



United States
Department of
Agriculture

Food and
Nutrition
Service

3101 Park
Center Drive
Alexandria, VA
22302-1500

MEMO CODE: CACFP 02-2009

DATE: February 23, 2009

SUBJECT: Guidance on Reallocation of Child and Adult Care Food Program
(CACFP) Audit Funds

TO: Regional Directors
Special Nutrition Programs
All Regions

State Agencies
Child and Adult Care Food Programs
All States

This memorandum provides the information needed to conduct the reallocation of CACFP audit funds. Reallocation is the process by which State agencies (SAs) can request additional CACFP audit funds above their initial authorized funding level. The availability of CACFP audit funds for reallocation in future years cannot be guaranteed. SAs that request funds should focus their need for resources on audit activities that are critical to CACFP.

The following are the key requirements related to the reallocation of CACFP audit funds.

1. Requests must be for allowable uses of CACFP audit funds, including:
 - a. funding the CACFP portion of organization-wide audits and the resulting CACFP audit resolution activities;
 - b. conducting, handling and processing CACFP-related audits and performing the resulting audit resolution activities, and;
 - c. conducting administrative reviews of CACFP, provided that all required program specific audits have been performed.
2. Allowable costs include, but are not limited to: salaries, the purchase of equipment, information technology projects (please see attached), technical assistance to CACFP organizations and State staff and travel expenses; provided that such costs are incurred strictly to meet the audit requirements of §226.8 and, subsequent to the completion of the administrative review requirements of §226.6
3. SA requests must be submitted to ROs by **March 20, 2009**. Requests must include a justification for funds that describes what activity will be performed and why the activity is needed. IT system requests will require the completion of the attached questionnaire of system functionality and replicability.

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

4. The reallocated funds must be obligated by September 30, 2010 and expended by December 15, 2010.
5. The amount of State Administrative Expense (SAE) funds that a SA anticipates carrying over into FY 2010, as indicated on the SAE Funds Reallocation Report (FNS-525), will be a factor in approval of reallocated audit funds. An SA that does not anticipate having SAE carryover funds will have higher priority to receive reallocated audit funds.
6. Effective use of the reallocated audit funds received by a SA in FY 2009 will be considered if funds become available for reallocation in future years
7. SAs that receive reallocated CACFP audit funds must report on the use of funds on the Financial Status Report Short Form (SF-269A). SAs must send a SF-269A report to the Financial Management Director in the Regional Office, no later than 90 days after the end of each fiscal year.

The following are the roles and responsibilities of the Regional Offices (ROs) and Headquarters.

Regional Offices

- Review the SA's justification for funds which includes a description of what activity will be performed and why the activity is needed.
- Recommend for approval only requests which meet the above guidelines.
- Rank each SA's request recommended for approval from high to low priority based on the RO's perceived needs of SAs and discussions with each SA. A discussion of the reasons for each ranking should be included along with the RO's recommendation.

Headquarters

- Review all reallocation requests recommended for approval.
- Make final funding determinations based on the availability of funds and the merits of the individual requests.
- Prioritize the requests based on RO recommendations if the requests exceed the amount of funds available.
- Issue allowances to ROs with reallocation adjustments.

Regional Directors

Page 3

By April 17, 2009, ROs will need to submit all reallocation requests recommended for approval, with supporting justifications, and a ranking of each SA's request, high priority to low priority. Requests must be submitted by April 17 to allow time for requests to be reviewed and prioritized so that we can fund the requests in mid-May. Due to the time limitations for reallocating CACFP audit funds, if requests are not received by this date, they may not be considered.

SAs should contact their RO with any questions. ROs should contact Marcus Brownrigg at Marcus.Brownrigg@fns.usda.gov.

