



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive
Alexandria, VA
22302-1500

DATE: February 19, 2015

MEMO CODE: CACFP 07-2015

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) 2015 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 **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 7 CFR 226.8, and subsequent to the completion of the administrative review requirements of 7 CFR 226.6.
3. State agency requests must be submitted to FNS regional offices by **March 18, 2015**. 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 regional offices complete and submit Attachment B, *Fiscal Year (FY) 2015 CACFP Audit Reallocation Request*.

4. The reallocated CACFP Audit funds must be obligated by **September 30, 2016** and expended by **December 15, 2016**.
5. The amount of State Administrative Expense (SAE) funds that a State agency anticipates carrying over into FY 2015, 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 CACFP 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). SF-425s are due no later than 90 days after the end of the report period.
8. **New Reporting Procedures for SF-425:** To facilitate a more efficient tracking process and increase reporting integrity, the SF-425 for reallocated CACFP Audit funds was incorporated into the Food Program Reporting System (FPRS) in FY 2014. Previously, State agencies submitted the SF-425 to the FNS regional Financial Management Director.
In FY 2015, and all subsequent years, State agencies must submit an Annual and a Final SF-425 for these funds in FPRS (please see Attachment C. *Reporting Instructions* for more information).

The following are the roles and responsibilities of FNS regional and national offices.

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 which is recommended for approval from high to low priority, based on the regional office'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 regional office's recommendation.

National Office

- 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 regional office recommendations if the requests exceed the amount of funds available.
- Issue allowances to regional offices with reallocation adjustments.

By **April 10, 2015**, regional offices must submit to national office:

- 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 April 10th to allow time for requests to be reviewed and prioritized so that the national office can fund the requests in May 2015. Due to the time limitations for reallocating CACFP Audit funds, if requests are not received by this date, they may not be considered.

Regional offices should send all funding requests via e-mail to the CN State Systems mailbox at cnstatesystems@fns.usda.gov. Please be sure the subject line contains “**FY2015 CACFP Audit Reallocation – [add region and State(s) name].**”

The following table provides some key dates for CACFP Audit fund reallocation:

March 18, 2015	State agencies submit requests to FNS regional office
April 10, 2015	Regional offices submit to national office all State agency proposals and Attachment Bs
May 2015	National office notifies regional offices of results
September 30, 2016	Reallocated funds must be fully obligated
December 15, 2016	Reallocated funds must be fully expended
December 29, 2015*	State agencies submit Annual SF-425 in FPRS
December 29, 2016*	State agencies submit Final SF-425 in FPRS

*See Attachment C. *Reporting Instructions* for more information.

State agencies should contact their respective FNS regional office with any questions.

Original Signed

Sarah E. Smith-Holmes
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs

Attachments

Guidance for Information Technology and Systems (ITS) Procurements

The purpose of this abbreviated guidance is to assist State agencies with accurately estimating costs and managing ITS¹ requests.

This guidance is intended to serve as a baseline for those State agencies and FNS staff who must prepare, review, and/or approve plans for the development and acquisition of State ITS projects that support the Child Nutrition Programs (CNPs) including child nutrition related Food Distribution 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, such as missed requirements or the need for multiple document clarifications, 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 approval².
- 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.

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 current OMB guidance for *Cost Principles for State, Local, and Indian Tribal Governments*.

FNS staff will be available to answer questions and provide technical assistance to any State agency 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 State Administrative Expense (SAE) and CACFP Audit funds formulations 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 a State agency may be in, all State agencies administering CNPs 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 2015 CACFP AUDIT FUND REALLOCATION REQUEST

State agency: _____

Total amount requested by State agency: \$ _____

Ranking provided by regional office: _____

Amount of funds denied by regional office: \$ _____

Does the State agency have any any unspent FY 14 CACFP Audit Funds? **Yes** **No**

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

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

Fiscal Year	\$ Amount Approved	List approved item(s) and activities
FY 12		
FY 13		
FY 14		

In the space below, provide an **Itemization, Justification, and Recommendation** for the State agency's 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) Regional office recommendation for each item requested

REPORTING INSTRUCTIONS: “CN-CACFP-AUDIT” (SF-425) in FPRS

To facilitate a more efficient tracking process and increase reporting integrity, the required *Federal Financial Report* (SF-425) for reallocated CACFP Audit funds was incorporated into the Food Program Reporting System (FPRS) under the program title “CN-CACFP-AUDIT”.

All SF-425s for reallocated CACFP Audit funds must be reported in FPRS.

The timing of the reports has not changed. SF-425s for FY 2015 reallocated CACFP Audit Funds will be due no later than 90 days after the end of the report period.

State agencies will submit and certify the CN-CACFP-AUDIT (SF-425) in FPRS as follows:

- Annual report will be due no later than **December 29, 2015**
- Final report will be due no later than **December 29, 2016**

FNS regional offices will review for accuracy and post reports certified by the State agency.

State agencies and regional offices should follow the instructions below to gain access to the form in FPRS.

Instructions for Accessing the CN-CACFP-AUDIT (SF-425) in FPRS

- To gain access to the CN-CACFP-AUDIT (SF-425) in FPRS, State agency and FNS regional office users must complete an FNS Computer System Access Request (FNS-674). This form is found on the “Welcome to FPRS” page of the FPRS website.
- State agencies may access the FPRS website here: <https://fprs.fns.usda.gov/>.
- Regional office staff may access FPRS by clicking the link above or from the FNS intranet site by clicking the “Restricted Access Sites” section on the left menu and then clicking on “FPRS.”
- State agencies and regional office staff must submit their FNS-674s with their supervisor’s approval to their designated FNS regional office Authorizing Official.
- Once the appropriate approvals are obtained, the regional office Authorizing Official should forward all approved FNS-674 forms for both State agency and regional office users to the FNS national office.

Questions? Contact: FPRS.support@fns.usda.gov; or call the FPRS Help Desk: 1-866-336-3777