.”

### Implementing this Recommendation

The Work Group urges:

- USDA to establish annual eligibility determinations for for-profit centers serving high numbers of low-income children; and
- State agencies to eliminate requirements to submit monthly backup documentation of attendance, income eligibility forms, or title XX participation.

## **7. Simplify verification of the nonprofit food service status of sponsored centers**

Centers and sponsoring organizations of affiliated centers must keep documentation of nonprofit food service to demonstrate that all CACFP reimbursement funds are used solely for the operation or improvement of a food service that is conducted principally for the benefit of children. The State agency must have a system in place for monitoring and reviewing this documentation.

## Listening to CACFP Stakeholders

State agencies' responses to questions about the documentation of meal service costs disclosed that:

- 52 percent of State agencies require that food, paper goods, payroll, and other allowable meal service costs be broken down into subcategories each month.
- 22 percent of State agencies require unaffiliated centers to copy and submit receipts and other expense records to the sponsoring organization each month.

## Implementing this Recommendation

The Work Group urges State agencies to:

- Eliminate requirements for monthly verification of nonprofit food service status;
- Work with sponsoring organizations to determine the best methods for monitoring nonprofit status, including the frequency of review and the types of documents that would be reviewed; and
- Allow sponsored centers to maintain nonprofit food service records onsite for review, instead of requiring them to submit backup documentation to the sponsoring organization.

### **8. Eliminate budget requirements that are counterproductive to a fiscally responsible Program operation**

Sponsoring organizations and centers that apply directly to the State agency undergo a rigorous application process to determine their eligibility to participate in CACFP. State agencies must establish procedures that require sponsoring organizations and centers to demonstrate and document that they are financially viable, are administratively capable, and have effective internal controls to ensure accountability with Program requirements. This documentation includes budgets, accounting records, approved budget amendments and, for sponsoring organizations, management plans and appropriate records on child care homes and centers.

A budget is an essential tool for sound business planning and operation that must reflect the anticipated needs and financial resources to participate in CACFP. Every sponsoring organization and center that participates directly under the State agency must submit a budget in its initial application and the State agency must review and approve this.

All CACFP costs must be necessary and reasonable. All expenses require prior approval, either through the initial budget or an amendment to the budget. Additional levels of written approval may be required for routine expenses, such as smoke detectors, copiers, computers, and payroll processing.

Sponsoring organizations of multiple components of CACFP must allocate costs among the child care homes and centers they operate. For example, administrative funds for child care homes may not be used to cover administrative expenses in sponsored centers.

The administrative budget of a sponsoring organization of centers must include all administrative costs, whether incurred by the sponsoring organization or by the sponsored centers. The portion of the administrative costs to be charged to the Program may not exceed 15 percent of the meal reimbursements estimated or actually earned during the budget year.

USDA requires sponsoring organizations to continue to submit budgets for each upcoming year. Centers must submit budgets as frequently as required by the State agency.

### Listening to CACFP Stakeholders

Participants and State agencies provided significant feedback to questions about budgets, including the following:

- 42 percent of State agencies require budgets from sponsoring organizations of child care homes that exceed 10 pages, while 55 percent of sponsoring organizations of centers and 63 percent of independent centers submit budgets that are less than 4 pages.
- “Many recurring expenses are for commonplace equipment and services that should no longer require specific prior written approval.”
- “When sponsoring organizations determine that they need to repair or replace equipment unexpectedly, the process for submitting new budgets and waiting up to 30 days for approval has the potential to derail Program operations and impact compliance.”
- “There needs to be a method to capture end of the year changes that occur after the budget year is closed out.”
- “CACFP funds should be treated as a single funding source.”
- “Sponsoring organizations budget expenses on an annual, not monthly, basis.”

### Implementing this Recommendation

The Work Group urges USDA to:

- Simplify cost allocation of administrative funding among child care homes and centers that operate CACFP;
- Reduce the number of items that need prior written approval and allow carryover of line items that can be adjusted without prior written approval in the end-of-year budget; and
- Standardize a checklist of budget renewal requirements across all States.

The Work Group urges State agencies to:

- Collect annual budgets only from sponsoring organizations, not from the individual centers they sponsor;
- Allow sponsoring organizations to revise their budgets to capture allowable end-of-year budget changes 30 days after the end of the year;
- Adopt Federal small purchase procedures that allow informal procurement methods for services and supplies under \$150,000; and

- Allow sponsoring organizations of centers to:
  - Retain reimbursement of administrative expenses on an annual, not monthly, basis; and
  - Carryover unspent administrative funds after the end of the fiscal year.

## **9. Streamline the CACFP renewal process for sponsoring organizations and centers**

The Healthy, Hunger-Free Kids Act requires permanent agreements and eliminates annual renewal applications from sponsoring organizations and child care centers to the State agency. USDA requires annual collection of:

- Updated licensing information for child care homes and centers, either directly from the State licensing agency or from the sponsoring organization or center;
- Updated information on approved child care homes and centers;
- A single certification that all CACFP requirements have been met and changes have been submitted to the State agency; and
- The sponsoring organization’s budget for the upcoming year.

### Listening to CACFP Stakeholders

Questions about the renewal process also encouraged feedback from participants and State agencies, including the following:

- 57 percent of sponsoring organizations must submit full renewal applications with supporting documents to the State agency each year.
- 48 percent of State agencies require sponsoring organizations of child care homes, and 40 percent of State agencies require sponsoring organizations of centers to submit annual management plans.
- 23 percent of sponsoring organizations are required to submit backup paper documentation to support the electronic submission.
- “The renewal process should be standardized, limited to USDA requirements, across all States.”

