

CHILD AND ADULT CARE FOOD PROGRAM (CACFP) FUNDS INTEGRITY  
FOR FAMILY DAY CARE HOME (FDCH) SPONSORS

**PURPOSE:** To provide guidance on the regulatory requirements of FDCH sponsoring organizations to ensure that CACFP funds are used only for their intended purpose of providing meals to eligible children.

**SCOPE:** Sponsors of family day care homes.

**DESCRIPTION:** A sponsoring organization acts as a pass-through entity for Federal meal reimbursement funds on behalf of its providers. In accordance with Sections 226.13(c) and 226.18(b)(7) of the CACFP regulations, sponsoring organizations of family day care homes must disburse the full amount of meal service earnings to providers. Further, Section 226.16(g) requires a sponsoring organization to disburse food service advance payments and/or reimbursement payments to family day care home providers within five working days of receipt from the State agency (SA). Any other use of provider payments is contrary to regulatory requirements.

In accordance with Section 226.12(a), sponsoring organizations of day care homes receive payments for administrative costs. These are the only Federal CACFP funds they may use to meet their administrative expenses.

In order for sponsors to demonstrate full disbursement of provider advance and reimbursement expenses, the following procedures must be maintained:

- Write checks to specific providers for which the advance or reimbursement payment was claimed;
- Write checks equal to the full amount of the advance or reimbursement payment received, less any amounts withheld pursuant to CACFP regulations;
- Mail all checks within the required 5 working day time frame; and
- Maintain the integrity of advance and reimbursement payments regardless of whether a separate or commingled account is used.

The integrity of the food service funds must be maintained at all times, whether sponsors use a separate bank account for provider payments or maintain provider payments in a commingled account.

When using a separate account, the sponsor must:

- have documentation which identifies the transfer of the full amount of the providers' food service payments into the sponsor's bank account on or before the day the provider checks are mailed;
- have funds that can only be withdrawn from this bank account to liquidate provider checks; and
- not use the food service funds before the checks are written or during the "float", which is the time period between when the checks are written and presented to the bank for payment.

Sponsors who use a commingled account must maintain sufficient funds in the account for all outstanding unliquidated payments due to providers who have not cashed their checks in a timely manner and any other unliquidated checks and other disbursements, such as automatic debits for bank service fees. Sponsors must maintain sufficient documentation, including provider payment reconciliation reports and bank statements, to show that the integrity of the food service funds are maintained, regardless of the type of account.

There may be cases when a FDCH sponsor chooses to use its own funds, either administrative cost reimbursement payments or non-CACFP funds, to issue food service advances or reimbursement payments to a provider. These situations occur as customer services, or are the result of the provider submitting a late claim or a claiming error on the part of either the provider or sponsor which causes the sponsor to receive insufficient funds to issue payments to all eligible providers. In these cases, the sponsor "loans" funds to the food service account. The sponsor ultimately recoups the "loan" from subsequent food service advances or reimbursements, usually through the amended claims process. This practice is permitted within the following constraints:

- The sponsor cannot use advanced food service funds or food service reimbursement funds claimed on behalf of other providers to issue the payment.
- The sponsor cannot use advanced administrative cost funds for provider payments.
- The sponsor may only recoup the amount of funds loaned to the food service account from the subsequent advance or reimbursement payments received on behalf of the specific provider for the month covered by the loan. (For example, a sponsor "loans" administrative reimbursement funds to the food service account to pay Provider A for meals served during April,

because the provider submitted the April claim late. Until the sponsor receives a reimbursement payment from the State, which included Provider A's April reimbursement, the sponsor cannot recoup the loan.)

- Sponsors cannot recoup funds loaned to the food service account for payments issued to providers who are not eligible to receive the payment. This would include: issuing payments to providers not yet approved by the State agency; advance payments to providers for whom the sponsor does not claim advance payments; and payments to providers who have not submitted payable claims within the 60/90 day time frame for the sponsor to submit claims. Funds used to issue payments to providers who are not eligible to receive the payments are a donation to the food service account, and cannot be recouped from subsequent food service payments or claimed as an administrative expense.

SOURCE:

FY 99 Child and Adult Care Food Program Policy Memorandum #22, dated September 30, 1999.