United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive Alexandria, VA 22302-1500

DATE: March 19, 2014

MEMO CODE: CACFP 09-2014

SUBJECT: Guidance on Reallocation of Child and Adult Care Food Program (CACFP) Audit Funds

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child and Adult Care Food Programs
All States

This memorandum provides the information needed to conduct the fiscal year (FY) 2014 reallocation of CACFP audit funds. Reallocation is the process by which State agencies can request additional CACFP audit funds above their initial authorized funding level. The availability of CACFP audit funds for reallocation in future years cannot be guaranteed. State agencies that request funds should focus their need for resources on audit activities that are critical to CACFP.

The following are the **key requirements** related to the reallocation of CACFP audit funds.

1. Requests must be for allowable uses of CACFP audit funds, including:
   a. funding the CACFP portion of organization-wide audits and the resulting CACFP audit resolution activities;
   b. conducting, handling and processing CACFP-related audits and performing the resulting audit resolution activities, and;
   c. conducting administrative reviews of CACFP, provided that all required program specific audits have been performed.

2. Allowable costs include, but are not limited to: salaries, the purchase of equipment, information technology and systems projects (please see Attachment A, *Guidance for ITS Procurements*), technical assistance to CACFP organizations and State agency staff and travel expenses. However, to be funded, such costs must be incurred strictly to meet the audit requirements of §226.8 and, subsequent to the completion of the administrative review requirements of §226.6.

3. State agency requests must be submitted to Regional Offices (ROs) by **Monday**, **April 14, 2014**. Requests must include a justification for funds that describes what activity will be performed and why the activity is needed. It is critical this year that all ROs complete and submit Attachment B, *Fiscal Year (FY) 2014 CACFP Audit Reallocation Request*.

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4. The reallocated funds must be obligated by **September 30, 2015** and expended by **December 15, 2015**.

5. The amount of State Administrative Expense (SAE) funds that a State agency anticipates carrying over into FY 2014, as indicated on the *SAE Funds Reallocation Report* (FNS-525), will be a factor in approval of reallocated audit funds. A State agency that does not anticipate having SAE carryover funds will have higher priority to receive reallocated audit funds.

6. Effective use of the reallocated audit funds received by a State agency in previous fiscal years will be considered if funds become available for reallocation in future years.

7. State agencies that receive reallocated CACFP audit funds must report on the use of funds on the *Federal Financial Report* (SF-425). State agencies must submit an SF-425 report to the Financial Management Director in the Regional Office no later than 90 days after the end of each FY.

The following are the roles and responsibilities of the RO and Headquarters.

Regional Offices

- Review the State agency's justification for funds which includes a description of what activity will be performed and why the activity is needed.

- Recommend for approval only requests meeting the above guidelines.

- Rank each State agency's request recommended for approval from high to low priority based on the RO's perceived needs of State agencies and discussions with each State agency. A discussion of the reasons for each ranking must be included along with the RO's recommendation.

Headquarters

- Review all reallocation requests recommended for approval.

- Make final funding determinations based on the availability of funds and the merits of the individual requests.

- Prioritize the requests based on RO recommendations if the requests exceed the amount of funds available.

- Issue allowances to ROs with reallocation adjustments.

By **Monday, May 5, 2014**, ROs must submit to Headquarters:

1) **All reallocation requests recommended for approval;**

2) **Supporting justifications, Attachment B; and**

3) **A ranking of each State agency's request, high priority to low priority**

Requests must be submitted by Monday, May 5th to allow time for requests to be reviewed and prioritized so that Headquarters can fund the requests in May 2014. Due to the time limitations for reallocating CACFP audit funds, if requests are not received by this date, they may not be considered.

Send request via e-mail or hard copy to Vivian Lees at vivian.lees@usda.fns.gov with a cc to Ann McMahon at ann.mcmahon@fns.usda.gov.

The following table provides some key Audit Reallocation dates:

Key Dates

April 14, 2014	**SAs submit requests to RO**
May 5, 2014	**ROs submit to FNS HQ all State agency proposals and Attachment Bs**
May 2014	**FNS HQ notifies ROs of results**
September 30, 2015	**Reallocated funds must be fully obligated**
December 15, 2015	**Reallocated funds must be fully expended**

State agencies should contact their RO with any questions.

Original Signed

Cynthia Long
Deputy Administrator
Child Nutrition Programs

Attachments

Guidance for Information Technology and Systems (ITS) Procurements

The purpose of this abbreviated guidance is to assist State agencies (SAs) with accurately estimating costs and managing ITS[1] requests.

This guidance is intended to serve as a baseline for those SAs and FNS staff that must prepare, review, and/or approve plans for the development and acquisition of State ITS projects that support the National School Lunch (NSLP), Child and Adult Care Food (CACFP), Summer Food Service (SFSP) and the School Breakfast (SBP) programs. It is important to be familiar with the legislation, regulations, and policies that pertain to each FNS program before submitting requests for funding.

FNS has identified several recurring issues associated with the approval process which may delay the approval process. Examples of some recurring issues include the following:

- Insufficient understanding of the impact and resources involved in the anticipated data conversion strategy and schedule.

- Incomplete cost allocation methodology that excludes State-only cases or all participating Federal programs.

- Inadequate descriptions of the methodology, costs, and assignment of responsibilities for system maintenance and operations.

- Insufficient funding for user training and user support functions.

- Exclusion of State staff costs as part of the project's budget.

- Inadequate time in the project schedule to assess the full impact on business processes, change business rules where necessary, and prepare staff for the transition.

- Lack of familiarity with the dollar thresholds requiring FNS approval[2].

- Underestimation of the strain of new ITS development on the entire organization.

- Not involving State ITS and procurement staff throughout the project. State program staff may be unaware of State standards, current procurements and contracts, and even conflicts with existing development efforts.

- Lack of current technical knowledge and expertise within the State agency to write or review documents such as requests for proposals (RFP), contracts, system design, and functional requirements, which can render a State vulnerable to the contractors' idea of what would be best—and have costly consequences.

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[1] For purposes of this guidance "ITS" should be considered interchangeable with: information technology (IT), management information systems, and automated data processing (ADP).

[2] Refer to 2 CFR 225 *Cost Principles for State, Local, and Indian Tribal Governments* (OMB Circular A-87).

FNS staff will be available to answer questions and provide technical assistance to any SA that requests assistance in their ITS project planning process.

Assistance can be provided with matters such as:

- Providing guidance in developing request documents.

- Providing most up-to-date policy, procedures, and requirements.

- Reviewing hardware/software requests with focus on costs and compatibility with existing system.

- Clarifying technical terms found in documents.

- Providing current information on technology products.

- Interfacing with other Federal agencies.

- Responding to official requests regarding the State Administrative Expense (SAE) and CACFP Audit funds formulation process or SAE/CACFP Audit Fund reallocation requests (e.g., Freedom of Information Act (FOIA), General Accounting Office (GAO)).

- Providing information on conferences and/or training opportunities.

- Conducting meetings and/or conference calls to discuss items of concern to one or more States.

Regardless of which System Development Life Cycle (SDLC) phase an SA may be in, all SAs administering Child Nutrition Programs must follow the same process when requesting reallocated funds to procure software, hardware, and contractual services for ITS purposes and are responsible for ensuring the allowable and effective use of these funds.

FISCAL YEAR 2014 CACFP AUDIT FUND REALLOCATION REQUEST

State Agency: _____

Total amount requested by SA: $ _____

Ranking provided by RO: _____

Amount of funds denied by RO: $ _____

Does the SA have any any unspent FY 13 CACFP Audit Funds? **Yes** ☐ **No** ☐

If **Yes**, please list the amount $_____

In the chart below, provide a list of the SAs prior years' reallocation projects funded (activities and items, including all ITS projects).

Fiscal Year	$ Amount Approved	List approved item(s) and activities
FY 11		
FY 12		
FY 13		

In the space below, provide an **Itemization, Justification,** and **Recommendation** for the SAs current reallocation request. The Itemizations should detail all costs associated with training, testing, indirect costs, implementation, supplies, etc.

a) Itemization of each element of the project and the estimated cost of each element

1.
2.
3.

b) Justification for each item listed above

c) RO recommendation for each item requested