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CACFP 02-41

MEMORANDUM

TO: Institutions participating in the Child and Adult Food Program

FROM: Arnette Cowan, MS, RD, LDN
Supervisor, Special Nutrition Programs

SUBJECT: Policy CACFP 226.07-03 Questions and Answers on FNS Instruction 796-2,
Revision 3, Financial Management-CACFP

This memorandum addresses several questions raised concerning the Financial Management Guidance , FNS Instruction 796-2, Rev. 3.

1. There is a 15 percent limit on administrative costs for sponsors of unaffiliated centers. Since unaffiliated Centers may have some (small amount) of administrative costs, how does this limit apply? Does it only apply to the sponsor's administrative cost, or does it apply to the total of administrative costs, including any charged by the unaffiliated centers?

The 15 percent limit applies to all administrative expenses charged to the program by either the sponsor or Sponsor or it's sponsored centers. The intent of the law was to set a 15 percent limit on the total amount of The per meal reimbursement that could be used for administrative expenses.

2. When an institution is terminated, and has a balance of CACFP funds, what happens to these funds?

It depends on the type of funds. An institution can keep its earned reimbursements, but would have to return any advances. Sponsors would need to send back the amount of any old uncashed facility (provider and sponsored center) check, as well as the back up documentation so that if the facility ever asked for the money, the SA could issue payment, but any current money owed to providers and sponsored centers would need to be sent to them.

3. May a State agency require all CACFP institutions to maintain a separate bank account for the nonprofit Food service? (It is understood that this is the State's policy; it is not being presented as a requirement of FNS or 796-2.)

In general, State agencies can not require CACFP institutions to maintain a separate bank account; however, they can do it "for cause" or when a corrective action is needed related to a financial integrity issue.



4. If an institution's compensation policy contains no more than those items listed as minimum requirements On pp. 44-45 (c[1][a.-d.]) of the instruction, and the institution is not charging any other labor costs, is this acceptable?

The minimum is fine as long as it covers every element of compensation charged to the program.

5. Can an institution appeal a denial of closeout costs? From what funding source do closeout funds come?

Closeout costs are generally not appealable due to a timing issue. If the information on closeout cost is part of the Termination letter, closeout costs would occur after an institution is out of the program. Since there is no agreement in effect, the institution would not have the right to appeal. However, if the information on closeout costs has been included in the Notice of Intent to Terminate, than a denial of closeout costs occurring during that period prior to actual termination would be appealable since the institution would still be in the program.

6. 796-2, Rev. 3, p.98, last sentence in open paragraph: "Individual facility close-out costs are not eligible for funding in excess of the institution's maximum regulatory earned reimbursement." What does this sentence mean, both "maximum," and reimbursement for what time period?

Maximum reimbursement is the year-to date earnings for that facility.

7. What is allowable for rent in a private residence, for both arms-length and less-than-arms-length Transactions?

The program share for costs in a private residence are allowable to the extent that the rental rate is Reasonable and a bona fide arms-length rental exists.

For space costs of private residence in a less-than-arms length transactions, the cost claimed, including the Amount, must meet all IRS requirements for business use of a home must be supported by the records used to Meet IRS requirements for documenting the business use of the home.

8. If an institution purchases item for the nonprofit food service using a credit card, and the credit card Company gives benefits, such as rebates for using the card, should these benefits be considered income to the nonprofit service account?

It depends on who owns the credit card.

If it's the organization's credit card, the rebates or benefits would return to the food service account.

If it's an individual's credit card, the organization would need to check its by-laws. Often the by-laws address questions regarding ethical conduct or conflict of interest. However, if the by-laws do not address this issue, the individual would be able to retain the benefits since the individual has the liability for the card.

If you have questions, please contact your regional consultant.

AC/clg

cc: SNP Staff
Auditors