### Implementing the Recommendation

The Work Group urges USDA to:

- Evaluate the documentation, which State agencies collect as part of the renewal process, to ensure that it aligns with USDA guidance;
- Require resubmission of information, such as job descriptions and policies, only when changes are made; and
- Allow licenses to be submitted either as they are renewed or, in States where licenses are permanent, when changes are made.

## **10. Support the sponsoring organization’s ability to mediate and fix problems through improvements in the serious deficiency process**

USDA has established a process that applies uniform standards to correct serious problems and, when that effort fails, protect CACFP from abuse. The serious deficiency process is a tool for sponsoring organizations to correct problems and provide due process for child care homes. If child care homes are unwilling or incapable of correcting serious problems, the serious deficiency process protects Program integrity by terminating and disqualifying providers who are not in compliance with the regulations. Sponsoring organizations, centers participating under the State agency, and child care homes have the right to appeal actions by the State agency, which can deny participation, disallow claims for reimbursement, or propose termination for cause.

### Listening to CACFP Stakeholders

Participants and State agencies provided comments about the serious deficiency process, including the following:

- “[There are] wide differences in how State agencies and sponsoring organizations implement the serious deficiency process.”
- “Current requirements fail to distinguish between human error and intentional noncompliance, which has led to termination of child care home providers from CACFP and, subsequently, other child care benefit programs, for reasons unrelated to serious and deliberate violation of Program requirements.”
- “Deadline of 30 days is too short to provide training and technical assistance to correct problems.”
- “Child care home providers with limited English proficiencies, learning abilities, or education are more likely to make repeated paperwork errors, which may unfairly lead to severe actions, such as termination and disqualification.”
- “Penalty of 7-year disqualification from CACFP participation is arbitrary, fails to weigh the severity of the problem, and overlooks a standard set of procedures for requesting removal of the disqualification and reinstatement.”

### Implementing this Recommendation

The Work Group urges USDA to:

- Define standards to measure severity of problems and distinguish between human error and systemic or serious noncompliance;
- Extend the deadline for day care homes to complete corrective action from 30 to 90 days;
- Shorten the 7-year timeframe for disqualification from CACFP; and
- Establish a standard practice with specific steps for requesting reinstatement.

## **11. Expand the appeals process to resolve disputes over State-specific requirements**

USDA has established a process that applies uniform standards to appeal adverse actions that have direct financial impact on CACFP, such as denial of a claim for reimbursement or demand for overpayment. However, this process does not address actions resulting from State-specific requirements. Although they may not have a direct financial impact, implementation of State-specific requirements may increase paperwork and conflict with USDA Program guidance. The added administrative cost associated with the required actions may create an indirect financial or paperwork burden to the Program, which would discourage participation.

### Listening to CACFP Stakeholders

Participants and State agencies also provided comments about State-specific requirements, including the following:

- “Wide differences exist in how State agencies and sponsoring organizations implement CACFP requirements.”
- “No formal process exists to mediate disputes over additional State agency requirements.”
- “No formal process exists for State agencies to mediate disputes over USDA Regional Office interpretation of CACFP requirements.”
- “There is a fear of retribution if concerns are elevated above the normal chains of communication and oversight.”

### Implementing this Recommendation

The Work Group urges USDA to:

- Expand the list of appealable actions to include corrective action steps, interpretation of CACFP regulation and policy, and additional State agency requirements that conflict with USDA regulation or guidance;
- Suggest best practices for State agencies to resolve differences in interpretation and implementation of requirements;
- Create a process for elevating and mediating disputes through USDA; and
- Explore alternative dispute resolution approaches.

## **12. Embrace technology solutions to improve integrity and reduce paperwork**

USDA encourages State agencies and sponsoring organizations to establish internet or electronic-based systems for reporting and recordkeeping. Implementation of these systems must include a means to ensure that child care homes, centers, and families have full access to CACFP benefits if they do not have use of computers.

Electronic records should be complete, uniform, easily understood and easily accessible. Electronic records and reporting processes must be legally binding and comply with Federal and State laws, which may specify which form and format is to be used for certain electronic processes.

## Listening to CACFP Stakeholders

Questions about electronic records and other technology solutions elicited significant feedback from participants and State agencies, including the following:

- 80 percent of State agencies allow sponsoring organizations to maintain all records electronically; however, 36 percent also require paper copies, and 50 percent require printed copies for reviews.
- 64 percent of State agencies accept electronic review forms and 77 percent of them accept electronic signatures on the review forms; however, 64 percent of sponsoring organizations do not know the State agency policy.
- 45 percent of sponsoring organizations may provide electronic records for review; however, 48 percent of them must also submit them in paper.
- “Web-based data collection systems and electronic forms can check for math errors and catch clerical mistakes that may get overlooked on paper.”
- “Supplying electronic recordkeeping systems to child care home providers would allow sponsoring organizations to analyze meal count and attendance records remotely.”
- “Maintaining duplicate records is redundant where automation is available.”
- “Electronic tools help streamline a variety of administrative tasks, such as making the schedule of reviews as random as possible, tracking food costs and production, and maximizing reimbursement while disregarding any meals served over the upper limit.”
- “Remote methods of monitoring, training, and technical assistance would help sponsoring organizations create access to CACFP for rural child care homes and centers.”

## Implementing this Recommendation

The Work Group urges State agencies to:

- Accept and provide training to staff and sponsoring organizations in using electronic and digitized signatures;
- Allow all data from required forms to be collected electronically and made available to reviewers in a usable format;
- Accept electronic records and storage in place of paper copying and filing systems;
- Allow electronic monitoring to confirm corrective action and perform followup reviews; and
- Encourage technology solutions that would:
  - Reduce the incidence of errors in the daily records that child care homes and centers must maintain; and
  - Overcome administrative challenges and barriers to participation of child care homes and centers in rural communities.

