



March 29, 2005

**United States
Department of
Agriculture**

Food and
Nutrition
Service

3101 Park
Center Drive
Alexandria, VA
22302-1500

SUBJECT: Transfer of Data Related to the Child and Adult Care Food Program and the Food Stamp Program

TO:

Special Nutrition Programs	Food Stamp Program
All Regions	All Regions
State Agencies	State Agencies
Child Nutrition Programs	Food Stamp Program
All States	All States

On September 1, 2004, Food and Nutrition Service (FNS) published an interim rule, "Child and Adult Care Food Program; Improving Management and Program Integrity" (69 FR 53502). This memorandum explains a provision in that rule requiring State agencies that administer the Child and Adult Care Food Program (CACFP) to share information with State agencies that administer the Food Stamp Program (FSP), effective April 1, 2005.

History

In several audits conducted during the late 1990s, USDA's Office of the Inspector General (OIG) expressed concern about the adequacy of financial and administrative controls in the CACFP and recommended changes to review and monitoring requirements.

The CACFP reimburses sponsoring organizations for eligible meals served by their family day care home providers. Reimbursement is made at two levels: a higher rate, or "Tier I," and a lower rate, or "Tier II." Providers are categorically eligible for Tier I reimbursement if their household participates in the FSP. OIG sampled CACFP providers who had claimed this reimbursement and determined that many of those providers, when applying for FSP benefits, understated or did not reveal self-employment income derived from child care. In these cases, the provider should have received a lower food stamp allotment, may have been ineligible to receive food stamps altogether, and may have subsequently been ineligible for Tier I reimbursement.

OIG recommended that FNS take steps to reduce the incidence of providers receiving reimbursement at the Tier I level, based on the provider's improper participation in the FSP.

Requirements for State CACFP Agencies

The September interim rule amends §226.6(f)(1) of the CACFP regulations. Under this rule, State CACFP agencies must:

- annually collect from each sponsoring organization of day care home providers, a list of providers receiving CACFP Tier I benefits on the basis of their participation in the FSP; and
- within thirty days of receiving a list, provide the list to the State FSP agency.

Guidance documents lack the force and effect of law, unless expressly authorized by statute or incorporated into a contract. USDA may not cite, use, or rely on any guidance that is not available through their guidance portal, except to establish historical facts.

These lists will be used to verify whether providers have submitted household income data, as required. The eligibility of a provider for Tier I benefits may be examined if the State FSP agency determines that the provider failed to submit complete household income data. However, the inclusion of a provider on this list does not suggest, in and of itself, noncompliant activity by the provider.

Requirements for State FSP Agencies

Upon receipt of the list State FSP agencies must, at a minimum, review the case at the next recertification to ensure the household has correctly reported its self-employment income.

We note that, since the time of OIG's report, statutory changes have greatly reduced reporting requirements as most States are under Simplified Reporting (SR). States under SR need only act on those reported changes that would make a household ineligible for benefits, unless the State has a waiver to act on other changes that would reduce benefits.

Confidentiality

The collection of personal data from a provider occurs under a presumption of confidentiality. However, this presumption does not mean that a provider's Program eligibility will not be reviewed for accuracy by appropriate State and Federal officials.

Coordination of Effort

As an agency, we encourage participation by eligible individuals in both the CACFP and the FSP. At the same time, we must ensure that individuals receiving benefits meet the statutory requirements for eligibility. Specifically, we must ensure that providers accurately report their household income, including the income they receive for providing child care. Self-employment income of any kind poses difficulties for those charged with making food stamp or any other Federal eligibility determination, but we are in a position to improve the accuracy of these determinations by sharing information across programs.

Ultimately, successful implementation of this provision relies on cooperation between food stamp and child nutrition agencies. We encourage you to discuss the provision and transfer data in the most efficient manner possible.

If you have any questions, please contact your FNS Regional Office.

STANLEY C. GARNETT
Director
Child Nutrition Division

ARTHUR T. FOLEY
Director
Program Development Division

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