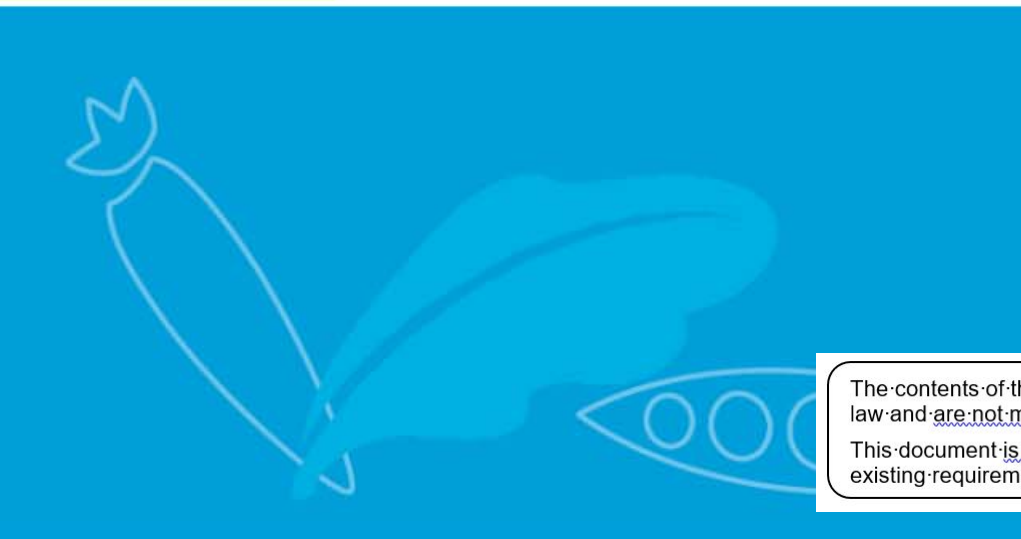


## Appendix E10. Monitoring Handbook for State Agencies – A CACFP Handbook

This information is being collected from local government agencies and businesses (institutions) to enable institutions wishing to participate in the Child and Adult Care Food Program (CACFP) to submit applications to the administering agencies, execute agreements with those agencies, and claim the reimbursement to which they are entitled by law. Section 17 of the National School Lunch Act, as amended (42 U.S.C. 1766), authorizes the CACFP. This collection is required to obtain or retain a benefit and the Food and Nutrition Service (FNS) uses the information collected to conduct reviews that determine whether or not institutions are observing the requirements of the Program established by regulations and statute. In addition, the information collection is necessary for administering agencies to monitor Program operations to ensure compliance with legislative and regulatory requirements. Under the Privacy Act of 1974, any personally identifying information obtained will be kept private to the extent of the law. According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid Office of Management and Budget (OMB) control number. The valid OMB control number for this information collection is 0584-0055. The time required to complete this information collection is estimated to average 36 hours per response. This burden consists of the time it takes to review all instructions and handbooks issued by FNS and the Department to clarify or explain existing regulations. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: U.S. Department of Agriculture, Food and Nutrition Services, Office of Policy Support, 1320 Braddock Place, Alexandria, VA 22314, ATTN: PRA (0584-0055). Do not return a completed form to this address.

# Monitoring Handbook for State Agencies

## A Child and Adult Care Food Program Handbook



U.S. Department of Agriculture

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way.¶

This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.¶

### **Policy Memoranda**

Throughout the text, references have been made to numbered memoranda issued by the Food and Nutrition Service National office. The numbering system may differ from your State agency or FNS Regional Office.

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\*Updates are highlighted in yellow.

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## Introduction

This handbook is for State agency monitoring staff and provides detail for administering the Child and Adult Care Food Program (CACFP).

The CACFP is a Federally-funded Program that provides payments for eligible meals served to participants who meet age and income requirements. Meals served by participating institutions and facilities must meet minimum guidelines set by the U.S. Department of Agriculture (USDA). The CACFP helps institutions and facilities serve well-balanced, nutritious meals to the participants in their care. Serving nutritious meals helps improve and maintain the health and nutritional status of participants in a day care environment and can help them develop and maintain good eating habits.

## Background of Monitoring

State agencies are required to monitor Program operations and use of Program funds in institutions and facilities to ensure CACFP requirements are met. Reviews and audits have also been conducted periodically by the Food and Nutrition Service (FNS) and the USDA Office of Inspector General (OIG).

**1995:** USDA, OIG Audit #27600-6-AT

- OIG audited the day care home (DCH) component of CACFP due to the results of State and Federal Program reviews. OIG selected five States for inclusion in the audit. The audit found serious types of regulatory noncompliance and inadequate internal controls by both sponsoring organizations and homes, OIG recommended changes to CACFP review requirements and management controls.

**1999:** OIG Audit Report #27601-0007-SF or 27601-3-SF

The OIG conducted targeted audits and were referred to collectively as “Operation Kiddie Care”. These audits confirmed the findings of the 1995 audits and developed additional findings as well. Findings of State agencies and sponsoring organizations included the conduct of inadequate reviews, failing to document required monitoring visits, misuse of administrative funds, and claiming homes that were nonexistent. FNS was required to strengthen requirements of the Program in most areas of the CACFP.

**2002:** Child and Adult Care Food Program: Improving Management and Program Integrity (1st Interim rule) based on the Agricultural Risk Protection Action of 2000 [Public Law 106-224] and the Grain Standards and Warehouse Act of 2000 [Public Law 106-472].

- Required sponsoring organizations to conduct at least two unscheduled (unannounced) reviews of each facility they sponsor.
- Required sponsoring organizations to employ an appropriate number of monitoring personnel based on the number and characteristics of their facilities.
- State agencies review cycle of institutions changed to no less frequently than once every three years and they are given authority to conduct unannounced reviews of institutions.
- Required State agencies to conduct unannounced facility reviews in a 15 percent of sample of all facility reviews completed.
- Required institutions to meet the viability, capability, and accountability performance standards.

- Afforded due process for institutions and facilities found seriously deficient in one or more areas of their administration of the Program before being placed on the newly-established National Disqualified List (NDL).

**2004:** Child and Adult Care Food Program: Improving Management and Program Integrity (2nd Interim rule)

- Required State agencies to develop a household contact system for sponsoring organizations to use as part of their review and oversight of facilities.
- Minimum elements for sponsoring organization review of facilities were established.
- Minimum elements for State agency review of institutions and minimum elements for sponsoring organization review of facilities were established.

**2011:** Child and Adult Care Food Program: Improving Management and Program Integrity (Final rule)

- Amended 7 Code of Federal Regulations (CFR) 226.16(d)(4)(ii) to substitute the word “participants” for the word “children” both times it occurs.
- Clarified that five-day reconciliations must include a comparison of meal counts to both attendance and enrollment records, except when enrollment is not a requirement.
- Amended 7 CFR 226.11(c)(1) to clarify that reimbursements to DCH providers are calculated based on daily meal counts, as opposed to time of service meal counts.
- All references to block claims and unannounced follow-up reviews at 7 CFR 226.2; 7 CFR 226.10(c)(3) were eliminated.

**2011:** USDA, OIG Audit Report #14-2012 Review of Management Controls (#27601-0012-SF).

- Verify a selected month (or more as warranted) of a sponsor’s CACFP bank account activity to document adequate to support that the transactions meet Program requirements.
- Center sponsors will report, no less often than annually, their actual expenditures of Program funds and the amount of meal reimbursement funds retained from centers (if any) for administrative costs.
- Required development of standardized procedures for conducting reconciliation reviews in DCHs, which (1) clearly define the records to be reconciled, (2) describe follow-up action to be taken when discrepancies are noted, and (3) describe appropriate corrective actions to be taken for deficiencies that cannot be reconciled or explained.
- Required development of NDL submission forms for State agencies including edit checks ensuring entries are complete.

**2012:** USDA, OIG Audit Report #27099-01-DA, Identifying Areas of Risk in the Child and Adult Care Food Program Using Automated Data Analysis Tools.

- Design inexpensive data analysis techniques for sponsoring organization monitors to target error-prone facilities more frequently.
- Sponsors should visit sites early in the month and schedule their visits more randomly.
- Issue guidance for the five-day reconciliation, so that monitors will perform the reconciliation consistently, using standardized procedures to identify anomalies and specify action necessary to correct and/or resolve common discrepancies.

## Who Administers the Program?

USDA's FNS administers the CACFP at the national level. The Program is administered within most States by the State's educational agency or another agency designated by the State. States are required to monitor all institutions participating in the CACFP to ensure compliance with meal pattern, recordkeeping, and other Program requirements.

## About this Guidance

In this handbook, you will find information on:

- Review responsibilities as a State agency;
- The required regulatory review elements; and
- Tools needed to have a successful monitoring system.

This guidance is meant to give a State agency monitor (review staff) a general working knowledge of the CACFP and duties and responsibilities as the State agency's representative. Because the CACFP is administered at the State level, this means that there might be differences in how the Program is administered from State to State. There also might be differences in the forms that States use, so the ones included in this handbook are samples only.

FNS develops Program regulations and policy that State agencies and Program participants are required to follow. Program regulations are published in 7 CFR Part 226. Regulatory citations have been included throughout this handbook.

Citations from CACFP policy memoranda also provide additional guidance on Program requirements.



## Part 1. State Agency Review Requirements

The State agency must provide sufficient consultative, technical, and supervisory assistance to institutions and facilities to ensure effective Program operations, monitor progress toward achieving Program goals and ensure compliance with all civil rights requirements. The State agency must maintain documentation of supervisory assistance activities, including reviews conducted, corrective actions prescribed, and follow-up efforts [7 CFR 226.6(a)].

### A. Types of Care Centers/DCHs

- The CACFP defines an institution as a sponsoring organization or independent child care center; such as a sponsoring organization, child care center, at-risk after-school care center, outside-school-hours care center (OSHCC), emergency shelter or adult day care center which enters into an agreement with the State agency to assume final administrative and financial responsibility for Program operations.
- Facility means a sponsored center or a DCH. Group DCHs are also referenced in FNS guidance as DCHs.
- Participants mean “children” in a child care setting or “adult participants” in an adult day care center (see 7 CFR 226.2 for details).

#### Definition

An ‘**institution**’ enters into an agreement directly with the State agency.

A ‘**facility**’ enters into an agreement with an organization that sponsors the facility. A facility may be a child care center, at-risk afterschool care center, OSHCC, emergency shelter, adult day care center, or DCH provider.

Effective monitoring of institutions and facilities ensures they comply with Program guidelines, confirms their viability, accountability, and capability in operating the CACFP, and determines that records are available to justify reimbursement for meals served to participants.

During the review, the State agency monitor (i.e., review staff) will evaluate the fiscal integrity and management of the Program. It is equally important for the monitors to be a resource for participants to help them improve their operations. Technical assistance provided during the review and throughout any corrective action process will help ensure corrections are made expediently and future errors are avoided.

### B. Frequency and Number of Required Institution Reviews

The State agency must annually review at least 33.3 percent of all institutions. **Round up to the next whole number to determine the total number of reviews.**

	Total # of independent centers plus # of sponsoring organizations	33.3% of total
October	64 + 12 = 78	78 x .333 = 26

Reviews of institutions must be conducted according to the following schedule:

- Small, independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed at least once every three years;
- Large, sponsoring organizations with more than 100 facilities must be reviewed at least once every two years; and
- New sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations.

As part of the State agency's review of institutions, it must review:

- 10 percent of small sponsoring organizations' facilities; and
- 5 percent of large sponsoring organizations' first 1000 facilities plus 2.5 percent of the number of homes over the first 1000.

FNS evaluates the State's use of State Administrative Expense funds to conduct the required number and types of reviews [7 CFR 226.6(m)]. The State agency should establish a system to schedule and track reviews to ensure it remains in compliance with the requirements. The State system should allow it to know at a glance, anytime during the review year, that it is meeting the number and type of reviews required or whether modifications need to be made in the schedule or caseload.

### **Determining Review Priorities using Risk Analysis**

State agencies are encouraged to develop risk factors to determine the high risk institutions or facilities in their field work. Identifying institutions and facilities with a high number of risk factors does not mean that noncompliance is occurring. It simply means that they may need a closer look, either by an on-site review conducted by the State agency or by a sponsoring organization's review of its facilities.

The OIG conducted an audit, *Identifying Areas of Risk in the CACFP Using Automated Data Analysis Tools*, which recommended that FNS and State agencies develop data analysis tools to identify higher risk institutions and facilities for additional review. Establishing a set of characteristics shared by institutions with Program irregularities or which have frequently been problematic is one way to concentrate a State agency's resources where they are most needed.

Risk is sometimes associated with the size of the institution or facility. An instance of noncompliance at a large institution puts more money at risk than the same issue at a smaller institution or facility. A high volume of meal counts would result in a comparatively high overclaim if these meals are disallowed. During OIG's field work, high risk institutions and facilities were visited to determine if more meals were being claimed than the actual number of meals being served. High risk institutions and facilities were determined by analyzing State data to identify:

- Institutions and facilities with high meal claims compared with the others in the State, based on enrollment and dollar volume (larger claims mean a larger risk if there is a problem);

- Institutions and facilities with higher average daily participation than enrollment (if the State agency has location-specific information). Shift care allows for this, but documentation must be carefully kept and evaluated;
- Institutions and facilities that were claiming more than 90 percent attendance every month. A high regularity of attendance is unusual in some centers. A trend analysis over a period of years may help State agencies identify which types or locations tend to have higher or lower regularity of attendance; and
- Institutions and facilities that are obviously out of compliance (e.g. sites that are claiming more than two meals and one snack or one meal and two snacks per participant per day). If there are preliminary records that the State has access to when determining which facilities to review, this facility and the sponsoring organization that is allowing this to occur would be an immediate choice for review.

## Part 2. State Agency Review Team

CACFP monitoring reviews encompass a wide variety of institution types, from single-site institutions to multi-site sponsoring organizations. Although the reviews may require different approaches for different institution types, the review team contributes to the overall success of the review process. Whether a multi-member team or a team of one, each team member plays an important role in the review process. In general, the team leader takes responsibility for coordinating the review process, and each member of the team is responsible for completing his or her section of the review and for contributing to the written review report. The following guidance will assist State agencies in developing increasingly-knowledgeable team leaders and team members.

