



Food and
Nutrition
Service

Park Office
Center

3101 Park
Center Drive
Alexandria
VA 22302

DATE: May 9, 2016

MEMO CODE: CACFP 10-2016

SUBJECT: Child and Adult Care Food Program Audit Funds Amount – Additional Funds Availability

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child and Adult Care Food Program
All States

The purpose of this memorandum is to announce that State agencies may now request additional funding for conducting audits of institutions participating in the Child and Adult Care Food Program (CACFP) and to establish the processes and criteria by which requests will be approved.

Section 17(i) of the Richard B. Russell National School Lunch Act (NSLA), 42 U.S.C. 1766(i), authorizes the Secretary to provide funds to each CACFP State agency to conduct audits of participating institutions. Program integrity audits are an integral component of the CACFP, allowing State agencies to monitor funding and operations to ensure that providers and sponsors are operating the Program in accordance with the law. The amount of assistance provided to a State agency for this purpose in any fiscal year may not exceed the State's expenditures for conducting audits as permitted under 7 CFR 226.4 and 226.8.

In previous fiscal years, each State agency has received up to 1.5 percent of the funds used by the State in the Program during the second preceding fiscal year for the purpose of conducting Program audits. Section 335 of the Healthy, Hunger-Free Kids Act of 2010 (42 U.S.C. 1751 note) amended Section 17(i) of the NSLA to allow USDA to increase funding for a total of up to 2 percent of the funds used by each State agency in the Program during the second preceding year, beginning with fiscal year (FY) 2016. This opportunity to increase CACFP Audit funding levels from 1.5 to 2 percent will be announced *prior* to the beginning of the new fiscal year. At that time, the Food and Nutrition Service (FNS) will provide a spreadsheet calculating the State agency-by-State agency funding levels at the 1.5 and 2 percent levels to illustrate the maximum amount available. State agencies may request any amount within the 1.5 to 2 percent range of funds.

Funding above 1.5 percent will be available only if the State agency can demonstrate effective use of the funds to improve Program management under criteria established by USDA. This provision is expected to allow for better Program management and improve the integrity of the CACFP.

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To implement the amendment made by Section 335 for FY 2016, FNS is providing the opportunity for State agencies to request an increase in the amount of CACFP Audit funds already allocated to the State agency. The guidance included in this memorandum does not alter the formula used to calculate audit funds, only the maximum amount available for some State agencies.

State agencies may submit a request for an increase in the amount of audit funds to the appropriate Regional office. State agencies should note that this increase in funding is separate and distinct from the CACFP Audit fund reallocation opportunity. FNS's approval will be based on justification of effective use of funds to improve Program management, including a description of the additional review activity the State agency would conduct. The process for requesting additional audit funds is similar to the process currently used to request reallocation of CACFP Audit funds.

State agencies should use the following process to request additional CACFP Audit funds:

1. State agency requests must be submitted to the appropriate FNS Regional office by **May 23, 2016**. Requests must include a justification for funds that describes what activity will be performed and why the activity is needed. It is required that all Regional offices complete and submit Attachment A, *FY 2016 CACFP Additional Audit Fund Request*.
2. All additional CACFP Audit funds must be obligated by **September 30, 2016**.
3. Effective use of additional audit funds received by a State agency will be considered if additional funds become available in future years.
4. **Reporting Procedures for FNS-777:**
State agencies that receive additional CACFP Audit funds must report on the use of funds on the FNS-777 *Financial Status Report*.

Quarterly FNS-777 reports are due 30 days after the end of each quarter and a final report is due no later than 120 days after the end of the grant period.

State agencies report these funds in column 3 of the FNS-777. FNS will adjust the FNS-777 line 1. Total cumulative amount of Federal funds authorized accordingly.

It is important to note that all requests must be for allowable uses of CACFP Audit funds, including:

- Funding the CACFP portion of organization-wide audits and the resulting CACFP Audit resolution activities;
- Conducting, handling, and processing CACFP-related audits and performing the resulting audit resolution activities; and
- Conducting administrative reviews of CACFP, provided that all required Program-specific audits have been performed.

Allowable costs include, but are not limited to: salaries, 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 the administrative review requirements of 7 CFR 226.6.

The following outlines the roles and responsibilities of FNS Regional and National offices.

Regional Offices

- Review the State agency's justification for additional audit funds, which should include a description of why the additional funds are needed.
- Recommend for approval only requests meeting the guidance included in this memorandum.
- By **May 27, 2016**, submit to National office all additional funding requests recommended for approval and supporting justification (Attachment A).

National Office

- Review all additional funding requests recommended for approval.
- Make final funding determinations.
- Issue allowances to Regional offices with funding adjustments.

Regional offices should send all funding requests via e-mail to the CN State System mailbox at cnstatesystems@fns.usda.gov. Please be sure the subject line contains **"FY 2016 CACFP Additional Audit Funds Request – [add Region and State(s) name]."** Due to the time limitations for allocating additional CACFP Audit funds, if requests are not received by May 27, they may not be considered.

The following table provides some key dates for additional CACFP Audit funds:

May 23, 2016	State agencies submit requests to FNS Regional office
May 27, 2016	Regional offices submit to National office all State agency proposals and supporting justification (Attachment A)
June 2016	National office notifies Regional offices of results
September 30, 2016	All additional CACFP Audit funds must be obligated

State agencies with questions should contact the appropriate FNS Regional office.

Original Signed

Angela M. Kline
Director
Policy and Program Development Division
Child Nutrition Programs

Attachment

Original Signed

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

FISCAL YEAR (FY) 2016 ADDITIONAL CACFP AUDIT FUND REQUEST

State agency: _____

Total amount requested by State agency: \$ _____

Amount of funds denied by Regional office: \$ _____

Does the State agency have any unspent FY 15 CACFP Audit funds? **Yes** ☐ **No**

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

Did the State agency request or receive any reallocated CACFP Audit funds in the current fiscal year? **Yes** ☐ **No**

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

In the space below, provide **Justification**, and **Recommendation** for the State agency's additional funds request.

a) Justification for additional funds listed above:

b) Regional office recommendation:
