

DATE: April 8, 2011

MEMO CODE: CACFP 18-2011

SUBJECT: Child Nutrition Reauthorization 2010: Carry Over of Unused
Child and Adult Care Food Program Administrative Payments

TO: Child Nutrition Programs

The Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296, modified the basis for making administrative payments to family day care home (FDCH) sponsoring organizations (sponsors) in the Child and Adult Care Food Program (CACFP). An earlier memorandum implemented the Act's provision regarding the monthly calculation of FDCH sponsors' administrative payments (CACFP 06-2011, dated December 22, 2010). This memorandum provides guidance on implementation of the Act's provision regarding a FDCH sponsor's ability to "carry over" a limited amount of unused administrative payments from one year to the next.

Section 334 of the Act amends section 17(f)(3) of the Richard B. Russell National School Lunch Act (NSLA) (42 U.S.C. 1766(f)) to permit FDCH sponsors to carry over a maximum of 10 percent of administrative payments into the succeeding fiscal year. In accordance with section 17(f)(3)(B)(iii) of the NSLA, as amended by the Act, the 10 percent maximum on the amount of administrative funds that may be carried over must be based on the total amount of homes times rates administrative payments received by the FDCH sponsor over for the fiscal year. Administrative funds remaining at the end of the fiscal year that exceed 10 percent of that fiscal year's administrative payments must be returned to the State agency. If the 10 percent carryover funds are not expended in the succeeding fiscal year, the FDCH sponsor is required to return the unused funds to the State agency. A sponsor can avoid that situation by using its payments for CACFP administrative costs on a first-in-first-out basis.

FDCH sponsors are still required to submit annual budgets that must be approved by the State agency, and the amount carried over must be accounted for in the sponsor's budget for the succeeding fiscal year. Further, FDCH sponsors remain responsible for correctly accounting for costs, and maintaining records and sufficient supporting documentation to demonstrate that costs claimed have been incurred, are allowable, and comply with all applicable Program regulations and policies.

Because the final administrative claims may not be known when the annual budget is submitted to the State, the sponsor would make its best estimate of the carryover amount when preparing the annual budget. The estimate should be based on a comparison of the administrative payments the sponsor expects to receive with the amount of allowable administrative expenses the sponsor expects to incur. As shown in the example below, this will yield the 10 percent carryover figure and any amount that must be returned to the State agency.

Example:

Sponsor estimates administrative payments of \$100,000 during FY 2011

Sponsor estimates incurring \$85,000 in allowable administrative costs during FY 2011

Sponsor may carryover up to \$10,000 into FY 2012 ($\$100,000 \times .10$)

Sponsor must return \$5,000 to the State agency ($\$15,000 - \$10,000$)

An amended budget must be submitted once the fiscal year close-out has occurred and the carryover amount is finalized and approved by the State agency. It is still necessary for FDCH sponsors to use accrual accounting for the final claim of the fiscal year so that the end-of-year reconciliation and close-out can be performed.

State agencies are reminded to maintain a system that monitors the FDCH sponsoring organization's documentation of nonprofit status, and ensures that Program funds are used principally for the benefit of participants. The accumulation of excessive balances in the sponsor's nonprofit food service account remains prohibited under FNS Instruction 796-2, rev. 3, ("Financial Management in the CACFP"), Section VI.

Please note that sponsors are not required to carry over administrative funds. Any unexpended funds remaining at the end of the fiscal year, which could be carried over into the succeeding fiscal year, may be returned to the State agency at the sponsor's option. In addition, please note that nothing in this memorandum in any way limits or changes the requirements that a State agency: determine that all institutions are financially viable; establish an overclaim if the sponsor has used CACFP administrative funds improperly; or declare an institution seriously deficient on the basis of its improper use of CACFP administrative funds.