**Responsibilities** – These activities are only suggested practices since they will vary widely from State to State.

### Team Lead/Lead Reviewer:

- Negotiates and schedules dates with team members and institution personnel. Identifies the number of days needed for on-site review at the institution and facilities, if applicable. Identifies the normal hours of operations for institutions and facilities so reviewers can estimate schedules. Note for planning: If facilities are permitted to claim meals on weekends, evenings, and/or holidays, the State agency must conduct some monitoring reviews during those meal times;
- Contacts team members to confirm dates, lodging information, transportation plans, and directions if necessary;
- Informs review team of issues and concerns with the institution, based on an examination of the previous review report(s), technical assistance documents, claims, one-time exceptions, and any other information collected by the State agency relevant to the institution's operation;
- Discusses which area of the review each team member will be completing;
- Develops letters to institutions (e.g. notification of review and review closure);
- Takes the lead in conducting the entrance and exit conference;
- Takes the lead in conducting team discussion prior to the exit conference to coordinate findings and action items;
- Ensures appropriate personnel sign the State agency review form;
- Determines whether corrective action is sufficient;
- Follows up with institution to determine if corrective action has been fully implemented and requests assistance with follow-up from team members as needed; and
- Closes out review or submits it for further action (e.g. serious deficiency determination, second-party review, etc.).

**Team Members:**

- Prepare for and complete the portion of the review assigned by the lead reviewer;
- Assist in determining whether Program operations are in compliance with CACFP requirements or if corrective action is needed;
- Participate as requested in review follow-up to determine if corrective action has been fully implemented; and
- Contribute to the written portion of the review as necessary.

**Note:** Depending on the number of findings identified during the review, some completed review reports may be provided to the institution during the exit conference. However, for more complex reviews a more extensive review report may be prepared and sent to the institution following the exit conference.

## Part 3. The Review

Prior to beginning the review of an institution or a facility, the State agency monitor must be knowledgeable of the institution's or facility's claim history as well as any past Program violations. If Program violations were identified on the previous review, the State agency monitor must also determine whether the previous corrective action was implemented and effective.

The review must take place at the institution's or facility's location, though portions may be conducted at the State office, informally known as the 'desk review' portion, or there may be a combination of reviews conducted to complete the Program review. For instance, the State agency monitor may evaluate the institution's audit, budget, and training attendance via desk review and conduct the balance of the evaluation of the institution's Program on-site.

### A. Preparation

The State agency monitor may prepare a packet for conducting the review which may consist of the following documents (these documents may vary from State to State):

- Review forms and instructions;
- Management plan and budget;
- The State agency's last review report on the institution and copies of most recent facility reviews (if applicable);
- Claim for the review period;
- Prior review reports (audits and agreed upon procedures), if applicable;
- Correspondence with all State agency staff (State director, Program managers, auditors, claims processors, etc.);
- Documentation of technical assistance provided by the State agency, if applicable;
- State agency's policies and procedures for reviews;
- State agency's disallowance policies and procedures;
- State agencies' and sponsor's household contact policies;
- Income Eligibility Guidelines;
- Reimbursement rates for the fiscal year being reviewed; and
- Complaints (written or call-ins), if applicable

If the review will be conducted by a team of monitors, the team leader may wish to prepare a packet for each team member with relevant documents from the above list.

### Resource Materials

State agency monitors may wish to have available, (hard copy or via computer) the reference materials identified in Part 10 of this guidance.

### Review Forms and Instructions

When a State agency monitor conducts a CACFP review of an institution, the forms must include all required areas of review and must be fully completed to be considered as a review. Monitors should be familiar with the review forms and the instructions the

State agency uses to conduct reviews. The monitors will also have copies of the review forms and all other review with them in either electronic or printed form. Reviews must, at a minimum, contain questions pertaining to the required elements (see Part 3, D of this guidance).

### **Miscellaneous Tools**

In addition to review forms and Program guidance resources, it might be helpful to have additional materials/tools when conducting a review. These could include following items.

- “And Justice for All” posters (Reminder: The poster is not required in DCHs)
- Building for the Future flyers
- Women, Infants and Children (WIC) Brochures
- Thermometers for food safety
- Pens, pencils, erasers, and highlighters
- Clipboard
- Stapler and staples
- Note pad and/or sticky notes
- Calculator with extra battery
- Laptop and/or tablet with plug
- Paper
- Power strip with multiple outlets
- A calendar with holidays indicated
- Portable printer for laptop or tablet, including cables, power cord, extra cartridge, etc.

### **Notifying Institution of the Review**

State agency reviews may be announced or unannounced. For announced reviews, State agency may initiate the formal review in a professional manner by sending written notification to the director of the institution or sponsoring organization informing them of the date of the review one month prior to the review. A copy of the written notification should also be sent to the board chair and/or owner. When the reviewed institution is a school, the school administrator who signed the Program agreement and/or application materials is the person that the State agency will notify.

If a written notice is sent, it will convey the scope and areas to be covered during the review. The State agency may choose to vary the scope of an institution’s review based on factors such as the result of prior reviews and audits, etc. This variance in scope could result in changes to the sample size or a decision to conduct a desk review instead of an on-site review. While the scope of a review may vary, it must include, at a minimum, the Program specific monitoring requirements.

**EXAMPLE:** If there were a number of informal complaints from providers that the sponsoring organization is not responsive to questions and the State agency staff has noticed the same trend via its communication logs, the State agency would want to include in the scope of its review, investigation of the complaints

cause, consequences, and possible solutions. It could be that DCH providers were poorly trained on the Program requirements, so are making a high number of calls for additional assistance and are overwhelming the sponsoring organization.

Review procedures may vary widely from State to State. The following timeframes are suggested:

- About 4 weeks prior to review, send letter to institution identifying the test month and records to be reviewed (for announced reviews only);
- About 2 to 4 weeks prior to the review, pull claim data and management reports that pertain to the test month being reviewed; and
- About 1 to 2 weeks prior to the review, provide review packets to each team member, as applicable.

## **B. Review Period**

Generally, the review period will be the most recent month for which a claim for reimbursement has been filed by the institution. However, the State agency could choose another month(s). If this is an announced review, the confirmation letter will include the timeframe or period that will be reviewed. Additionally, if the State agency determines it warrants additional review, the State agency may review the institution's records beyond the claim month to determine the extent of the noncompliance.

## **C. Entrance Conference**

An entrance conference gives the State agency monitors an opportunity to meet with the institution staff to discuss the review process, gather information on internal policies and procedures, and to set up a work schedule conducive to accomplishing the review. The entrance conference will allow for introductions to be made of all team members and to find out who is the institution's contact for each review area.

- If time permits, the State agency monitor may schedule interviews or obtain relevant documents and records.
- Explain that an exit conference will be held to discuss any findings or observations and to provide technical assistance. Provide an approximate date and time for the exit and update the institution's staff as you get closer to the end of the review.
- Ask if the institution prefers a daily update on any findings or concerns or to provide clarification on issues.

### **Tip**

For a more efficient and effective review, provide the institution with a list of records the monitors will need access to, either before the review (for announced reviews), or as soon as possible after arrival.



- Arrange for workspace for the team and determine whether records will need to be put away each day.
- Identify the hours the team will be working and confirm work and interview schedules for the week.
- Thank them for their time and proceed with the review.

## D. Records Review

The State agency is evaluating not simply that the records are available, but that they support the institution's claim for reimbursement. For each element, this handbook will outline the requirement(s) followed by the review step(s). When applicable, this handbook will also address corrective and fiscal action that needs to be taken.

### 1) Records Retention

#### Requirements

During a review, the State agency monitor evaluates the institution's compliance with collection and maintenance of records relating to the following: applications; enrollment and eligibility; attendance; meal counts; invoices and receipts; claims submitted to the State agency; if applicable, dates and amounts of disbursement to each sponsored facility; copies of menus and any other food service records required by the State agency; if applicable, documentation of reviews of sponsored facilities; training; documentation of nonprofit food service; and if a sponsoring organization, documentation of annual training provided to each staff with monitoring responsibilities.

#### Review step

- Records Retention - Verify that Program records are maintained for three years (or the number of years on the Program, if less than three years) plus the current fiscal year.

**EXAMPLE:** If an institution submitted a claim any month in Federal fiscal year 2014, all records supporting the claim(s) would have to be maintained until the end of Federal fiscal year 2017 [7 CFR 226.10(d)].

There are a few notable exceptions to this requirement.

- The first exception applies when there is an unresolved audit finding. In such cases, the documents must be retained after the three year period for as long as necessary for the audit to be resolved.
- The second exception applies to records pertaining to disqualifications. These records must be retained for three full

fiscal years after the individual or institution is removed from the NDL [CACFP 01-2007 *Retention of Records Relating to Institutions, Responsible Principals or Responsible Individuals, and Day Care Homes on the NDL; Retention of Records Relating to Serious Deficiencies*, January 26, 2007].

- State agencies may determine guidelines for their own and their sponsoring organizations' retention of records for deferred serious deficiencies.

## 2) Application for Institution Participation

### a. Application Requirement

Each institution is required to maintain copies of Program agreement and the current year's application and supporting documents submitted to the State agency to support the institution's eligibility and approval to participate in the CACFP [7 CFR 226.15(e)(1)].

#### Review Steps

- Ensure that the institution is maintaining copies of its Program agreement and application, as well as any supporting documentation that was submitted to the State agency as part of the application.
- During the review of a sponsoring organization, the State agency monitor would also ensure DCH agreements with the sponsoring organization have also been maintained.

### b. License - Requirements

The location where child or adult care is provided (center or DCH) must have a current license posted and may not have more children or adults in care than stated on the license.

- All participating child care centers, at-risk afterschool care centers, OSHCCs, and DCHs can be licensed or approved by Federal, State, or local authorities [7 CFR 226.6(d)(1)(i)].
  - At-risk afterschool care centers and OSHCCs, if State or local licensing or approval is not otherwise required, must meet State or local health and safety standards.
  - There is no Federal licensing requirement for emergency shelters, but the shelter must meet State or local health and safety standards.
- Licenses issued by Indian Tribal Organizations are acceptable for independent child care centers on reservations.

### **Review Steps**

- Locate the posted license and verify it is current, for the correct location and correct name of the center or DCH;
- Observe the number and age range of participants and the number of caregivers present; compare your observations to the institution's or facility's licensed capacity and report any violations to the licensing authority; and
- If applicable, compare the State agency's meal counts with those of the institution's or facility's claim for that day.

### **c. Health, Safety, and Sanitation - Requirement**

All institutions and facilities must have a food service operation that complies with applicable State and local health and sanitation requirements.

#### **Review Step**

- As appropriate, the following elements are reviewed: food production permit, health inspection report, food storage, food handling, and sanitation. If permits have expired, inspection reports identified outstanding issues not yet corrected, or storage/handling violations are identified, require corrective action and consider declaring the center seriously deficient, or possibly suspend the center's CACFP participation if appropriate. If the concerns are found in a DCH, require appropriate action through the sponsoring organization.

### **d. Center Eligibility by Type - Requirements**

#### **Proprietary (for-profit) Centers**

All for-profit centers must keep records for **each month** Program reimbursement is claimed, documenting that at least 25 percent of the enrollees or 25 percent of their licensed capacity, whichever was less, were either Title XX or Title XIX beneficiaries or were eligible for free or reduced price meal benefits [7 CFR 226.17(b)(4)].

**At least once each year** the center or sponsor is required to report to the State agency the number of enrolled children whose meals are currently eligible for free, reduced price, and paid rates of reimbursement. This information may be requested more frequently than annually in order to verify the center's or sponsoring organization's eligibility for reimbursement.

### **Review Step**

- Compare the name of participants on the for-profit center's billing for the review month to the review month's enrollment or license capacity to verify that at least 25 percent of the participants were Title XX or Title XIX recipients or eligible for free or reduced-price meals.

### **Area Eligibility for At-Risk Afterschool Centers**

At-risk afterschool centers must be located within the geographical boundaries of an elementary, middle, or high school in which 50 percent or more of the enrolled participants are eligible for free or reduced-price school meals.

### **Review step**

- Review the appropriate school data to verify that the institution or facility is eligible. In addition, verify that it has organized, regularly scheduled, educational or enrichment activities.

### **Temporary Residential Settings (Emergency Shelters)**

The Program can only be operated by a public or nonprofit organization that provides support to homeless children in temporary residential settings.

### **Review Step**

- Observe the meal service and meal counting procedures to determine whether they yield accurate meal counts for children.

## **e. Posters and Flyers**

### **Requirement – Civil Rights Poster**

Each State agency, local agency, or other sub-recipient serving the public must prominently display the USDA nondiscrimination poster "And Justice for All," or an FNS approved substitute, except in DCHs [FNS Instruction 113-1 *Civil rights Guidance and Enforcement – Nutrition Programs and Activities*, IX, B.1].

### **Review Steps**

- Verify that the "And Justice for All" Poster is displayed in a conspicuous location (except for DCHs).
- Discuss with the staff any possible civil rights problems identified and record any explanations provided.

- If, in the opinion of the reviewer, any kind of discrimination is present, alert the State agency's CACFP Director and any other appropriate State divisions and or the FNS Regional Office immediately.

### **Requirement - WIC Program Information**

State agencies must provide information on the importance and benefits of the WIC and WIC income eligibility guidelines, to participating institutions.

#### **Review Steps**

- Verify the WIC flyer is posted or distributed to parents; and
- Verify their WIC flyer informs parents or guardians of enrolled children about the WIC Program and its benefits, and includes the name and telephone number of the WIC State agency and sponsoring organization, if applicable.

### **3) Participant Records**

#### **a. Enrollment Records - Requirements**

Institutions are required to maintain documentation of the enrollment of each participant at centers (except for OSHCCs, emergency shelters, and at-risk afterschool care centers).

#### **Review Steps**

- Verify the following information is captured on every enrollment form:
  - Each child's first name, last name, and date of birth;
  - Each child's normal days and hours of care and the meals normally received while in care; and
  - Annual documentation that the information has been updated as needed and signed by a parent or legal guardian.

#### **b. Attendance - Requirement**

Accurate daily attendance records of all enrollees must be maintained separately from the center's meal count records. Daily records indicating the time of service, and meals served to center participants, by type (breakfast, lunch, supper, and snacks) must be maintained as well [7 CFR 226.15(e)(4)].

### **Review Step**

- Verify that the institution is maintaining attendance records separately from the institution's meal count records.

#### **c. Claiming Status - Requirement**

Participants in Head Start and Early Head Start may receive free meal benefits without further application or eligibility determination. Acceptable documentation for participants includes an a statement of Head Start or Early Head Start enrollment, or a list of participants from a Head Start or Early Head Start official. All reimbursable meals served to participants in Early Head Start may be claimed at the free rate [CACFP 11-2013, *Questions and Answers Regarding the Participation of Head Start Programs in Child Nutrition Programs*, May 17, 2013].

In all other types of centers, except for emergency shelters and at-risk afterschool care centers, free and reduced priced meal applications must be on file for each participant whose meals are claimed at the free or reduced price rate. The State agency must review 100 percent of the free and reduced price meal applications for accuracy [7 CFR 226.15(e)(2); 7 CFR 226.23(e)(1)].