Original Signed

CYNTHIA LONG

Director

Child Nutrition Division

Attachment

Attachment

SAE Guidelines for IT procurements

The purpose of this guidance is to enable State agencies to determine their information systems (IS) needs and manage these costly projects effectively and efficiently. It is important to be familiar with the legislation, regulations, and policies that pertain to each FNS program before submitting requests for funding. This basic guidance is intended to serve as a base line for those State agencies and FNS staff that must prepare, review, and/or approve plans for the development and acquisition of State IS that support the National School Lunch (NSLP), Child and Adult Care Food Program (CACFP), Summer Food Service Program (SFSP) and the School Breakfast Program (SBP). Information technology is forever evolving, and so is the terminology used to describe the technology. For purposes of this guidance, the following terms are used interchangeably: information systems, management information systems, and automated data processing.

FNS has identified several recurring issues associated with the approval process, such as missed requirements or the need for multiple document clarifications, which may delay the approval process.

Examples of some recurring issues include the following:

- Insufficient understanding of the impact and resources involved in the anticipated data conversion strategy and schedule.
- Incomplete cost allocation methodology that excludes State-only cases or all participating Federal programs.
- Inadequate descriptions of the methodology, costs, and assignment of responsibilities for system maintenance and operations.
- Insufficient funding for user training and user support functions.
- Exclusion of State staff costs as part of the project's budget.
- Inadequate time in the project schedule to assess the full impact on business processes, change business rules where necessary, and prepare staff for the transition.
- Lack of familiarity with the dollar thresholds requiring FNS approval.
- Underestimation of the strain of new IS development on the entire organization.
- Not involving State IT and procurement staff throughout the project. State program staff may be unaware of State standards, current procurements and contracts, and even conflicts with existing development efforts.
- Lack of current technical knowledge and expertise within the State agency to write or review documents such as requests for proposals (RFP), contracts, system design, and functional requirements, which can render a State vulnerable to the contractors' idea of what would be best—and have costly consequences.

FNS Staff is available to answer questions and provide technical assistance to any State agency that requests assistance in their Information System planning process, such as the following:

- Providing guidance in developing request documents
- Providing most up-to-date policy, procedures, and requirements
- Knowing what systems, hardware, and software other States are using/developing
- Reviewing hardware/software requests with focus on costs and compatibility with existing system

- Clarifying technical terms found in documents
- Providing current information on technology products
- Interfacing with other Federal agencies
- Responding to official requests regarding the SAE and CACFP Audit fund formulation process or SAE/CACFP Audit Fund reallocation requests (e.g., Freedom of Information Act (FOIA), General Accounting Office (GAO))
- Providing information on conferences and/or training opportunities
- Conducting meetings and/or conference calls to discuss items of concern to one or more States.

Regardless of which System Development Life Cycle (SDLC) phase a State agency may be in, all CN State agencies should follow the same process when requesting reallocated funds to procure software, hardware, and contractual services for information technology (IT) purposes and are responsible for ensuring the allowable and effective use of these funds.

Approval Thresholds

Federal funding is usually limited for information systems (IS), the chart below gives an outline of the various requirements associated with their respective funding amounts requested.

IS Approval Thresholds	
Acquisition Cost	Documents Required from State Agency
Not Applicable	• A Preliminary application is required regardless of dollar threshold
<\$5,000	• No Federal review needed
\$5,000 to \$99,999	• Written notification to the RO within 60 days of the expenditure or the contract execution

>\$100,000 Non-Competitive Acquisition	<ul style="list-style-type: none"> • Sole source justification submitted to FNS prior to acquisition
\$100,000 to \$499,000	<ul style="list-style-type: none"> • Specific documentation required for FNS prior approval • Description of needs • Explanation of purchases • Budget • Cost allocation proposal¹⁰ • Procurement documents (e.g., RFPs and contracts)
≥\$500,000	<ul style="list-style-type: none"> • State agency must submit an Advanced Planning Document (APD)

Planning Application for SAE Funds

(PASAE)

State agencies are required to submit a PASAE for all IS development projects, regardless of dollar threshold.

Submission and approval of a PASAE is required before a State agency begins to incur planning costs.

Therefore, it is important to consult with FNS before initiating any planning activities.

