

FEBRUARY 22, 1999

SUBJECT: Child and Adult Care Food Program (CACFP) One and One-Half Percent Audit Funds

TO: Regional Directors
Child Nutrition Programs
All Regions

As you are aware, the Child Nutrition Reauthorization Act of 1998, Public Law 105-336, amended section 17(i) of the National School Lunch Act by reducing the amount of finding provided to State agencies (SAs) for the purpose of carrying out audits and other oversight activities from two percent of the CACFP funds expended by the State in the second preceding fiscal year (FY) to one and one-half percent.

During recent meetings in Alexandria, Virginia the issue of use of one and one-half percent audit funds was raised. We received inquiries regarding the use of audit funds for training or technical assistance in problem areas which are identified during audit or review activities. These inquiries led us to evaluate other possible uses of one and one-half percent audit funds.

On July 1, 1994, we issued a memorandum (attached) to all regional directors to provide clarification on §226.8 Audits, (b) and (c). The memorandum advised that SAs could use the two percent audit funds for any allowable costs associated with conducting, handling, and processing CACFP related audits CACFP administrative reviews.

In light of recent concerns related to integrity within the CACFP, and to provide maximum flexibility to SAs, this memorandum allows the use of one and one-half percent audit funds by SAs to provide training or technical assistance to CACFP organizations and State staff in program areas where problems are identified during audit or review activities. These training and technical assistance efforts may be directed to areas identified during administrative reviews and organization wide or program specific audits. Further, the cost of meetings, training, or technical assistance needs identified as national trends through initiatives such as OIG audits or by the Regional Office and Child Nutrition Division are allowable. Costs associated with these training or technical assistance activities include SA costs for salaries, travel, and the development and distribution of training materials. In addition, we determined that the audit funds may be used to provide training or fund attendance at training on the identification of indicators which can be used to assess compliance with program regulations and standards. These indicators could be trends or patterns based on statistical or anecdotal information gained through prior audit or review results.

As with State Administrative Expense funds, allowable costs must be limited to incurred by the SA and can not be extended to cover expenses incurred by institutions. Please provide this information to your SAs for immediate implementation.

/ORIGINAL SIGNED/

STANLEY C. GARNETT
Director
Child Nutrition Division

Attachment

JULY 01, 1994

Subject: Child and Adult Care Food Program (CACFP) Two Percent Audit Funds

To: Regional Directors Child Nutrition Programs
All Regions

We have received requests for clarification of our policy regarding the use of two percent audit funds in the CACFP. As described in §226.8(b) and (c), these two percent audit funds are provided to State agencies to: (a) fund the CACFP portion of organization-wide audits and the resulting CACFP audit resolution activities, (b) conduct, handle and process CACFP-related audits and perform the resulting audit resolution activities, and (c) conduct administrative reviews of CACFP, provided that all required program specific audits have been performed.

Please advise your State agencies that the two percent audit funds may be used for any allowable costs associated with conducting, handling and processing CACFP-related audits ~ CACFP administrative reviews. This policy would allow State agencies to use such funds for allowable costs including, but not limited to, salaries, the purchase of equipment, etc., provided that, such costs are incurred strictly to meet the audit requirements of §226.8 and, subsequent to the completion of the required audits, the administrative review requirements of §226.6. Corresponding changes will be made to FNS Instruction 901, Advance Planning Document (ADP) Handbook.

If you have any further questions, please contact Brad Haigh at 305-2601.

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ALBERTA C. FROST
Director
Child Nutrition Division