### **Review Steps**

- For all participants whose meals are claimed for reimbursement, determine if there is a current and accurately determined free or reduced-price meal application on file. Participants for whom there is no application must have been claimed in the paid category. Verify there are meal applications for all children claimed for free or reduced-price meals.
  - Emergency shelters and at-risk afterschool care centers will not claim based on an individual child's free or reduced price meal status, so will not maintain such documentation.
- Compare the names of children claimed for free meals with Head Start or Early Head Start enrollment lists to ensure those children were properly claimed and that no other children's meals were claimed as Head Start or Early Head Start participants.

#### **4) Enrollment 'Rosters' (Institutions)**

Establishing a roster of participating children is not a Federal requirement; however, a roster can assist with tracking current participants, new enrollments and eligibility categories.

### Review Steps

- Verify that the roster lists the names and eligibility status of all participants' enrolled. Evaluate whether and how the institution tracks additions and withdrawals of participants to determine if the institution is maintaining an accurate roster.
- If rosters are not being maintained, evaluate how, and how well, the institution is consolidating currently enrolled children, the children's eligibility status, and the meals being claimed for each child.

**EXAMPLE:** Compare the total number of participants enrolled to the highest number of served meals (of any type). If the meal count exceeds the enrollment total, this is an indication of inaccurate claiming. Trouble-shooting can begin with information based on how and how well the institution is consolidating currently enrolled children, the children's eligibility status, and the meals being claimed for each child.

## 5) Verification of Free and Reduced-price Meal Applications Requirement

The State agency must conduct verification of eligibility for free and reduced-price meals no less frequently than once every three years [7 CFR 226.23(h)].

### Review Steps

For all institutions except for sponsoring organizations of DCHs, review of all free and reduced price meal applications on file.

- Verify applications for **non-pricing** Programs (Programs that do not charge a separate, identifiable fee for meals) for the following:

- The application has been fully completed by the household;
- The institution has correctly determined and classified the eligibility of enrolled participants for free or reduced price meals or, for DCH homes, for tier I and tier II reimbursement;

#### Remember

If a roster is used, ensure that it does not allow overt identification of participants and that it is accessible to only those individuals who need access.

- The institution has accurately reported to the State agency the number of enrolled participants meeting the criteria for free or reduced price meal eligibility; and

- Participant rosters are not required, but if they are developed and used by the institution, ensure the roster correctly lists the names and eligibility of participants.
- The verification of applications for **pricing** Programs (Programs that charge a separate fee for meals) must include the steps listed above for non-pricing Programs, and in addition, verification of the accuracy of the reported income information for no less than three percent of all approved applications on file.
  - The State agency must contact the households to obtain source documentation to support the income reported on the household's free and reduced-price meal application.
  - Procedures for conducting this additional verification must include the following:
    - If the application contains a SNAP, FDPIR, or TANF case number for a child or a SNAP, FDPIR, SSI, or Medicaid number for an adult, the verification shall only consist of a confirmation that the child or adult is certified eligible for the relevant program.
    - Otherwise, households must be informed in writing that they have been selected for verification and that they are required to submit documentation to verify their eligibility for free or reduced price meals. This letter must include the types of documentation that the State agency has deemed to be sufficient for the purposes of verification.
    - This letter must also inform households that, in lieu of income information, they may submit documentation showing they are certified to participate in SNAP, FDPIR, or TANF for enrolled children or SNAP, FDPIR, SSI, or Medicaid for enrolled adults.
- The State agency may conduct additional verification of the information submitted on the eligibility application for non-pricing programs. If the State agency chooses to conduct this additional verification for non-pricing programs, it must do so in accordance with the procedure outlined below.

For more information concerning what is considered to be acceptable verification documentation, consult CFR 7 226.23(h)(2)(v) and see the



*Income Eligibility Handbook for School Meals* for more information on the verification process for pricing Programs.

## 6) Meal Service Records

### a. **Menus - Requirement**

Daily records of menus must contain a listing of the food items served in each meal type to ensure that the CACFP meal pattern requirements were met. Menu records must be updated to reflect changes to planned menus so that the menu records reflect the actual meal components and foods served to participants [7 CFR 226.6(15)(e)(10)].

#### **Review Steps**

- Evaluate the institution's menus for the claim period that is being reviewed to ensure that it meets the meal pattern requirements.
- Verify that any substitution(s) to meal components, particularly on the day of review, is noted on the menu.

### b. **Family-Style Meal Service - Requirement**

Most DCHs, many centers, and all Head Start centers, serve meals using CACFP's family-style meal service. Family-style meal service means that the food is placed on the table for each child or adult participant to serve themselves. Participants may then select the foods they want and the amount of each food they want. During the meal, it is the responsibility of each institution and facility to encourage each participant to accept the full required portion for each food component of the meal pattern. If minimum portions are not available for each participant, meals would be disallowed [7 CFR 226.20(p) and FNS Instruction 783-9, Rev. 2 *Family-style Meal Service in the Child and Adult Care Food Program*].

#### **Review Step**

- Observe whether the requirements of family-style meal service are being met and if they are not, either provide technical assistance or deny the institution's approval to use this type of meal service.

### c. **Meals Served to Children with Disabilities or Special Dietary Needs - Requirements**

If the institution serves children that have disabilities or special dietary needs that lead to alterations of the meal pattern or the menu, ensure that these children are being served meals in accordance with their needs and confirm that the appropriate documentation has been obtained and retained to support claiming the meals. See Part 11,

Attachment 7 for a prototype form for documenting a medical or special dietary needs substitution.

- **Medical Statements** - In order to claim a meal that does not conform to the regulatory meal pattern, there must be a medical reason or a special dietary need and a signed statement on file.
- **Disabilities** - If an institution is serving a child with a disability and that disability directly affects which foods the child can consume, the parent and/or guardian must submit a medical statement signed by a licensed physician. The medical statement must be kept on file, handled confidentially, and must describe:
  - The child's disability and an explanation of why the disability restricts the child's diet;
  - The major life activity affected by the disability;
  - The food or foods to be omitted from the child's diet, and
  - The appropriate substitutions.
- **Special Dietary Needs** - If an institution is serving a child with special dietary needs (e.g., vegetarian), the parent and/or guardian may request substitutions by submitting a medical statement signed by a recognized medical authority, such as physician, physician assistant, nurse practitioner or other professional specified by the State agency, listing the foods to be omitted and appropriate substitutions.

**Note:** Milk substitutions that are made due to special dietary needs that are not a disability must be nutritionally equivalent to milk, even if accompanied by a medical statement. The institution can make such substitutions at its discretion.

### **Review Steps**

- For meals claimed that do not conform to Program requirements, ensure there is an appropriate medical statement on file.
- Ensure milk substitutes for non-disabilities are nutritional equivalent to milk.

For additional information, see FNS Instruction 783-2 *Accommodating Children with Special Dietary Needs*, and CACFP 21-2011, *Child Nutrition Reauthorization 2010: Nutrition Requirements for Fluid Milk and Fluid Milk Substitutions*, September 15, 2011.

## 7) Meal Counts - Requirements

Daily counts of the number of meals served to enrolled children, taken at the point of service, must be recorded and maintained by all participating centers.

When the “actual monthly counts” claiming method is assigned to the center, its records must contain the number of meals served to enrolled children by each meal type and by income eligibility categories.

For centers assigned the “claiming percentages” or “blended rates” computation methods, only the total number of meals served by type (breakfast, lunch, supper or snack) must be recorded daily.

### Review Steps

- Verify that meal counts are taken at the actual time of service, or for family-style meal service, while participants are actually eating.
- Total Counts - Compare your observed meal count to the meal count taken by the institution/facility staff. Remember to include all infants who will be included in the meal count although they may be eating at another time.
- Meal Counts by Name - Confirm that providers are recording meal counts by the name of the child; and
- If the State agency requires centers to record meal counts by name under certain circumstances, ensure that the proper procedures are being followed.
- 

### Remember

Attendance records cannot be used to determine the number of meals served, but must support the actual meal counts reported.

Meal counts must not be pre-recorded (recorded prior to the meal service).

## 8) Meal Counts by Center Type - Requirement

At-risk afterschool care centers, OSHCCs, and emergency shelters are not required to keep time of service meal counts; they must keep records of the number of meals prepared, the number of meals served, and the number of participants in attendance for each meal service.

### **Review Step**

- For at-risk afterschool child care, OSHCCs and emergency shelters compare the required data to ensure more meals are not claimed than the number of children in attendance.

## **9) Meals Served to Adults - Requirement**

Except for DCHs, daily counts of meals served to “Program adults” working in the center’s food service and to any other non-enrolled persons must also be recorded. Although not claimed for reimbursement, costs of these meals are part of food costs reported by the center or sponsoring organization [7 CFR 226.15(e)(5)]. Non-Program adults must pay for their meals or the cost of their meals must be paid for with non-Program funds.

### **Review Step**

- Verify the daily meal counts include the number of program adults, as well as any other non-enrolled persons receiving meals.

## **10) Other Food Service Records - Requirements**

The State agency may require additional records. For example, the State agency may require centers to keep daily meal production records in addition to their daily meal counts, menu, and attendance records.

### **Production Records**

A meal production record is a written record of the quantity of food prepared for each menu item served. Production records help document whether an adequate amount of food was prepared and served to enrolled participants to meet the CACFP meal pattern requirements.

### **Monthly / Yearly Inventory**

Many State agency require the calculation of the “cost of food used” at the end of each month. In this case, monthly food inventory records must be maintained.

Other State agencies may require an inventory to be taken once a year so they can make adjustments in the cost of food on an annual basis. In this case, the same procedure as the monthly inventory would be followed, but only once a year.

### **Review Step**

- If production records and or inventories are required by the State agency, evaluate them and the inventory records to ensure that enough food was available and prepared to support the number of meals claimed for the review period.

## 11) Meal Service Observation

### a. Observation - Requirement

The State agency must include an observation of a meal service as part of its review of an independent center [7 CFR 226.6(m)(3)(vii)].

#### Review Steps

- Observing a meal service at an institution provides a great opportunity for the State agency monitor to understand to what extent the CACFP is being operated in accordance with the intent of the Program. Observation of a meal service enables the State agency monitor to provide an extra level of review to ensure that the institution is in compliance with multiple Program regulations.
- When observing a meal service, the State agency monitoring should be sure to look at the following.

#### Remember

If the institution or facility cares for infants, observe the infant meal service to determine if the infant meal pattern is being followed.

### b. Meal Pattern - Requirement

There are three meal patterns outline in the CACFP regulations [7 CFR 226.20].

All infants enrolled for care must be offered meals that meet the CACFP infant meal requirements, regardless if the institution or facility claims infant meals [CACFP Policy - *Obligation to Offer Infant Meals*, May 17, 2002].

#### Review Step

- Observe the served meal and determine if all required components and required quantities are served. Reference the correct meal pattern (Infant, Child, or Adult) for the age of participant served and according to what meals the center has been approved to serve.

## 12) Meal Service Times – Requirement

State agencies establish requirements regarding meal times for Program meals.

### Review Step

- Ensure that the meal service being observed is served during the time frame approved by the State agency.

## 13) Menus and Foods – Requirements

Institutions must serve meals according to the posted menus and document substitutions. USDA Foods must be used and stored properly. Documentation must be maintained on pre-prepared foods to indicate what amount of the meal component is being met.

### Review Steps

- Compare the meal served with the posted menu to ensure that the menu reflects the actual meal being served. If substitutions are made, make sure the meals are still in compliance and that the center staff is documenting the substitutions.
- USDA Foods - If the institution has received USDA Foods, ensure the institution is storing them safely, and using them effectively to enhance the meals.
- Child Nutrition (CN) and Manufacturer Labels – Ensure that all commercially processed combination dishes (i.e., those dishes containing more than one meal pattern component) have a CN label or manufacturer's product analysis sheet to verify that meal pattern requirements are being met. If a CN label/ manufacturer's product analysis sheet is not available, verify that another creditable food is added in sufficient quantity to meet the meal pattern requirements. Confirm that the institution or facility understands the directions on the CN label or product analysis sheet for serving the correct amount of commercially processed items.

Refer to the Food Buying Guide for fresh and cooked food yields. A link can be found in Part 10, A.

## 14) Training Records

### Requirements

The State agency must verify that the institution has provided adequate training to its staff and facilities as described in its management plan. Records of annual or more frequent training sessions for center personnel must be maintained. The training

records must include the training session date(s) and location(s), as well as CACFP topics presented and names of each trained staff member [7 CFR 226.15(e)(12)].

For sponsoring organizations, records documenting the attendance at training of each staff member with monitoring responsibilities must be maintained. Training must include instructions, appropriate to the level of staff experience and duties, on the Program's meal patterns, meal counts, claims submission and claim review procedures, recordkeeping requirements, and an explanation of the Program's reimbursement system and adherence with civil rights requirements [7 CFR 226.15(e)(14) and FNS Instruction 113-1, XI].

#### **Review Steps**

- Verify the training session date(s), location(s), and the names of participants;
- Verify that all required training topics were covered.

For additional information on the requirements for management plans, see the *Guidance on Management Plans and Budgets CACFP Handbook*.

### **15) Claims for Reimbursement**

#### **Requirement**

Independent centers and sponsoring organizations must maintain copies of all submitted claims for reimbursement [7 CFR 226.15(e)(7)].

#### **Review Steps**

- Verify that the signatory on the claim is same as identified in the agreement as the claim authority.
- Using daily meal count forms to reconstruct the claim for the month of review to verify the institution's claim, and in the case of a sponsoring organization, to verify accurate consolidation.

### **16) Financial Management Requirements**

The review of the institution's financial management includes a review of all income to and expenses of the institution, whether it is an independent center or a sponsoring organization of multiple centers or homes or both. Institutions must retain required documentation. Failure by the institution to maintain these records shall be grounds for the denial of reimbursement. FNS Instruction 796-2, Rev. 4, *Financial Management in the Child and Adult Care Food Program* outlines specific information related to the financial elements of each institution participating in the CACFP.

The State agency must develop systems for evaluating fiscal records such as invoices, the checking account(s), and provider payments to ensure fiscal integrity of the sponsoring organization.

The CACFP regulations at 7 CFR 226.15(e), outline the records that must be maintained by institutions. The following financial records must be reviewed during a State agency monitoring review.

- Copies of invoices, receipts or other records required by the State agency. The reviewer will look at the administrative and operating costs claimed by the institution as well as income to the CACFP.
- Copies of all claims for reimbursement submitted to the State agency.
- Receipts for all Program payments received by the institution from the State agency.
- If applicable, information with the dates and amounts of disbursements to each child or adult care facility under its sponsorship.
- Documentation of nonprofit food service to ensure CACFP funds are used solely for the food service operation or to improve the food service operation for the benefit of enrolled participants.