Even if not seeking approval to expend Federal funding for planning activities, the State agency is advised to notify FNS when embarking on system planning activities so that FNS can help ensure efficiency in all ongoing systems efforts. If the State agency uses in-house resources for the planning activities, then a statement of work (SOW) or description of the planning activities must be submitted to FNS.

Required Documentation for a PASAE

Before preparing the PASAE, the State agency should also consult with the internal State IT oversight department to determine whether any additional documents or procedures are required as part of the State's internal monitoring process or if the PASAE requirements will suffice.

The following components are required when submitting a PASAE:

Transmittal Letter—Cover letter, signed by the appropriate State official with authority to commit State agency resources for the project.

Executive Summary—Describes at a high level the business case for a new IS, its advantages, the challenges and shortcomings the system will address, and the stakeholders who will benefit from it.

Resource Requirements—Describes what resources, in terms of staff, money, and other resources, the State expects to apply to the planning phase and what the State agency needs from FNS.

Schedule of Planning Activities, Milestones, and Deliverables—Includes a timeline that outlines the key planning tasks, events, dates, and deliverables for the project.

Proposed Budget—Identifies estimated State and contractor costs associated with the planning phase, including evaluation of functionality of alternative systems.

Cost Allocation Plan (as appropriate)—Describes the methodology used to determine the share each entity will pay in a joint planning effort.

PASAE Process Steps

1. The State agency prepares and submits to the applicable FNS Regional Office electronic copies of the PASAE along with their request for Reallocated funds.
2. FNS reviews the PASAE and notifies the State agency if there is a need for more information or changes are required.
3. FNS approves or denies the PASAE and notifies the State agency of the results of the reallocation.
4. If contractor services are required, the State agency prepares and submits the Planning Request for Proposal (RFP). Note that an RFP can be submitted simultaneously with the PASAE. FNS reviews the Planning RFP and notifies the State agency if there is a need for more information.
5. The State agency conducts planning activities per the PASAE (e.g., feasibility study/alternatives analysis), submitting Planning updates as needed when necessary.
6. The State agency provides final PASAE to advise when all PASAE activities will be completed and includes the a budget for implementation showing costs (as accurate as possible).
7. FNS verifies that the State agency has successfully completed all PASAE activities and notifies the State agency of approval of the project and the reallocation request.
8. The State agency submits results of the feasibility study/alternatives analysis to FNS.

Annual Review and Approval

Do we want to do this? Can we do this? Do we have the resources or inclination?

Notification of changes

FNS must be notified whenever any of the following changes occur or are anticipated:

- A significant increase in total costs (>\$100,000)
- A significant schedule change (>90 days) for major milestones
- A significant change in procurement approach and/or scope of procurement activities beyond that approved in the PASAE , such as:
 - A change in procurement methodology
 - A reduction or increase in the procurement activities that were described in the PASAE.
 - A change in an acquisition (e.g., changing from a State blanket purchase agreement to issuing an RFP)
- A significant change in an approved system concept or scope of the project, such as a proposal of a different system alternative, a proposal for a different mix of system hardware and software, a change in the project plan, or a change in the cost-benefit project
- A change to the approved cost allocation methodology (if applicable).

Relation of Planning SAE to the SDLC

Type of APD	System Development Life Cycle Phase
Planning APD (PAPD)	Planning—A PAPD requests funding for planning activities; specifies the nature of the automation effort; and investigates the feasibility, system alternatives, requirements, and resources needed to move forward with system development.
Implementation APD (IAPD)	Development, Design, and Implementation—An IAPD addresses systems analysis, design, development, integration, testing, and deployment; completes the planning phase; requests funding for enhancements to ongoing operations; and obtains approval to conduct implementation activities.
Annual APD Update (APDU)	Planning or Implementation—An APDU is an update to an ongoing project and is required annually when planning or implementation activities occur for more than 1 year.
APDU As-Needed	Planning or Implementation—An APDU As-Needed may be needed for unexpected project changes that significantly affect project costs and outcomes.
Emergency Acquisition Request (EAR)	Requests immediate funding for hardware and/or software or services in emergency situations in which program operations would be interrupted or extremely hindered. An IAPD follows at a later date.