

Additional Information:

United States Department of Agriculture Uniform Federal Assistance Regulations, 7 CFR Parts 3016, 3019, and 3052.

www.gpo.gov/nara/cfr/index.html

United States Department of Agriculture, Child and Adult Care Food Program Regulation, 7 CFR Part 226.

www.usda.gov/cnd

United States Department of Agriculture, Food and Nutrition Service, Instruction 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.

Office of Management and Budget Circulars: A-87, August 29, 1997; A-102, March 11, 1988; A-110, November 29, 1993; A-122, June 1, 1998; and A-133, June 24, 1997.

www.whitehouse.gov

United States General Services Administration, Federal Acquisition Regulations, 48 CFR Part 31.

www.gsa.gov

Contact State administering agencies or United States Department of Agriculture, Food and Nutrition Service Regional Offices for a copy of FNS Instruction, 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.



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CACFP
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**CHILD and ADULT
CARE FOOD
PROGRAM**

**FNS INSTRUCTION
796-2, Rev. 3**

**# 14
DISCLOSURE
REQUIREMENTS and
SPECIAL CONSIDERATION**

This is the fourteenth in a series of brochures on FNS Instruction 796-2, Revision 3.

Some costs require more disclosure than others. FNS Instruction 796-2, Rev. 3 establishes three cost approval categories based on the amount of disclosure required.

Why do certain costs require more disclosure than others?

Depending on the circumstances, a cost may be allowable, partially allowable or unallowable. A State agency cannot fulfill its regulatory responsibility to approve only allowable costs without the institution providing sufficient information.

How does an institution satisfy disclosure requirements?

The State agency must inform the institution how to satisfy the disclosure requirements of FNS Instruction 796-2, Rev. 3.

What are the obligations of an institution regarding disclosure?

An institution must comply with State agency disclosure requirements and provide any additional information the State agency needs to make an informed decision on the allowability of the institution's budgeted or claimed costs.

Are there certain costs that always require disclosure?

Yes. Related party transactions, less-than-arms-length transactions, ownership interests in equipment, supplies or facilities and costs requiring special consideration must be disclosed.

What are the penalties for failing to provide adequate disclosure?

Failing to disclose required information will result in the disallowance of the cost and may subject the institution, its principals, employees and others to the administrative and legal remedies available to the State agency and FNS.

What happens when the failure to disclose was unintentional?

When the State agency determines that the failure was not deliberate, the institution may be permitted to claim and retain Child and Adult Care Food Program (CACFP) funds up to the amount that would have been allowed had full and accurate disclosure been provided. However, the institution can never be permitted to claim unallowable costs, retain program funds earned as a result of claiming unallowable costs or use nonprofit food service account funds to pay for unallowable costs.

What are the three approval categories in FNS Instruction 796-2, Rev. 3?

- Generally allowable costs;
- Costs requiring prior approval; and
- Costs requiring specific prior written approval.

What costs are generally allowable?

Generally allowable costs occur in the routine operation of the CACFP.

What costs require prior approval?

These are costs that, by type or amount, require additional disclosure for the State agency to make an informed decision about allowability.

What costs require specific prior written approval?

These are costs that are not customary in the routine operation of the CACFP but may still be necessary and reasonable in a specific situation.

Are generally allowable costs included in the budget?

Yes. An institution must still include these costs in the budget submitted to the State agency. Approval of the budget results in the approval of these costs.

Can costs requiring prior approval be included in the budget?

Yes, but the costs must be specifically identified by item and amount.

What are the procedures for specific prior written approval?

The institution must specifically identify and request approval of these costs before the costs are incurred. The institution's request can be submitted during the annual budget approval process or separately. The State agency must approve or deny these specific requests in writing.

What is a cost requiring special consideration?

Special consideration exists whenever a transaction lacks independence or the integrity of the transaction could be compromised. When a special consideration exists, specific prior written approval is required.

What are some examples of special consideration?

- All less-than-arms-length transactions;
- Compensation to members of nonprofit institutions, trustees, directors, associates, officers or their immediate families; and
- All special lease arrangements.

Where can I find more information about special lease arrangements?

For quick reference, refer to Brochure # 10, *Special Lease Costs*. For more detailed information, refer to FNS Instruction 796-2, Rev. 3.

NOTE: Additional requirements may apply. Consult 796-2, Rev. 3 and the appropriate administering agency for more information.