### **Review Steps**

The purpose of the financial management review is to verify all financial information related to the nonprofit meal service. Whether reviewing a sponsoring organization of multiple facilities or an independent center, the purpose is the same: assure costs charged to the nonprofit food service were used to meet CACFP meal service requirements, and where applicable, that the costs claimed for reimbursement under the CACFP are allowable, meaning they are necessary and reasonable for the effective and efficient operation of the food service.

Nonprofit food service operations must account for all income attributable to the food service including the CACFP reimbursement. Nonprofit food service is defined as food service operations conducted by the institution principally for the benefit of enrolled participants, from which all of the Program reimbursement funds are used solely for the operations of improvement of such food service.

Other income could be earned from meals served to visiting adults who pay for their meal, fundraising for the purpose of the food service operation, and monies earmarked for food service such as



grants received from Head Start where a portion of the grant is for food service, etc.

➤ **The Accounting System**

- Ensure the accounting system used by the institution is consistent from month to month based on one of the following cash management bases; either the,
  - Cash Basis -- Expenses and income are reported when paid or received,
  - Accrual Basis – Expenses and income are reported when the expense or income is incurred, or the
  - Modified Accrual Basis – Certain expenses and income are reported on an accrual basis while others are reported on a cash basis.

➤ **Revenues**

- Review all revenues and ensure all revenue is attributable to the nonprofit food service. Refer to the *Guidance on Management Plans and Budgets CACFP Handbook* for more specific information about allowable costs, as well as the sponsoring organization's approved budget identifying revenue expected for the organization.
- CACFP reimbursements – verify the number of meals claimed was accurate and that meals were claimed in the right category (free, reduced-price, or paid).
- Identify whether other revenue/income was acquired and attributed to the nonprofit food service.
- If equipment is sold that was purchased with food service funds, confirm the revenue from that sale was accounted for in the food service account.
- If non-Program adults receive a meal, verify the cost of that meal was either paid for by the adult or that the cost of the meal was accounted for in the nonprofit food service account.

➤ **CACFP operating and administrative expenses**

- Review all transactions. Refer to the *Guidance on Management Plans and Budgets CACFP Handbook* for more specific information on allowable costs, as well as the sponsoring organization's approved budget to ensure all expenses are approved.

- **Operating and/or administrative** - Reference and compare line item operating and administrative expenses with the approved budget.
- Confirm the food receipts support the meals served during the month reviewed.
- Confirm payroll records support the labor costs for the food service operation.
- If the director's salary is reported as an expense to the food service operation, verify the allocation of the director's time is reasonable based on the duties performed for the food service operation.
- If the cook's duties are all related to the food service, 100 percent of the cook's salary can be attributed as an operating expense.
- If others within the operation have some level of responsibility related to food service and other responsibilities on other activities, only those labor costs related to the food service may be claimed.
- If the purpose of the sponsoring organization includes providing meals to DCHs as they care for children, verify all reported labor expenses were correctly allocated for the number of hours worked on food service.
- **Contracted Services** – Critical management functions of the CACFP may not be subcontracted; however, other tasks such as data processing, building maintenance, security, records storage, equipment rental, etc., may be provided as a contracted service. Confirm that invoices and/or contracts document the claimed amounts.
- **Labor and Benefits** – Verify time and attendance reports were correctly completed and on file for any labor that is charged to the CACFP (both part-time and full-time operating costs and labor).
- **Rent and Utilities** – If rent and utilities are shared by more than one Program within the agency, verify the portion claimed to the CACFP was allocated using an approved allocation method. Confirm that invoices and/or contracts document the claimed amounts.

- Office Supplies, Postage – Verify expenses using receipts and invoices.
- Travel -
  - ✓ Mileage expenses must be documented on an approved mileage log.
  - ✓ Receipts and invoices must be available to support any other travel costs claimed.
- **Indirect Cost Rate** – Some institutions will have a cognizant agency which determines what costs are included in an indirect cost pool and approves an indirect cost rate. This is allowable and the reviewer should determine if the indirect cost rate is applied correctly. The State agency may need to know what cost activities were included in the indirect cost rate pool to then determine what other expenses will have been allocated.
- **Determine if income exceeds expenses.**
  - If income exceeds expenses, ensure the excess revenue is retained for the purpose of the nonprofit food service.

**Note:** Each State agency must determine what constitutes an excessive nonprofit food service balance.

  - Excessive balances may be used for improvements or expansion of the nonprofit food service.
  - Institutions cannot transfer excess funds to nonprogram operations or use them to increase salaries or fringe benefit costs when the only purpose is to decrease the excess nonprofit food service balance.
- **If expenses exceed income**, non-Program funds must be available and used to cover meal service or fiscal expenditure shortfalls. Determine that non-Program funds were acquired and evaluate the institution's fiscal viability.

Reference the FNS Instruction 796-2, Rev. 4, for additional information. Also, refer to Part 11, Attachment 5 *Spot Checks and Red Flags in Financial Management Reviews of Institutions, specifically Sponsoring Organizations* for additional recommended review activity.

## Other Fiscal Requirements – Audits

The audit report of either a nonprofit or a for-profit organization must be completed and the report submitted to the Federal Audit Clearinghouse (<http://harvester.census.gov/sac/>) within nine months after the end of the audit period. If there are CACFP findings, the institution must provide a copy of the report to the State agency.

## Nonprofit Organizations - Requirements

Audits are required of all institutions that receive more than \$500,000 in total Federal funds for the entire institution during a fiscal year. Audit requirements for institutions that participate in the CACFP are outlined in 7 CFR 3052 and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Important provisions in OMB Circular A-133 include the following requirements for different types of audits.

- Non-Federal organizations that expend \$500,000 or more in a year in Federal funds must have a single or Program-specific audit conducted for that year. A single audit will cover the entire operation of the organization. A Program-specific audit is an audit of only the CACFP.
- If a non-Federal organization expends Federal funds under only one Federal Program, the organization may elect to have a Program-specific audit. For example, if CACFP funds are the only Federal funds expended by the institution, the institution may elect to have a Program-specific audit of the CACFP.

## For-Profit Institutions - Requirements

- Each State agency has the authority to establish audit policy for-profit institutions with regard to the receipt of Federal funds [7 CFR 3052.210(e)]. CACFP Policy - *Audit Requirements - CACFP Proprietary Title XIX and Title XX Institutions*, August 13, 1998, requires each State agency to institute audit procedures applicable to for-profit institutions participating in the CACFP.

## Review Steps

- The State agency must ensure the required audit was conducted within nine months of the end of the Program year and submitted to the Federal Audit Clearinghouse if there are no CACFP findings or to the State agency if there were CACFP-related findings.

- If there were CACFP findings, ensure corrective action was conducted and documented to the State agency prior to the State agency closing the audit.

## 17) All other Program - Requirements

The State agency must also ensure that all institutions and facilities being reviewed are in compliance with all other Program requirements as well as any applicable handbooks and guidance issued by FNS or the State agency.

## E. Additional Requirements When Reviewing Sponsoring Organizations

When the institution under review is a sponsoring organization, the State agency must also ensure the sponsoring organization is fulfilling its administrative responsibilities and maintaining records relating to the payment, review, and training of facilities under its sponsorship. The administrative responsibilities which must be reviewed include the following.

### 1) Training

#### Requirement

The State agency must review the training conducted by sponsoring organization for its staff and for its facilities [7 CFR 226.6(m)(3)(viii)].

#### Review Step

- Verify that the sponsoring organization has conducted regular training for its staff and facilities according to its management plan. Documentation must confirm that the required topics were covered and that all key sponsor and facility staff (including all monitoring staff) were in attendance at the training. Training must include, at a minimum: meal patterns; meal counts; claims submission and review procedures recordkeeping requirements; reimbursement system; and civil rights [7 CFR 226.15(e)(12) & (14) and FNS Instruction 113-1 XI)].

### 2) Tiering

#### Requirement

The State agency monitor must ensure that the sponsoring organization is properly implementing the tiering process [7 CFR 226.6(m)(3)(xi)].

#### Review Step

- The sponsoring organization is required to maintain documentation to support the tier level assigned to each DCH

[7 CFR 226.15(f)]. Review all tiering decisions to ensure that the all DCHs are accurately tiered and that the tiering process was implemented correctly.

### 3) Additional Financial Management Review Requirements

#### ***Sponsoring Organizations' Disbursement to Facilities Requirement***

Sponsoring organizations must maintain records of the amount and date of all funds disbursements to each sponsored facility [7 CFR 226.15(e)(9)].

#### **Review Steps**

- Verify facilities were disbursed payment within five working days of receiving reimbursement from the State agency; and
- Verify the disbursement was made for the full amount the facilities were entitled to receive.

#### **a. Administrative Carryover**

Sponsoring organizations of DCHs are allowed to carry over 10 percent of their CACFP reimbursement from one Federal fiscal year to the next. Carryover funds are available only when there is a difference between the administrative payments and actual expenses. Sponsoring organizations which choose to receive administrative payments based on actual expenses will not be able to carry over funds into the next fiscal year [CACFP 11-2012, *Day Care Home Administrative Reimbursements: Options and Carryover Requirements*, March 19, 2012].

#### **Review Step**

- After reviewing the sponsoring organization's expenditures and income to verify its financial status, the sponsoring organization may retain up to 10 percent of its administrative reimbursement but no more than 10 percent of what would have been earned based on meals times rates [CACFP 11-2012, *Family Day Care Home Administrative Reimbursements: Options and Carryover Reporting Requirements*, March 19, 2012].

For additional information on requirements that sponsoring organizations' must monitor when review their facilities, see the *Family Day Care Homes Monitor Handbook*.

## ***b. State Agency Reviews of Sponsored Facilities***

### **Requirements**

As part of the State agency's review of a sponsoring organization, it must review facilities on-site. The State agency must review 10 percent of the facilities for institutions that sponsor less than 1,000 facilities. For institutions that sponsor more than 1,000 facilities, the State agency must review 5 percent of the first 1,000 facilities and 2.5 percent of all facilities in excess of 1,000.

#### **Remember**

The State agency shall ensure that facilities selected for review are representative of the proportion of tier I, tier II, tier II mixed DCHs in the sponsorship.

There are two areas required as part of each facility review; however, a State agency may include other areas. The required areas are: a) verification of income applications; and b) conducting a five-day reconciliation. Though not required, the State agency monitor is encouraged to observe a meal at each facility to ensure that the facility is meeting the meal pattern and properly documenting meals served to participants [7 CFR 226.6(m)(3)(vii)].

DCH providers are allowed to record meals by the end of the day. State agencies have the option to require time of service meal counts in DCHs where more than 12 children are served or if the provider has been declared seriously deficient due to problems with meal counts and claims [7 CFR 226.15(e)(4)].

### **Review Step**

- After the State agency monitor completes reviews of sponsored facilities, the monitor must analyze and evaluate whether the reviews conducted by the sponsoring organization reveal similar findings to those identified by the State's reviews. This enables the State agency to determine how thoroughly the sponsoring organization is conducting its reviews.

## ***c. Verification of Income Applications***

### **Requirements**

The State agency must conduct verification of eligibility for free and reduced-price meals in each independent center no less frequently than once every three years.

The State agency must evaluate and verify accuracy of only the approved applications on file for the facilities being monitored as part of its review of the sponsoring organization. However, the State

agency must also meet a review threshold of at least 10 percent of the total approved applications on file with the sponsoring organization, so in some cases, the State agency must choose additional applications to verify [7 CFR 226.23(h)].

#### **Review Step**

- Follow the same verification procedure outlined in this guidance, Section D, 3. *Verification of Free and Reduced-price Meal Applications* to evaluate the accuracy of the sponsoring organization's free and reduced-price meal application determinations.

### **4) Implementation of the Household Contact System**

#### **Requirement**

The State agency monitor must verify that the sponsoring organization is correctly implementing the household contact systems established by the State agency. Use of household contacts can verify the enrollment and attendance of participants at the sponsoring organization's facilities [7 CFR 226.6(m)(3)(x) and CACFP Policy - *Additional Guidance on the Child and Adult Care Food Program Second Interim Rule*, December 23, 2004].

#### **Review Step**

- Analyze how effectively the sponsoring organization is implementing the State agency's household contacts system.

### **5) Monitor Staffing Standards**

The State agency must ensure that the sponsoring organization is fulfilling all of its monitoring responsibilities as listed in 7 CFR 226.16(b)(1); 7 CFR 226.16 and (d)(4) [7 CFR 226.6(m)(3)(viii)].

Federal regulations state that a sponsoring organization must employ the equivalent of one full-time monitoring staff person for each 50-150 DCHs and the equivalent of one full-time monitoring staff person for each 25-150 centers it sponsors. Sponsoring organizations must document that they meet this requirement as part of their management plan [7 CFR 226.16(b)(1)].

#### **Review Step**

- Verify the information listed in the management plan and compare to monitoring records to ensure that the sponsoring organization is fulfilling this requirement. Verify that the monitors listed in the management plan are conducting reviews of DCHs.



## 6) Monitoring Frequency

### Requirement

The sponsoring organization is required to review each of its facilities three times every year. The type and timing of these reviews must follow the guidelines described below.

- At least two of the three reviews must be unannounced.
- At least one unannounced review must include observation of a meal service.
- At least one review must be made during each new facility's first four weeks of Program operations.
- The first review requirement also applies to a facility that changes sponsors or to a facility that re-enters CACFP after a break in participation.
- The amount of time between reviews may not exceed six months (unless review averaging is used, see below).
- The timing of unannounced reviews must be varied in a way that would ensure they are unpredictable to the facility [CACFP 16-2011, *Child Nutrition Reauthorization 2010: Varied Timing of Unannounced Reviews*, April 7, 2011].
- All meal types (breakfast, lunch, supper, snacks, weekend, evening, holidays)

### Remember

The requirement that the first review be made during each new facility's first four weeks of operation is designed to ensure that facilities that are new to CACFP receive an early review from their sponsor, to minimize the possibility that the facility is making critical errors that could result in large overclaims.

### Review Step

- During a review of a sponsoring organization, verify that the all of the above requirements are being met. This should be done through an analysis of the sponsoring organization's facility review records to confirm that:
  - The sponsoring organization has conducted the required number of reviews, including the required number of unannounced reviews;

- No more than six months elapsed between reviews;
- At least one unannounced review included an observation of the meal service;
- The reviews were scheduled in an unpredictable pattern; and if the sponsor allows the facilities to claim suppers, evening, or weekend meals, a proportionate number of reviews were completed during these meals and dates.

### **Review Averaging**

Review averaging allows sponsoring organizations to focus more monitoring efforts on facilities that need additional oversight and less time on facilities that have a documented history of CACFP compliance. Review averaging is conducted by averaging both total and unannounced reviews each year.

Sponsoring organizations exercising the review averaging option must have a written monitoring schedule in place at the beginning of each Federal fiscal year that includes rationale as to why a facility may be receiving more or less than the required three monitoring reviews [7 CFR 226.16(d)(4)(iv)].

**EXAMPLE:** Of the 220 DCHs sponsored by ABC Sponsorship Inc., 5 DCHs were declared seriously deficient and then the serious deficiency was deferred within the last fiscal year, and 20 DCHs were billed for over 10 percent of their annual reimbursement as overclaims within the last year. These 25 DCHs are targeted for additional reviews in the current fiscal year; a random sample of the other DCHs that are fully in compliance will be reviewed less than 3 times this year, but still within the required 9 month time frame.

## **7) Review Content - Requirement**

In addition to verifying that the sponsoring organization is meeting all of the requirements related to the frequency of facility reviews, the State agency monitor must also ensure that the content of the facility reviews meets the regulatory requirements.

Facilities must maintain child enrollment forms and meal counts onsite, for at least 12 months from the end of the claim month [7CFR 226.10(d); 7 CFR 226.18(d), (e), and (g), and CACFP 03-2009, *Record Maintenance Requirements for Family Day Care Home Providers in Child and Adult Care Food Program*, February 24, 2009].

At least 15 percent of the total number of facility reviews required must be unannounced [7 CFR 226.6(m)(6)].

### **Review Steps**

- Verify that the sponsoring organization's facility reviews include, at a minimum:
  - a. A five-day reconciliation of meal counts with enrollment and attendance forms,
  - b. Ensuring that all meals served meet the meal pattern,
  - c. Ensuring that the facility is properly licensed or approved,
  - d. Ensuring that key facility staff attended annual training,
  - e. Ensuring that menus and meal count records are accurate and up to date,
  - f. Ensuring that enrollment forms are updated annually and contain all of the necessary information,
  - g. Determining whether or not findings from previous reviews have been appropriately addressed,
  - h. Determining whether the at-risk centers they sponsor are located in eligible areas,
  - i. Verification that the WIC flyer is posted or distributed to parents; and the WIC flyer informs parents and/or guardians of enrolled children about the WIC Program and its benefits, and includes the name and telephone number of the WIC State agency and sponsoring organization, if applicable, and
  - j. Verification that the *Building for the Future Notice* is posted in DCHs or distributed to parents [FNS-317].

## 8) Five-day Reconciliations

### Requirement

As part of the review of sponsored facilities, the State agency must examine the meal counts recorded by the facility for five consecutive days during the current and/or prior claiming period [7 CFR 226.6(m)(4)].

### Remember

Do not use the day of review as one of the test days.

Reconciliations are used to highlight red flags in claiming procedures. If enrollment forms are not required, as in OSHCCs, emergency shelters,

and at-risk afterschool care centers, reconcile meal counts to attendance records.

If enrollment or attendance records are not required conduct a more general review of the facility's meal counting and claiming procedures that would not include a five-day reconciliation [CACFP 07-2005, *Conducting Five-day Reconciliations in Centers*, September 23, 2005].

### **Review Steps**

#### **For Sponsored Centers Reimbursed on a Blended Rate or a Claiming Percentage --**

- Evaluate enrollment and attendance records to ensure that they are current and accurate;
- Compare total meal counts to the center's licensed capacity; meal counts cannot exceed licensed capacity for any day unless the center is approved for shift care;
- Compare the center's total enrollment to its recorded daily attendance to ensure that the number of participants in attendance does not exceed the number of enrolled participants. If attendance exceed enrollment, for any day or for any shift, determine the source of the error and determine the overclaim, if any;
- Compare the center's total daily attendance (or if the State requires time in/out documentation) to its meal counts using any five consecutive days (that the center was open for business) of aggregate meal counts for each approved meal type to ensure that meal counts do not exceed the number of participants in attendance on any day (see Attachment 1). If meal counts and attendance cannot be reconciled, determine whether the establishment of an overclaim is necessary.

#### **For Sponsored Centers Reimbursed on Actual Daily Meal Counts --**

- When sponsored centers are reimbursed on actual daily meal counts, the meal counts are reconciled to attendance and enrollment records by participants. To make the workload more manageable, the reconciliation may be based on a random sample of children for the five-day period. For the sample, choose at least 10 percent of the number of children enrolled, with a minimum of five children's records being reconciled in sponsored centers with 50 or fewer enrolled children.

#### **For DCHs --**

- The reconciliation must include all children in care. In most cases, the monitor will choose five consecutive operating days during the current and/or last claiming period. An earlier month may be reviewed if the DCH was closed or if there is a pattern the monitor is trying to establish.

**EXAMPLE:** If a provider's meal counts routinely included the full licensed capacity of children on the Friday prior to three-day weekends, but not on other Fridays, the State agency would want to include such a Friday as part of the five day reconciliation.

- If the provider claims meals for weekends and/or holidays, these count as operating days and must be included when reviewing five days in a row.
- Identify the licensed capacity for the provider.
- Choose five consecutive days prior to the day of review from the Meal Count Record (if early in the month, refer to the Meal Count Record from the prior month, if necessary, to get five consecutive days).
- Identify the number of children in attendance during the five-day period.
- Ensure that each child received no more than two meals and one snack or one meal and two snacks for each of the five days.
- Ensure that meals are only claimed for children during these five days if current and properly approved enrollments are on file.
- Compare date of enrollment to dates that meals were claimed for each child.
- Compare meals claimed to "typical" hours and days in care per child's enrollment form.
- Compare meal counts for each meal type for the five days to ensure that no meal count totals exceed provider's licensed capacity unless the provider is approved to provide the same meal type(s) during different shifts. See Attachment 1. *Five-Day Reconciliation Worksheets (Centers and DCHs)*.

## 9) Implementation of the Serious Deficiency Process

### Requirement

Sponsoring organizations of DCHs are responsible for implementing the serious deficiency process as described in 7 CFR 226.16(l) and the *Serious Deficiency, Suspension, and Appeals CACFP Handbook* [7 CFR 226.6(m)(3)(ix)].

### Review Steps

- When the State agency monitor is evaluating facility reviews conducted by the sponsoring organization, confirm that the serious deficiency process is being implemented when there is evidence that a provider has committed one or more serious deficiencies. This will include not only ensuring the sponsoring organization is implementing the serious deficiency process accurately and completely, but that the sponsoring organization's monitoring of its facilities is sufficient to identify serious deficiencies within the facilities it sponsors.
- If the administrative review (appeal) process has been delegated to the sponsoring organization, evaluate how accurately the sponsoring organization is executing the process.

#### Remember

Prior to claims payment, the State agency must verify that independent center's or sponsoring organization's post-review claims for reimbursement do not include any meals that were disallowed by the State agency during the review.

## 10) Analyze Observations of Sponsoring Organization's Operation

Analyze the findings of facility reviews conducted by the sponsoring organization and evaluate whether or not appropriate overclaims were assessed as a result from the review findings.

Determine if the facility review findings were frequent and severe enough to be considered a serious deficiency, and if so, if the sponsoring organization took the appropriate steps to begin the serious deficiency process.

## F. Analyze Observations, Determine Corrective and Fiscal Action, and Identify Serious Deficiencies

### 1) Analyze Observations

Rather than simply state the findings, the State agency should analyze their findings of the institution's operation and administration of the CACFP, the details offered in the management plan, the claims consolidation and submission processes, the leadership and support of the governing board, the institution's self-oversight, issues that have arisen within or throughout the period since the previous review, and any other information the State may pose that will assist it in exploring why problems have occurred and what recommendations and technical assistance the State can provide to ensure problems are adequately addressed. This analysis will also identify administrative strengths that may be shared with other institutions for a stronger State Program.

Questions the State monitor may ask themselves in conducting the analysis include:

- Are there issues that the governing board should be addressing?
- Is there training that board members should be asked to attend to better administer their position within the CACFP?
- Are the communication systems between personnel or departments problematic?
- Is the institution maintaining its Viability, Capability and Accountability (VCA) as outlined and approved in its application?
- For institution's operating the CAFCP for a number of years, is the institution improving its Program on based on its increased experience in the CACFP? If not, what action might the institution need to take to improve within its administration of the VCA performance standards?

### 2) Corrective Action

If the results of the State agency verification reveal that the **institution** has incorrectly classified or reported the number of participants receiving free or reduced price meals, the institution must correct the eligibility category retroactive to the month in which the incorrect information was reported to the State agency by the institution. The State agency must also require the institution to submit a corrected claim(s) for reimbursement for the month(s) identified as incorrect or take an overclaim for the inaccurate meals claimed.

If the results of the verification show that **households** failed to provide adequate documentation to justify eligibility for free or reduced price meals, the State agency must immediately adjust the rates of reimbursement for the

institution moving forward. However, this adjustment will not take effect until the household has been informed of the action and any ensuing appeals have been heard [7 CFR 226.23(h)(5); 7 CFR 226.6(k)(5)(ii)].

### 3) Fiscal Action

Overclaims occur when an institution received more reimbursement than was actually earned based on records to support the claim. Underclaims occur when an institution receives less reimbursement than was actually earned based on the records supporting the claim. Fiscal action may be taken against any institution that fails to comply with the regulatory requirements for participation in the CACFP.

During a review, the State agency monitor will validate the claim for reimbursement filed by the institution and shall disallow any portion of the claim that is incorrect and recover any payment to an institution this is not properly payable. Should the State agency choose to adopt such policy, an underclaim may be permitted to off-set any overclaims for an institution as a result of an audit, investigation, or review [7 CFR 226.14(a)].

### 4) Common reasons for disallowing meals and snacks include (but not limited to):

- a. Claiming meals for a participant not enrolled in the Program;
- b. No written menu for claimed meals or snacks;
- c. Meals are missing component(s);
- d. Non-creditable items being counted as a food component;
- e. Less than two servings of fruit and/or vegetable component being served for lunch or supper;
- f. Planned portion sizes are not appropriate for the age of the children;
- g. DCH Provider claiming own child for meals when no other child is present;
- h. Serving meals or snacks outside of approved hours;
- i. Meal counts exceed the number of children in attendance;

#### Tip

Disallowance of meals/snacks should always result in technical assistance for an institution or facility in order to prevent future overclaiming of meals or snacks.



- j. Inadequate quantity of milk or food provided for the number of children served;
- k. Meals served with substitute of component for medical reasons without a proper medical note on file;
- l. Insufficient quantity of milk or food being purchased to meet the amount required for the claimed meal service;
- m. Meals claimed for reimbursement on a day when the center or home is not in operation; and/or
- n. Absence of daily attendance records, enrollment records, or daily meal counts to substantiate the number of meals being claimed.

In addition to fiscal action taken for other parts of the overall monitoring review, fiscal action must be taken for the following:

- Expenditures not identified in the approved budget;
- Expenditures for which there are no receipts available or for which the receipts do not support the meals served; and/or
- Audit report findings of questioned costs.
  - To close audits, the State agency must require the institution to correct any findings and take any required overclaims if any questioned costs cannot be verified as allowable costs. The State agency will then close the audit via notice to the Federal Audit Clearinghouse.
- For tier determinations made in error, the State agency must take an overclaim for meals served and claimed at the incorrect reimbursement rates based on incorrect tiering rates. If the State agency identifies that the sponsoring organization's determination of a DCH's tier status was incorrect due to something non-systemic, the sponsoring organization must correct the determination, but the State agency may be allowed forgo taking an overclaim [7 CFR 226.14(a)].

The State agency will notify the institution of any overclaims or underclaims established as a result of the review findings - either are an identification of an inaccuracy. The notification must include the basis for the action, the claim(s) that was affected, the amount of the reimbursement that will be recovered, and the method of payment options (via check or deduction from a future valid claim). A copy of the appeal procedures must be provided when there is an adverse action affecting reimbursement.

## 5) **Assessment and Accrual of Interest**

Beginning October 1, 2004, the Child Nutrition and WIC Reauthorization Act of 2004 (Public Law 108-265) allowed a disregard threshold for overpayments to child or adult care institutions participating in the CACFP at the discretion of the State agency. A disregard threshold in the amount of no greater than \$600.00 will be placed on any operational over-claim notice assessed as a result of a Program review or audit. However, no overpayment will be disregarded where there is substantial evidence of violations of criminal law or civil fraud statutes, or for any administrative overclaim or disallowed administrative expense. If an institution incurs an overclaim greater than \$600.00, the entire debt must be repaid in full within 30 days from the date of notification [7 CFR 226.14(a)].

The Program regulation at 7 CFR 226.14 is very specific in terms of the State agency's responsibility to collect debts, including an assessment of interest. Also, interest will continue to accrue on debts not paid in full within 30 days of the initial demand for remittance up to the date of payment. It is the responsibility of the State agency to notify the debtor (institution) that interest will be charged. The notification or demand must be sent to the institution by certified mail return receipt requested. If after 30 days the institution fails to remit full payment or agree to a satisfactory repayment schedule, a second written demand for the return of improper payments must be sent to the institution.

If after 30 days following the second demand, the institution does not respond to the written demand letter for the return of improper payments, the State agency staff would refer the claim to the appropriate State authority for pursuit of the debt payment. FNS defers to the State's own laws and procedures when establishing a repayment plan. The details of any repayment plan should be worked out between the State agency and the institution. As a general rule, FNS expects that State agencies will pursue debts that are established and make all reasonable efforts to collect them in full. That would include the State agency billing the institution for the entire amount, charging interest on the outstanding balance, accepting payments made by the institution, and referring the case to the State agency's collection process if initial demands are not met with payment.

Interest is computed monthly and is charged on the unpaid principal and accrues from the date of the initial demand for remittance and bill. If the bill is paid within 30 days, no interest is collected. If the bill is not paid within 30 days, interest continues to accrue from the date of the bill on any portion of the principal that remains unpaid. The appropriate rate to use is the Current Value of Funds Rate, which is published annually by the Department of the Treasury in the Federal Register and is available through the FNS Regional Office's Financial Management staff.

If the Treasury changes the interest rate prior to payment, the rate charged does not change. If the State agency has an interest rate for other bills, it must use the one established by the Treasury.

Institutions may submit funds to the State agency via check or may request an adjustment be made to subsequent eligible reimbursements the institution earns for the remainder of the current fiscal year. If the overclaim cannot be recovered within the current fiscal year in which it was assessed, **or** if the overclaim is for a prior, closed fiscal year, the State agency must:

Initiate a billing letter explaining that, since the year is closed, "Payment is due within thirty (30) days from the date of the bill. Interest at a rate of xx.x percent per annum will be computed monthly on the unpaid balance and will accrue from the date of the bill. Interest will not be assessed if paid in full within 30 days." The institution may remit a check payment **or** ask the State agency to offset a current year claim to recover the funds.

If the balance due cannot be remitted in one check, or recovered from one reimbursement payment, the State agency must calculate interest on the unpaid balance and should provide the institution with a repayment schedule detailing principal and interest.

