



United States
Department of
Agriculture

Food and
Nutrition
Service

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DATE: February 23, 2007

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SUBJECT: Guidance on Reallocation of Fiscal Year (FY) 2006 Child and Adult Care Food Program (CACFP) Audit Funds

TO: Regional Directors
Special Nutrition Programs
All Regions

State Agencies
Child and Adult Care Food Programs
All States

This memorandum provides the information needed to conduct the reallocation of FY 2006 CACFP audit funds. Reallocation is the process by which State agencies (SAs) can request additional CACFP audit funds above their initially authorized funding level. SAs that request funds should focus their need for resources on audit activities that are critical to CACFP. The availability of CACFP audit funds for reallocation in future years cannot be guaranteed.

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 projects, technical assistance to CACFP organizations and State staff and travel expenses; provided that such costs are incurred strictly to meet the audit requirements of §226.8 and, subsequent to the completion of the administrative review requirements of §226.6
3. SA requests must be submitted to RO's by **March 20, 2007**. Requests must include a justification for funds that describes what activity will be performed and why the activity is needed.

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4. Activities funded with CACFP reallocated audit funds must be completed by September 30, 2008. The reallocated funds must be obligated by September 30, 2008 and expended by December 15, 2008.
5. The amount of State Administrative Expense (SAE) funds that a SA anticipates carrying over into FY 2008, as indicated on the SAE Funds Reallocation Report (FNS-525), will be a factor in approval of reallocated audit funds. An SA that does not anticipate having SAE carryover funds will have higher priority to receive reallocated audit funds.
6. Effective use of the reallocated FY 2006 audit funds received by a SA in FY 2007 will be considered if funds become available for reallocation in future years
7. SAs that receive reallocated CACFP audit funds must report on the use of funds on the Financial Status Report Short Form (SF-269A). SAs must send a SF-269A report to the Financial Management Director in the Regional Office, no later than 90 days after the end of each fiscal year.

The following are the roles and responsibilities of the Regional Offices (ROs) and Headquarters.

Regional Offices

- Review the SA'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 which meet the above guidelines.
- Rank each SA's request recommended for approval from high to low priority based on the RO's perceived needs of SAs and discussions with each SA. A discussion of the reasons for each ranking should 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.

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By April 20, 2007, ROs will need to submit all reallocation requests recommended for approval, with supporting justifications, and a ranking of each SA's request, high priority to low priority. Requests must be submitted by April 20 to allow time for requests to be reviewed and prioritized so that we can fund the requests in mid-May. Due to the time limitations for reallocating CACFP audit funds, if requests are not received by this date, they may not be considered.

SAs should contact their RO with any questions. ROs should contact Marcus Brownrigg at Marcus.Brownrigg@fns.usda.gov.

A handwritten signature in purple ink, reading "Stanley C. Garnett". The signature is written in a cursive, flowing style.

STANLEY C. GARNETT
Director
Child Nutrition Division