



United States
Department of
Agriculture

Food and
Nutrition
Service

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SUBJECT: Family Day Care Home Administrative Reimbursements: Options and Carryover Reporting Requirements

TO: Regional Directors
Special Nutrition Programs
All Regions

Regional Directors
Financial Management
All Regions

State Directors
Child Nutrition Programs
All States

The Healthy, Hunger-Free Kids Act of 2010, Public Law 111-296, modified the calculation of administrative cost reimbursements to sponsors of family day care homes (FDCH) in the Child and Adult Care Food Program (CACFP) and permitted sponsors to carry over to the next Federal fiscal year (FY) a maximum of 10 percent of administrative reimbursements received, but not used in the current fiscal year. This memo clarifies options regarding administrative reimbursements and provides guidance for FY 2011 on reporting and managing the unused administrative reimbursements FDCH sponsors may “carry over” into the next FY.

FDCH Administrative Reimbursements

Effective October 1, 2010, administrative reimbursements are determined by multiplying the number of family and group day care homes submitting a claim for reimbursement during the month by the appropriate annually adjusted administrative reimbursement rate. An implementation memorandum, *Child Nutrition Reauthorization 2010: Administrative Payments to Family Day Care Home Sponsoring Organizations*, was issued on December 22, 2010 (CACFP 06-2011), to provide additional guidance regarding this provision.

As noted in our earlier memorandum, sponsors remain responsible for correctly accounting for costs and for maintaining records and sufficient supporting documentation to demonstrate that costs claimed have been incurred, are allocable to the Program, and comply with applicable Program regulations and policies. State agencies must continue to recover reimbursements that are unallowable or that lack adequate documentation.

AN EQUAL OPPORTUNITY

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

The intent of this provision was to simplify how FDCH sponsor administrative reimbursements are determined. However, it has come to our attention that under the “homes times rates” calculation, sponsors that use none or only a small percentage of their administrative reimbursement would have to account for and return significant funds to the State agency each year.

To avoid this situation, a State agency may, at a sponsor’s request, calculate administrative payments based on the sponsor’s actual expenses. This means that the sponsor would receive varying monthly reimbursements based on the sponsor’s actual expenses each month. Note that the total reimbursement provided under this option during a FY may not exceed the reimbursement that would have been earned under the “homes times rate” calculation.

Sponsors who choose to receive administrative payments based on actual expenses will not be able to carry over funds into the next FY. Carryover funds are available only when there is a difference between the administrative payments and actual expenses. When the sponsor has opted to receive administrative payments based on expenses, the administrative payment will equal the sponsor’s expenses so there would be no remaining funds to carry over. This option is intended to mitigate the accounting burden for both the State agency and sponsor that can be associated with returning Program funds.

It should be clearly noted, however, that a State agency is not required to provide sponsors with this option. Additionally, State agencies may not require sponsors to accept an ongoing administrative reimbursement method that results in reimbursements lower than the “homes times rate” calculation required by law.

It should also be noted that sponsors are not required to claim administrative reimbursements. Some sponsors, such as those associated with the military, may have other sources of funds and may wish to decline administrative reimbursement entirely. However, State agencies should review the sponsor’s budget to ensure that the sponsor has the financial capability to properly administer the Program without the administrative funds.

Reporting Administrative Reimbursement Carryover

Sponsors with administrative funds remaining unspent at the end of the FY may carry over up to 10 percent of their administrative reimbursement to the next FY; remaining funds over and above the 10 percent limit must be returned to the State agency. However, sponsors are not required to carry over any unspent administrative funds. As indicated in the April 8, 2011, memorandum, *Child Nutrition Reauthorization 2010: Carry Over of Unused Child and Adult Care Food Program Administrative Payments* (CACFP 18-2011), any unexpended funds remaining at the end of the FY, which could be carried over into the next fiscal year, may be returned to the State agency at the sponsor’s option.

The following guidance on reporting and funds management is for FY 2011 only. Additional guidance regarding the ongoing obligation and tracking of these funds for FY 2012 and subsequent years will be issued separately.

Due to the delay in providing guidance on the treatment of the CACFP sponsor administrative carryover funds, the Accounting Division has agreed **to extend closeout until March 28, 2012**, to allow State agencies time to ensure their final FNS-777s reflect the following instructions:

- State agencies are not required to recover all administrative funds remaining unspent at the end of the FY since sponsors are permitted to carry over up to 10 percent of the administrative funds. State agencies should only reduce previously reported outlays on the final FY 2011 FNS-777 for the recovered amounts; any funds carried over should already be reported as an outlay.
- In order to identify the amount carried over, State agencies must report the statewide aggregate amount carried over in the “REMARKS” section of the final FNS-777. They must do this by including the statement below. If no FY 2011 sponsor administrative funds are carried forward for FY 2012 use, then the State agency must enter “zero.”

CACFP FDCH sponsor administrative reimbursement carryover amount: \$_____

Funds Management Procedures

The sponsor administrative carryover funds may be used over a two-year period, whereas the rest of the Child Nutrition Block account has a period of performance of one year. Therefore, a new account created solely for funds with a two-year period of performance has been set up for CACFP sponsor administrative funds. To simplify this process for FY 2011, the following steps will be taken:

1. FNS will provide each Regional Office with the total amount of carryover sponsor administrative reimbursement reported in the remarks section of its States’ final FY 2011 FNS-777, as described above. These funds will be provided to the ROs using allowance code N1002. ROs will set up a new Grant Award Document (GAD) and Letter of Credit (LOC) **for FY 2011** using obligation code **N1050**. The GAD and LOC should be set up with appropriation year 2011, program year 2011, and a two-year period of performance. This code will be used for all CACFP sponsor administrative funds from this point forward.
2. Because the carryover amounts have already been drawn down from the FY 2011 Child Nutrition Block account, State agencies will have to perform a “book entry” in

Regional Directors

State Directors

Page 4

the Automated Standard Application for Payments (ASAP) system. This book entry will restore the carryover funds to the FY 2011 Child Nutrition Block account and simultaneously decrease the balance of the new FY 2011 CACFP Sponsor Admin account. FNS will then recover and deobligate the balance of the FY 2011 Child Nutrition Block funds. This will ensure that all carryover funds are expended from the new two-year account.

State agencies should direct any questions concerning this guidance to the appropriate Food and Nutrition Service Regional Office.

Original Signed

Cynthia Long

Director

Child Nutrition Division