## **6) Questions and Answers**

### **1. How should State agencies return the funds (principal and interest) to FNS for prior, closed years?**

State agencies must mail payments to the lockbox and should include both principal and interest, if interest was collected. FNS Regional Offices establish two receivables for collections involving interest, one for principal and one for interest. This is due to the fact the interest amount is returned to the Treasury and the principal amount is returned to the Program account.

If remitting a check to the lockbox, a breakdown of how much of the collection is for principal and how much is for interest should be included on the check stub. At the same time the collection is returned to the lockbox, it would be helpful if written notification (e.g., email) is sent to the FNS Regional Office financial staff. Contact your FNS Regional Office for the address for the lockbox.

### **2. What other reports must a State agency file if it assesses an overclaim for a CACFP institution?**

The State agency will need to submit a revised FNS form 44 for the months impacted by the overclaim. If the claim adjustments are for months in the current fiscal year, they can be processed in Food Programs Reporting System until the year is closed. Once the year is closed, a revised FNS 44 must be submitted in accordance with FNS policy outlined in 30/60/90-day policies and the FNS Regional Office should be consulted to provide guidance and direction as needed. In

addition, the State agency should contact the FNS Regional Office for guidance on preparing the FNS 44 when payment schedules have been negotiated since the reporting must coincide with the return of funds.

### 3. How to Identify When Findings Rise to a Serious Deficiency

An institution may be declared seriously deficient for any of the reasons listed in 7 CFR 226.6(c)(3)(ii)(A) – (U) and the State agency will exercise judgment to differentiate between occasional or minor errors and major or systemic errors. Factors to consider include:

- Frequency of the error;
- Institution's length of Program experience;
- Severity of the error; and
- Literacy level or English proficiency.

Refer to the *Serious Deficiency, Suspension, and Appeals CACFP Handbook* for details and procedures.

## G. Technical Assistance

FNS provides State Administrative Expense funds to State agencies for administrative expenses incurred in supervising and giving technical assistance to institutions participating in the CACFP.

State agencies are responsible for providing training and technical assistance to participating CACFP professionals to increase their knowledge of CACFP guidelines and Federal regulations. Reviews are designed to ensure that institutions are operating according to requirements and to provide an opportunity for the State agency monitor to give technical assistance if a need is identified during the review. Providing technical assistance at the time findings are identified will ensure that institutions and facilities are able to correct the findings expeditiously. All technical assistance provided should be documented and maintained on file to support the institution's progress [7 CFR 226.6(m)(1)].

### Best Practice

If serious deficiencies are found, inform the institution as part of the exit and alert it to the consequences of voluntary termination prior to corrective action.

Attachment 2 of this guidance provides a sample Technical Assistance Form.

## H. Exit Conference

The purpose of the exit conference is to discuss the preliminary review findings. The State agency will report Program strengths, findings, required corrective actions, and recommendations. The agenda may include the following:

- Introductions to anyone in attendance for whom introductions have not yet been made and provide them with a very brief explanation of the purpose of visit;
- Thank the director and staff for their assistance and hospitality;
- Encourage them to ask questions and to point out any findings or observations that they believe are incorrect. This is their opportunity to correct any misunderstandings or misinterpretations of policies and procedures;
- Inform them that a formal written report will be issued within the timeframe designated by the State agency, at which time a corrective action response will be required for identified findings;
- Some corrections can be immediate; such as, better documentation of fruit and/or vegetable on menus. Others require longer timeframes-- such as, computer system changes [7 CFR 226.6(c)(4)(i)-(iii)];
- Provide guidance on developing a corrective action response, if requested;
- Discuss each finding and explain what is required to be in compliance. Identify any repeat findings or observations from the previous review. Inform them of findings that require further evaluation and analysis by State agency staff. Refer to the *Serious Deficiency, Suspension, and Appeals CACFP Handbook* for details in identifying and addressing serious deficiencies;
- Commend them on any areas where they are performing well or have accomplished permanent corrective action for previous findings; and
- Ask all in attendance if they have any suggestions for future training or technical assistance on Program issues that would be beneficial to their institution.

#### Tip

Team discussions held prior to the exit conference help to avoid team inconsistencies in findings.

## I. Questions & Answers

1. **State agencies are required to review an institution once every three years. Does this mean that the review must occur within 36 calendar months from the last review? For example, if the State agency reviewed a center on January 5, 2010, would the next review have to be conducted by January 5, 2013, or could the next review occur later in Federal fiscal year 2013?**

The requirement does not restrict the State agency to a 36-month cycle. It requires reviews to be conducted within the 3-year review cycle based on a State fiscal year, Federal fiscal year, or calendar year. Therefore, a State agency using a Federal fiscal year may review a center on January 5, 2010, so the next review must be conducted no later than September 30, 2013.

- 2. The requirements for sponsoring organization monitoring of facilities are based on the assumption that most facilities participate in CACFP 12 months each year, and that they continue to participate on a full-year basis from one year to the next. Are there other scenarios that could occur?**

State agencies will need to establish requirements concerning the monitoring of facilities that participate on an other-than-year-round basis. When establishing State-level requirements, consideration may be given to the proportion of the year that a facility normally participates in CACFP.

**Note:** There are also minimum review requirements when a facility begins participation near the end of the sponsoring organization's review cycle.

If a sponsoring organization used the Federal fiscal year as its normal review cycle and a facility began operating in August, the facility would be reviewed once within four weeks during that fiscal year and during the next fiscal year beginning in October, it would be reviewed three times.

- 3. Can a child care center that is a pricing Program charge one meal rate for children ages 1-12 and a higher meal rate for infants?**

A pricing center may charge different rates for meals served to children ages 1 to 12 and for meals served to infants. However, the meal service fees that families pay must be deposited in the center's nonprofit food service account and used only for the operation or improvement of the nonprofit food service for the enrolled children and infants.

- 4. When must a five-day reconciliation be conducted?**

A five-day reconciliation must be included in each DCH review conducted by a sponsoring organization. The State agency also must conduct a five-day reconciliation for each facility it reviews during its overall review of a sponsoring organization [7 CFR 226.16(d)(4)(i)(ii); 7 CFR 226.6(m)(4)].

- 5. Does the State agency monitor need to conduct a five-day reconciliation in an independent center?**

Program regulations do not require the State agency to conduct a five-day reconciliation of an independent center.

- 6. When a facility is approved to serve meals on weekends, evenings, and/or holidays, is the State agency required to determine if the sponsoring organization has monitored these meal services?**

Yes. State agencies must, during its review of a sponsor, determine whether the sponsoring organization has made a reasonable effort to monitor all of the meal services being claimed by its facilities.

- 7. If, as part of a facility review, State agency monitors are unable to observe a meal service because the sponsoring organization indicates the facility is not having a meal service on the day of review, can the review still be counted as one of the State agency's required reviews?**

Yes. State agencies are only required to observe meal services at independent centers [7 CFR 226.6(m)(3)(vii)]. Although the observance of a meal is a good practice for facilities as well, it may not always be practical.

- 8. If enrollment forms are missing and meals are disallowed in the review month, are meal disallowances required for each month the participants were in attendance in the applicable Program year?**

State agencies have discretion on how far back to take this type of disallowance. Some State agencies may only take disallowances for the review month; some may go back three months; and others may go back to the beginning of the Program year. It is important for State agencies to have written policies and procedures to address this matter and to ensure consistency for all disallowances.

- 9. In an effort to maximize storage space, are sponsoring organizations permitted to maintain electronic copies of records, in place of paper documents for the purpose of supporting their claims for reimbursements?**

Maintaining electronic documents is certainly an acceptable practice as long as certain measures are taken to protect the integrity of the information. There is no reason for the sponsoring organization to keep both an electronic copy and a hard copy of the documents [CACFP 07-2007, *Update on Electronic Transactions*, May 1, 2007].

## Part 4. Writing a Review Report

Once the on-site review is completed, the State agency is responsible for preparing a comprehensive written report detailing the areas covered during the review. The report is addressed to the executive director, chairman of the board of directors, owner(s), and all person(s) responsible for the effective operation of the Program; i.e., Responsible Principal/Individuals (RP/I). The correspondence is sent certified mail, return receipt requested (or the equivalent private delivery service), by fax, or by email (proof of delivery required).

All deficiencies and findings found during the review must be discussed during the exit and then, to ensure and track correction of the findings, all findings must then be listed as findings in the written report. Findings are areas of noncompliance with Federal regulations the CFR, FNS Instructions, and CACFP policy memoranda; and require immediate attention. To observe findings but not discuss, document, and track their correction decreases the integrity of the review and the State agency's credibility.

### Best Practice

For each finding, provide citations from Federal regulations, FNS Instructions, or CACFP policy.

Prototypes that can be used for various review outcomes are offered as Attachment 3 of this guidance *Prototype Review Letter with No Findings*, and Attachment 4 *Prototype Review Letter with Findings*.

There are instances when the results of a review require an adjustment to the original claim for reimbursement. When this occurs, the State agency could use the disregard [Reference Part 6 of this guidance and 7 CFR 226.8(e)].

### Best Practice

Prior to issuing the review report to the institution, the State agency can conduct a second-party review of the findings and corrective action plan to ensure an accurate report.



## Part 5. Corrective Action Response

Institutions must be required to provide a written corrective action response to the review findings within the timeframe designated by the State agency. The response submitted must address each finding and include the actions being implemented by the institution to permanently correct the deficiencies found. Requiring the institution develop a corrective action response assists the institution to:

- Document that the institution's staff understands what they are doing wrong and what they need to do to make improvements;
- Document the institution's plan for improvement;
- Provide an opportunity for the State agency to evaluate and accept the corrective action or request additional information or clarification; and
- Provide sufficient detail so that during any subsequent or follow-up review a determination can be made as to whether the issues were corrected and those corrections have been permanently maintained.

Before the corrective action can be determined, the institution needs to establish **WHAT** the problem is and **WHY** it is occurring. The corrective action response must then clearly state the following:

**HOW** the problem can be prevented or eliminated. This cannot merely be a restatement of the issue, or an assurance that the mistake will not happen again. The solution must be a process – specific steps that have been taken to correct the deficiency; and what extra steps will be taken to make sure this problem does not occur again;

**WHEN** the problem was corrected (the time frame will generally be less than 30 days; and

**WHO** will be responsible for ensuring the corrections were made and written policies and/or procedures will be maintained.

For a sample that outlines a corrective action response following the Who, What, How, When, Why format, see Part 11 of this guidance, Attachment 6 *Corrective Action Plan Form*.

## Part 6. Follow-Up Reviews

Follow-up reviews can be conducted on-site, or, in some cases, by reviewing CACFP records that have been mailed, faxed, or delivered to the State agency (desk review).

Desk reviews may be conducted for issues involving paperwork, such as:

- Free and Reduced Price Meal Applications;
- Enrollment Rosters;
- Audits;
- Receipts;
- Menus;
- Claim Review;
- Five-day Reconciliation (for all meals, not just the one observed); and
- Meal Counts vs. Attendance.

### Best Practice

A follow-up review may be conducted any time corrective action is required. The purpose of the follow-up review is to ensure the institution has completely corrected the review findings, according to their approved corrective action response.

On-site reviews occur when there is a need to directly observe whether the corrective action has been implemented. These may include findings associated with:

- Meal Preparation;
- Verification of attendance;
- Meal Service (components);
- Food Safety Issues.

Follow-up reviews are generally unannounced and should be made after the State agency has accepted the corrective action response. During the follow-up review, only those Program findings of noncompliance during the initial review need to be checked, though the State agency has the authority to review any part of the Program and will need to address any findings and/or serious deficiencies that arise in a follow-up review.

If any of the initial findings still remain (remember, this is a review that uncovered only minor findings), the State agency should make a determination on whether additional corrective actions will suffice or whether to declare the institution seriously deficient.

## **Part 7. Closing the Review**

When the corrective action response is received from an institution, the State agency evaluates the submission to ensure that it is complete and that each finding has been adequately addressed. If the State agency determines the institution's response is satisfactory, the State agency will issue a letter to the institution indicating that its response was acceptable, and the review is closed.

If the corrective action response is incomplete, the State agency will inform the institution of all outstanding items and allow additional time for the institution to submit the remaining documentation.

If the corrective action response is not submitted and/or the additional documentation is inadequate, the State agency must proceed to declare the institution seriously deficient.

## Part 8. Complaints

A **Program** complaint is a verbal or written complaint in which the complainant alleges that violations of CACFP requirements have, or are taken place [7 CFR 226.6(n)].

A **civil rights** complaint is a verbal or written complaint in which the victim alleges discrimination on the basis of one or more of the six classes protected in the CACFP. Note: The USDA's nondiscrimination statement includes more protected classes than the CACFP regulations identify for Program participants. The protected classes in the CACFP include: race, color, national origin, age, sex, or disability [[USDA's nondiscrimination policy](#), 7 CFR 226.6(b)(4)(ii) and FNS Instruction 113-1, *Civil Rights Compliance and Enforcement - Nutrition Programs and Activities*].

### A. Program Complaints

Whenever the State agency receives a Program complaint it is required to promptly investigate it. Complaints may be received in either written or verbal form. State agencies must maintain on file, evidence of the investigations and any actions taken. FNS and OIG may investigate at the request of the State agency or whenever FNS or OIG determines that investigations are appropriate.

State agencies must have written processes or procedures in place to investigate institutions or facilities when complaints are received or when irregularities in Program operations are reported.

### B. Civil Rights Complaints (Discrimination in Program Participation)

When the State agency receives a written or verbal complaint of Program discrimination, it is required to forward the complaint to the USDA, Office of Civil Rights for processing. If a verbal complaint is received, the State agency can encourage the complainant to complete a USDA Program Discrimination Complaint Form at; [http://www.ascr.usda.gov/complaint\\_filing\\_cust.html](http://www.ascr.usda.gov/complaint_filing_cust.html) however, the use of the form is not a prerequisite for acceptance of a complaint. If the complainant is unable or unwilling to put the allegations in writing, the person to whom the allegations are made must write up the elements of the complaint for the complainant using the USDA *Program Discrimination Complaint Form*. Every effort should be made to have the complainant provide the following information:

1. Name, address, and telephone number or other means of contacting the complainant;
2. The specific location and name of the State agency, local agency, or other sub-recipient delivering the service or benefit;
3. The nature of the incident or action that led the complainant to feel discrimination was a factor, and an example of the method of administration that is having a disparate effect on the public, potential eligible persons, applicants, or participants;
4. The basis on which the complainant believes discrimination exists (race, color, national origin, age, sex, or disability);

5. The names, telephone numbers, Titles, and business or personal addresses of persons who may have knowledge of the alleged discriminatory action; and
6. The date(s) during which the alleged discriminatory actions occurred or, if continuing, the duration of such actions [FNS Instruction 113-1, XV].

The completed form can be sent via regular mail, e-mail, or phone, as follows:

Mail: U.S. Department of Agriculture  
Director, Office of Adjudication  
1400 Independence Avenue S.W.  
Washington, D.C. 20250-9410

Fax: (202) 690-7442

Email: [program.intake@usda.gov](mailto:program.intake@usda.gov)

Individuals who are deaf, hard of hearing, or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (Spanish).

### **C. Questions & Answers**

- 1. If an employee believed he or she was discriminated against by their employer (a CACFP institution), would that discrimination complaint need to be sent to USDA?**

No. If an employee believes that he or she was discriminated against by their CACFP institution, the employment discrimination complaint would not be sent to the USDA since employment discrimination falls under Title VII of the Civil Rights Act of 1964. Only alleged discriminations that fall under the umbrella of Title VI (Programs and activities receiving Federal financial assistance) are reported to USDA.

## Part 9. Acronyms and Glossary

**CACFP** – Child and Adult Care Food Program  
**CFR** – Code of Federal Regulations  
**CN** – Child Nutrition  
**DCH** – Day Care Home  
**FNS** – Food and Nutrition Service  
**NDL** – National Disqualified List  
**OMB** – Office of Management and Budget  
**OIG** – Office of Inspector General  
**OSHCC** - Outside School Hours Care Center  
**RP/I** – Responsible Principal/Individual  
**VCA** – Viable, Capable and Accountable  
**USDA** –United States Department of Agriculture  
**WIC** – Women, Infants and Children

For Program definitions, see the CACFP regulations at 7 CFR 226.2. Other definitions used in this handbook follow.

**Desk Review** – Review activity performed by staff while not on-site – examples include review of printed files, electronic media, etc. The entire institution or facility review cannot be accomplished via desk review.

**Finding** – Identification of noncompliance with Program regulations, FNS Instructions, or policy memos. Each finding is associated with a required corrective action.

**Federal Fiscal Year** – A period of 12 calendar months beginning October 1 of any year and ending with September 30 of the following year.

**On-site Review** – Activity performed at the institution’s and/or facility’s central office or local office, or at the Program’s operating location; i.e. activity not performed in the State agency’s office. This may include local agency visits, interviewing staff, review of computer systems, participant files, reports, forms, and records.

**Technical Assistance** – Guidance and support to local agencies to achieve regulatory compliance and Program improvement.

## Part 10. Resources

Below is a list of available resources including regulations, required notices, rates, and meal service and planning guides.

### A. General

#### **Building for the Future Notice**

This notice describes CACFP, its eligibility requirements, and the types of meals that can be served. The web link contains both the English and Spanish language versions.

<http://www.fns.usda.gov/sites/default/files/Build4Future.pdf>

#### **CACFP Meal Patterns**

[http://www.fns.usda.gov/cnd/care/programbasics/meals/meal\\_patterns.htm](http://www.fns.usda.gov/cnd/care/programbasics/meals/meal_patterns.htm)

#### **Code of Federal Regulations – CACFP related**

<http://www.fns.usda.gov/cacfp/regulations-0>

**The Dietary Guidelines for Americans** are the cornerstone for Federal nutrition policy and nutrition education activities.

<http://www.health.gov/dietaryguidelines/>

#### **Feeding Infants: A Guide for Use in the Child Nutrition Programs**

[http://www.fns.usda.gov/tn/Resources/feeding\\_infants.html](http://www.fns.usda.gov/tn/Resources/feeding_infants.html)

**Food and Nutrition Service.** FNS administers the CACFP on the Federal level.

<http://www.fns.usda.gov/>

#### **The Food Buying Guide for Child Nutrition Programs**

<http://www.fns.usda.gov/tn/resources/foodbuyingguide.html>

**The Healthy Meals Resource System** is an online information center for USDA Child Nutrition Programs and has been delivering resources to Program staff since 1995.

<http://healthymeals.nal.usda.gov>

#### **FNS Instruction 113-1 Civil rights Guidance and Enforcement – Nutrition Programs and Activities, IX, B.1**

<http://www.fns.usda.gov/cr/Documents/113-1.pdf>

#### **FNS Instruction 783-2 Accommodating Children with Special Dietary Needs**

Obtain a copy from the FNS Regional Office

#### **FNS Instruction 783-9, Rev. 2 Family-style Meal Service in the Child and Adult Care Food Program**

Obtain a copy from the FNS Regional Office

#### **Income Eligibility Handbook for School Meals**

<http://www.fns.usda.gov/cnd/Guidance/EliMan.pdf>

**MyPlate** was developed as an effort to promote healthy eating to consumers. The MyPlate icon is easy to understand and it helps to promote messages based on the 2010 Dietary Guidelines for Americans.

<http://www.choosemyplate.gov/>

**The National Food Service Management Institute**, part of the School of Applied Science at The University of Mississippi, offers in-person training at little or no cost and free online courses designed to support the professional development of Child Nutrition Program and child care personnel at all levels of responsibility. The Institute also delivers free training resources managers can use to train their staff.

<http://www.nfsmi.org/>

### **State Agency Contacts**

<http://www.fns.usda.gov/cnd/Contacts/StateDirectory.htm>

**Team Nutrition** is an initiative of the USDA Food and Nutrition Service to support the Child Nutrition Programs through training and technical assistance for foodservice, nutrition education for children and their caregivers, and school and community support for healthy eating and physical activity. Users can download recipes, activity sheets and other nutrition related materials.

<http://teamnutrition.usda.gov/Default.htm>

## **B. FNS CACFP Handbooks**

<http://www.fns.usda.gov/cacfp/cacfp-handbooks>

### **Adult Day Care Handbook**

At-risk Afterschool Care Handbook

Crediting Handbook for CACFP

Family Day Care Home Monitor Handbook

Guidance for Management Plans and Budgets

Serious Deficiency, Suspension, & Appeals for State Agencies and Sponsoring Organizations

## **C. Financial Management Resources**

2 CFR Part 225 (formerly Office of Management and Budget (OMB) Circular A-87)  
Cost Principles for State, Local, and Indian Tribal Governments

[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr225\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr225_main_02.tpl)

2 CFR Part 230 (formerly OMB Circular A-122) Cost Principles for Nonprofit Organizations

[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr230\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr230_main_02.tpl)

7 CFR 3016, Uniform Administrative Requirements for Government-wide Debarment and Suspension (Non-procurement)

<http://www.gpo.gov/fdsys/granule/CFR-2012-Title7-vol15/CFR-2012-Title7-vol15-part3016/content-detail.html>



7 CFR 3018, New Restrictions on Lobbying  
<http://cfr.regstoday.com/7cfr3018.aspx>

7 CFR 3019, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Nonprofit Organizations  
[http://www.ecfr.gov/cgi-bin/text-dx?tpl=/ecfrbrowse/Title07/7cfr3019\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-dx?tpl=/ecfrbrowse/Title07/7cfr3019_main_02.tpl)

48 CFR Part 31, Contract Cost Principles and Procedures  
[http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title48/48cfr31\\_main\\_02.tpl](http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title48/48cfr31_main_02.tpl)

#### **D. Memoranda Issued by FNS Relating to Monitoring the CACFP**

- |                    |   |
|--------------------|---|
| May 17, 2013       | CACFP 11-2013 Questions and Answers Regarding the Participation of Head Start Programs in Child Nutrition<br><a href="http://www.fns.usda.gov/sites/default/files/SP40-2013os_0.pdf">http://www.fns.usda.gov/sites/default/files/SP40-2013os_0.pdf</a>  |
| March 19, 2012     | CACFP 11-2012 Day Care Home Administrative Reimbursements: Options and Carryover Requirements<br><a href="http://www.fns.usda.gov/cnd/Care/Regs-Policy/policymemo/2012/CACFP11-2012.pdf">http://www.fns.usda.gov/cnd/Care/Regs-Policy/policymemo/2012/CACFP11-2012.pdf</a>  |
| September 15, 2011 | CACFP 21-2011, Child Nutrition Reauthorization 2010: Nutrition Requirements for Fluid Milk and Fluid Milk Substitutions<br><a href="http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2011/CACFP-21-2011.pdf">http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2011/CACFP-21-2011.pdf</a>  |
| April 7, 2011      | CACFP 16-2011, Child Nutrition Reauthorization 2010: Varied Timing of Unannounced Reviews in the Child and Adult Care Food Program<br><a href="http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2011/CACFP-16-2011.pdf">http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2011/CACFP-16-2011.pdf</a>   |
| February 24, 2009  | CACFP 03-2009 Record Maintenance Requirements for Family Day Care Home Providers in Child and Adult Care Food Program<br><a href="http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2007-2009/CACFP03-2009.pdf">http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2007-2009/CACFP03-2009.pdf</a>  |
| May 17, 2013       | CACFP 11-2013 Questions and Answers Regarding the Participation of Head Start Programs in Child Nutrition Programs<br><a href="http://www.fns.usda.gov/sites/default/files/SP40-2013os_0.pdf">http://www.fns.usda.gov/sites/default/files/SP40-2013os_0.pdf</a>   |
| January 26, 2007   | CACFP 01-2007 Retention of Records Relating to Institutions, Responsible Principals or Responsible Individuals, and Day Care Homes on the NDJ; Retention of Records Relating to Serious Deficiencies<br><a href="http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2007-2009/CACFP_01-2007.pdf">http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2007-2009/CACFP_01-2007.pdf</a> |

- May 1, 2007 CACFP 07-2007 Update on Electronic Transactions  
[http://www.fns.usda.gov/cnd/Care/Regs-Policy/policymemo/2007-2009/CACFP\\_07-2007.pdf](http://www.fns.usda.gov/cnd/Care/Regs-Policy/policymemo/2007-2009/CACFP_07-2007.pdf)
- September 23, 2005 CACFP 07-2005 Conducting Five-day Reconciliations in Centers  
<http://www.fns.usda.gov/sites/default/files/2005-09-23- a.pdf>
- December 23, 2004 Additional Guidance on the Child and Adult Care Food Program Second Interim Rule  
<http://www.fns.usda.gov/cnd/care/Regs-Policy/policymemo/2004-2006/2004-12-23.pdf>
- May 17, 2002 Obligation to Offer Infant Meals  
<http://www.fns.usda.gov/cnd/Care/Regs-Policy/policymemo/2000-2003/2002-05-17.pdf>
- August 13, 1998 Audit Requirements - CACFP Proprietary Title XIX and Title XX Institutions  
<http://www.fns.usda.gov/cnd/Care/Regs-Policy/policymemo/1999-1996/1998-8-13.pdf>

## **Part 11. Attachments**

Attachment 1. Five-Day Reconciliation Worksheets (Centers and DCHs)

Attachment 2. Prototype Technical Assistance Form

Attachment 3. Prototype Review Letter with No Findings

Attachment 4. Prototype Review Letter with Findings

Attachment 5. Spot Checks and Red Flags in Financial Management Reviews of Institutions, specifically Sponsoring Organizations

Attachment 6. Corrective Action Plan Form

Attachment 7. Prototype Medical Statement (Developed by the FNS Mid-Atlantic Regional Office)

## Attachment 1

### Five-Day Reconciliation Worksheet for Sponsored Centers

For centers, you reconcile by the numbers. The highlighted parts are the numbers the monitor should question the center about and request clarifications.

Five-Day Reconciliation Worksheet for Sponsored Centers  
License Capacity: 55

	Enrollment	Attendance	Breakfast	AM Snack	Lunch	PM Snack	Supper	Evening Snack
Day 1:	50	45	45		45	45		
Day 2:	50	50	50		50	50		
Day 3:	50	50	50		50	50		
Day 4:	50	50	50		50	50		
Day 5:	50	40	45		45	45		
Total	250	235	240	0	240	240	0	0

**Extra review observation for a monthly claim:** Is it reasonable that the same number of meals were served for all meals for all children in care for all 5 days? This would indicate that all children in attendance were in care all day long for all days. Also note that attendance for Day 5 is 40, but the center is claiming 45 meals.

## Five-Day Reconciliation Worksheet for Day Care Homes

For DCH, you reconcile by the child. The example below has two charts, one collects information on enrollment and attendance and the other collects meal counts. Compare the number of meals served (2nd chart) to the number of children in attendance (1st chart) for that meal.

**For example:** On Day 2 and Day 5 (highlighted), the monitor can ask the provider why they claimed 4 breakfasts and/or snacks when there were only 3 children in attendance at those times and why they claimed more meals than attendance.

Day Care Home  
Licensed Capacity: 8

Child Names:	Enrollment		Attendance				
	Day(s)*	Time	Day 1	Day 2	Day 3	Day 4	Day 5
#1 Maria F.	M-F	8am-5pm	1		1	1	1
#2 Kevin K.	M-F	8am-5pm	1	1	1		
#3 Katie L.	M-F	8am-5pm	1	1	1	1	1
#4 Brian M.	M-F	8am-5pm	1	1	1	1	1
#5 Jose P.	M-F	noon-6pm		1	1	1	1
#6 Taylor P.	M-F	noon-6pm		1	1	1	1
#7							
#8							
Total			4	5	6	5	5

\*Day(s) = days of the week the child attends day care

	Breakfast	AM Snack	Lunch	PM Snack	Supper	Evening Snack
Day 1	4	4	4			
Day 2	4	4	6		2	
Day 3	4	4	6		2	
Day 4	3	3	5		2	
Day 5	4	4	6		2	
Total	19	19	28	0	8	0

## Attachment 2

### TECHNICAL ASSISTANCE FORM – Prototype

All or parts of this form can be used as part of technical assistance documentation while leading an institution through Program requirements

INSTITUTION \_\_\_\_\_

1. Approved Application and agreement package
  - Current license
  - IRS documentation
  - Other documentation
2. Enrollment/Income eligibility forms
  - Current Income eligibility form for each enrolled child
  - Completed enrollment forms that are updated annually
  - Both forms are valid for 12 months and must be signed and dated by a parent or legal guardian
3. Master Enrollment form
  - Lists enrolled children and must correspond with income eligibility forms
4. Attendance Records
  - Must be taken daily
  - Daily and Monthly totals must correspond
5. Daily meal counts
  - Must be taken at point of service (when participants are actually receiving meals)
  - The State agency must be notified of all field trips away from the independent center during meal service times
6. Menus
  - All meals served must meet USDA meal pattern requirements
  - All menus must be dated daily
  - All meals must correspond with food production records or itemized receipts
7. Documentation of meal service labor and administrative labor
8. Itemized receipts
  - Monthly (food)
  - Monthly non-food expenses (supplies related to food Program)
9. Reimbursement Claims
  - Method (actual, percentage and blended)
  - Deadline for submitting to State agency
10. Food Service Account
  - Must be able to track CACFP monies separate from other funds if a separate is not used

11. Training

Staff must be trained on CACFP requirements at least once a year and documentation of this training must be maintained

12. Civil Rights Compliance

All the above areas have been explained to Institution Representatives - whose signature appears below and the Institution has a workable knowledge of the CACFP rules and regulations

13. Record Retention

All records must be kept (at a minimum) for three years plus the current year. Some records must be maintained for longer periods of time or permanently such as: applications and agreements, records related to serious deficiencies, documentation of nonprofit status, etc.

REMARKS:

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\_\_\_\_\_  
Technical Assistance  
State Representative  
SIGNATURE

\_\_\_\_\_  
Institution Representative  
SIGNATURE

Date \_\_\_\_\_

Date \_\_\_\_\_

### Attachment 3

#### Review Letter with No Findings

Date

Name(s) and Title(s) of all RP/Is  
Address

CACFP Agreement No.

Dear \_\_\_\_\_:

Thank you for the courtesy and cooperation you and your staff extended to our representatives during the [date] Child and Adult Care Food Program (CACFP) review. The purpose of this review was to assess your organization's administration of the CACFP and to provide technical assistance to strengthen Program management and integrity.

Our reviewers examined CACFP documentation such as income eligibility forms, enrollment forms, master enrollments lists, attendance records, meal count records, menu records, and food service cost records. The review focused on the records supporting your [month/year] claim for reimbursement. We also assessed compliance with civil rights requirements and observed a meal service.

All areas reviewed were found to be in compliance with regulatory requirements. A response to this letter is not required as no deficiencies were noted.

We appreciate your efforts in ensuring proper management and integrity of the Program. If you have any questions, you can contact [reviewer's name] at [telephone number] or via e-mail at [e-mail].

Sincerely,

State agency representative



## Attachment 4

### Review Letter with Findings

*[Best practice: send Certified Mail – Return Receipt Requested]*

Date

Name(s) and Title(s) of all RP/Is  
Address

CACFP Agreement No.

Dear \_\_\_\_\_:

Thank you for the courtesy and cooperation you and your staff extended to our representatives during the [date] Child and Adult Care Food Program (CACFP) administrative review. The purpose of this review was to assess your organization's administration of the CACFP and to provide technical assistance to strengthen Program management and integrity.

Our reviewers examined CACFP documentation such as income eligibility forms, enrollment forms, master enrollment lists, attendance records, meal count records, menu records and food service cost records. The review focused on the records supporting your [month/year] claim for reimbursement. We also assessed compliance with civil rights requirements and observed a meal service.

The following deficiencies were identified in your Program operation and require corrective action. The institution must outline what action it will take to correct each finding; this will include who will take the corrective action, who will be responsible for ensuring the correction occurs, by what date the correction will be made. This corrective action may require changes in procedures, staffing changes, etc. All detail regarding changes will need to be in the corrective action response.

### Findings

List each finding providing detailed explanations and cite applicable regulations; identify the date by which the correction must be made, and identify the overclaim associated with the finding, if applicable.

If the review resulted in an overclaim, the following paragraph would be included in the review letter.

As a result of the errors noted with the meal counts and income eligibility statements, we recalculated your [review month] claim and determined an overclaim of [XX.XX]. An adjusted claim for reimbursement must be submitted as part of your corrective action response.

Finally, in compliance with 7 CFR 226.6(k) of the CACFP Regulations, you have the right to appeal the overclaim decision. A copy of your appeal rights is enclosed for your information. If you decide to appeal the overclaim, please ensure that you follow these

procedures exactly. Failure to comply may result in the denial of your request for an appeal.

Please prepare and submit a corrective action plan advising this office of the action taken to correct the deficiencies noted above. Describe, in detail, the corrective actions taken to permanently eliminate the problems identified. Failure to correct these problems may result in a notice of serious deficiency issued to your institution. The corrective action response must be received in the State office by [date], not simply postmarked by this date.

If you have any questions regarding this letter or your CACFP operation, please do not hesitate to contact [reviewer's name] at [telephone number].

Sincerely,

State agency representative

Enclosures: Calculation Worksheet

Appeal Procedures

## Attachment 5

### Spot Checks and Red flags for the Financial Management Reviews of Institutions, Specifically Sponsoring Organizations

Sponsoring organizations develop their financial management systems in a number of different ways. State agency monitors will need to constantly modify their monitoring practices to improve their skills and procedures in evaluating fiscal records to better understand each institution's systems, to ensure institutions' fiscal viability, and/or to identify mismanagement.

#### Insufficient funds (ISF) charges

##### Review steps

- Review the bank statement for any ISF charges. If ISF charges are claimed as administrative costs, they are unallowable, so must be overclaimed.

**Note:** If these charges have not been claimed for CACFP reimbursement, there is still a concern for the CACFP. ISF charges indicate poor management of funds and poor accountability.

#### Invoices

##### Review step

- Spot check to ensure the addresses for invoices for which payment has been made match the addresses used for issuing and mailing payments (including electronic systems) to verify that payments are made for only valid invoices.

#### Check cashing irregularities

- a. Examples of check clearing irregularities include large blocks of skipped check numbers without explanation; checks that are more than 6 months old clearing the account, checks clearing the bank before the date the check was written; and checks written in excess of available funds. If any of these irregularities are identified, make copies of the check registers, bank statements and bank reconciliations and conduct further investigation of records of providers and/or vendors to address concerns.

##### Review step

- Scan the check register, bank statements, and bank reconciliations for the patterns.
- b. Checks outstanding for more than 2 months could indicate that the sponsoring organization is asking or requiring providers to delay cashing their checks, or the sponsoring organization may have claimed for homes not operating, or may have diverted checks. There may be additional information to be gained by investigating this issue with the providers who have delayed cashing their reimbursement checks.

### **Review step**

- To evaluate check cashing irregularities, make a list of check numbers that are outstanding on the review month's bank statement and of the check numbers outstanding from the bank statement for one month prior to the review month. Identify the providers associated with these check numbers and determine if and which providers are delaying cashing their checks for more than two months. This irregularity flags a number of possible concerns which warrant additional investigation.

### **Distribution of funds**

#### **Review Step**

- List the providers whose numbers were in the sponsoring organization's consolidation and compare that list with the payment record to ensure all providers were actually paid. If all were matched, spot check that the number of meals the provider served match the number claimed by the sponsoring organization to ensure the sponsor is correctly consolidating the claim and that providers are receiving accurate reimbursement.

### **Misuse of provider funds**

Funds from the provider account, or the providers' share of funds in a co-mingled account must be expended for only providers' reimbursement.

#### **Review steps**

- Using the bank statement for the provider's bank account, identify any payments made from the provider account which were not made to providers for reimbursement payments.
- If the sponsoring organization is using one bank account for its administrative reimbursement and for provider reimbursement -- a co-mingled account -- ensure that on the day prior to the date provider checks were written, there were sufficient funds in the account to cover all provider payments and all outstanding checks.

### **Operating on floating funds**

If checks for provider reimbursements and/or for administrative expenses have been sent with the expectation they will be processed for withdrawal at the bank on a date following the date of an expected deposit, the sponsoring organization's viability would come into question and its financial system determined unaccountable.

#### **Review step**

- Compute the amount for checks that were outstanding on or before the date of the lowest balance.

To do this, you will need the bank statement, check register, and bank reconciliation. The bank statement identifies the checks that have cleared the bank by date. The check register will list the check number, date the check was written and the amount. The bank reconciliation will identify the check number and amount of all checks outstanding (not yet cleared through the bank).

The outstanding checks will be in two sections. Checks written on or before the last day of the bank statement; and those written after the last day of the bank statement through to the date the reconciliation was performed.

## **Observations**

### **Review steps**

- Look for unexpected payments—e.g., payments to board members, property tax payments when rent is claimed, more than one check to the same vendor – for example, rent payments made more than once per month, all employees paid every two weeks, except one employee paid monthly or weekly; checks written to cash; personal-expense-type checks such as to doctors, school tuition, grocery, and department stores.
- Look for checks written for cash; there are few instances when a cash payment is appropriate from a business account.

### **State agency action**

For observations of irregularities that cannot be validated as acceptable, the State agency must require corrective and/or fiscal action, and must determine if the institution is seriously deficient.

**Attachment 6**

**[State agency]  
Child and Adult Care Food Program (CACFP)  
Corrective Action Plan for**

**Name of institution** \_\_\_\_\_ **Agreement #** \_\_\_\_\_

**Review #** \_\_\_\_\_ **Operational Weakness #** \_\_\_\_\_

Instructions: A separate corrective plan should be prepared for each operational weakness. It is also better to prepare a separate form for each part of an operational weakness (1a, 1b, etc.), to insure you respond to each issue.

**A. Operational Weakness:** Explain what the institution is doing that is inaccurate.

**B. What and How** (list **what** processes and/or procedures will be implemented to correct the operational weakness and **how** will the institution ensure that the processes and/or procedures are followed consistently in order to prevent future operational weaknesses):

**C. Who** (list all persons, including their titles, involved in correcting the operational weakness and preventing it from recurring in the future):

**D. When** (this is the implementation date. When will the procedure for addressing the operational weakness begin? How often will the procedure be done; i.e., daily, weekly, monthly, etc.)

**E. Identify the supporting documentation included with this CAP which verifies corrections were made or will be implemented.** (This might include copies of training documentation, site monitoring reports, attendance records, meal count forms, etc.)

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Attachment 7**

**MEDICAL STATEMENT TO REQUEST  
SPECIAL MEALS AND/OR ACCOMMODATIONS**

1. School/Agency Name	2. Site Name	3. Site Telephone Number	
4. Name of Participant		5. Age or Date of Birth	
6. Name of Parent or Guardian		7. Telephone Number	
<p><b>8. Check One:</b></p> <p><input type="checkbox"/> Participant has a disability or a medical condition and <i>requires</i> a special meal or accommodation. (Refer to instructions on reverse side of this form.) Schools and agencies participating in federal nutrition programs must comply with requests for special meals and any adaptive equipment. <b>A licensed physician must sign this form.</b></p> <p><input type="checkbox"/> Participant does not have a disability, but is requesting a special meal or accommodation due to food intolerance(s) or other medical reasons. Food preferences are not an appropriate use of this form. Schools and agencies participating in federal nutrition programs are encouraged to accommodate reasonable requests. <b>A licensed physician, physician's assistant, or nurse practitioner must sign this form.</b></p> <p><input type="checkbox"/> Participant does not have a disability, but is requesting a special accommodation for a <b>fluid milk substitute</b> that meets the nutrient standards for non-dairy beverages offered as milk substitutes. Food preferences are not an appropriate use of this form. Schools and agencies participating in federal nutrition programs are encouraged to accommodate reasonable requests. <b>A licensed physician, physician's assistant, nurse practitioner or parent or guardian may sign this form.</b></p>			
9. Disability or medical condition requiring a special meal or accommodation:			
10. If participant has a disability, provide a brief description of participant's major life activity affected by the disability:			
11. Diet prescription and/or accommodation: <i>(please describe in detail to ensure proper implementation-use extra pages as needed)</i>			
12. Foods to be omitted and substitutions: <i>(please list specific foods to be omitted and suggested substitutions. you may attach a sheet with additional information as needed)</i>			
<b>A. Foods To Be Omitted</b>		<b>B. Suggested Substitutions</b>	
13. Indicate texture:			
<input type="checkbox"/> Regular	<input type="checkbox"/> Chopped	<input type="checkbox"/> Ground	<input type="checkbox"/> Pureed
14. Adaptive Equipment:			
15. Signature of Preparer*	16. Printed Name	17. Telephone Number	18. Date
19. Signature of Medical Authority*	20. Printed Name	21. Telephone Number	22. Date

\* Physician's signature is required for participants with a disability. For participants without a disability, a licensed physician, physician's assistant, or nurse practitioner must sign the form. Parent/legal guardian signature is acceptable for fluid milk substitution for a child with special medical or dietary needs other than a disability.



The information on this form should be updated to reflect the current medical and/or nutritional needs of the participant.

The U.S Department of Agriculture prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.)

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Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at [program.intake@usda.gov](mailto:program.intake@usda.gov). Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339; or (800) 845-6136 (Spanish).

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# REQUEST for SPECIAL MEALS AND/OR ACCOMMODATIONS

## INSTRUCTIONS

1. **School/Agency:** Print the name of the school or agency that is providing the form to the parent.
2. **Site:** Print the name of the site where meals will be served (e.g., school site, child care center, community center, etc.)
3. **Site Telephone Number:** Print the telephone number of site where meal will be served. See #2.
4. **Name of Participant:** Print the name of the child or adult participant to whom the information pertains.
5. **Age of Participant:** Print the age of the participant. For infants, please use Date of Birth.
6. **Name of Parent or Guardian:** Print the name of the person requesting the participant's medical statement.
7. **Telephone Number:** Print the telephone number of parent or guardian.
8. **Check One:** Check (✓) a box to indicate whether participant has a disability or does not have a disability.
9. **Disability or Medical Condition Requiring a Special Meal or Accommodation:** Describe the medical condition that requires a special meal or accommodation (e.g., juvenile diabetes, allergy to peanuts, etc.)
10. **If Participant has a Disability, Provide a Brief Description of Participant's Major Life Activity Affected by the Disability:** Describe how physical or medical condition affects disability. For example: "Allergy to peanuts causes a life-threatening reaction."
11. **Diet Prescription and/or Accommodation:** Describe a specific diet or accommodation that has been prescribed by a physician, or describe diet modification requested for a non-disabling condition. For example: "All foods must be either in liquid or pureed form. Participant cannot consume any solid foods."
12. **Indicate Texture:** Check (✓) a box to indicate the type of texture of food that is required. If the participant does not need any modification, check "Regular".
13. **A. Foods to Be Omitted:** List specific foods that must be omitted. For example, "exclude fluid milk."  
**B. Suggested Substitutions:** List specific foods to include in the diet. For example, "calcium fortified juice."
14. **Adaptive Equipment:** Describe specific equipment required to assist the participant with dining. (Examples may include a sippy cup, a large handled spoon, wheel-chair accessible furniture, etc.)
15. **Signature of Preparer:** Signature of person completing form.
16. **Printed Name:** Print name of person completing form.
17. **Telephone Number:** Telephone number of person completing form.
18. **Date:** Date preparer signed form.
19. **Signature of Medical Authority:** Signature of medical authority requesting the special meal or accommodation.
20. **Printed Name:** Print name of medical authority.
21. **Telephone Number:** Telephone number of medical authority.
22. **Date:** Date medical authority signed form.

The American with Disabilities Act Amendment Act defines a "disability," in part, as a physical or mental impairment that substantially limits a major life activity or major bodily function of an individual.

**(For additional information on the definition of disability, please refer to Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act Amendments Act of 2008)**

Information regarding the ADAAA, which expanded the definition of disability, can be found at: <http://www.law.georgetown.edu/archiveada/documents/ComparisonofADAandADAAA.pdf>