Reply to
Attn. of: CACFP-372

Subject: Child and Adult Care Food Program (CACFP) Policy Memorandum

To: STATE AGENCY DIRECTORS - Colorado DH, Iowa, Kansas, Missouri DH, Montana DHES, Nebraska ED, North Dakota, South Dakota, Utah and Wyoming

(Special nutrition Programs)

Attached is a summary of questions and answers that have been raised since our last CACFP question and answer memorandum, CACFP-364, dated September 9, 1993. We will continue to compile additional information and submit it to the State Agencies as the need arises.

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Attachment
1. Q. Can home dried banana chips be credited as a fruit?

A. Yes. Although commercial banana chips would not be creditable, home dried bananas would be. For crediting purposes, one-fourth cup dried bananas would equal one-fourth cup fruit. In production records, they should be recorded as "home dried bananas" and not "banana chips" which might be mistaken as commercial banana chips.

2. Q. Is the cost of training for sponsoring organization (SO) board members an allowable administrative cost? A-122 allows training for employees, but board members are not considered employees.

A. Yes. If the State Agency (SA) felt the training was necessary and reasonable for the operation of the Program. However, the SA should review what training was proposed, and also determine that the SO was not just trying to exhaust its budget.

3. Q. Is the cost of liability insurance for SO board members an allowable administrative cost?

A. Personal liability insurance for board members is not allowable. However liability insurance for the organization is allowable. If the SO has both family day care homes (FDCH) and centers, or other operations, the SA must ensure that only a fair share of the cost of liability insurance is charged to the FDCH CACFP administrative budget.

4. Q. Are NET funds considered as income for a SO?

A. No.

5. Q. A child care center closed due to financial difficulties and filed for bankruptcy under Chapter 7. A closeout audit was completed by the SA which resulted in an overclaim against the center, however, the money was never collected. The owner of the defunct center has now established a new child care center and reapplyed for the CACFP. Does the SA have to approve the application? Can the SA recover the overclaim if the application is approved?

A. The SA must approve the application if all regulatory requirements are met. Since the old organization filed under Chapter 7 which wipes out all debts, the SA should not pursue collection.
6. Q. A SO did not claim FICA expenses relating to a deferred compensation 457 retirement plan for the period February 1980 to February 1993. Can the SO carry over its share of FICA payments for these prior years to the current CACFP budget?

A. The 457 retirement plan is an income sheltering plan that defers income tax only, but not FICA. FICA is to be paid as the income is earned, whether the income goes to the employee or is sheltered. It is allowable for the sponsor to charge the employer share of the FICA to the CACFP in the fiscal year in which the expense is incurred. The SA is prohibited from reimbursing the sponsor for these prior year costs.

7. Q. Can 2 percent audit funds be used for developing and maintaining a computer audit tracking system, and to pay part of the salary of an internal auditor?

A. No. Parts 226.8(b) and (c) are very specific as to how 2 percent audit funds can be used; that is for costs of performing organization-wide or program specific audits, and Program administrative reviews. Memorandum CCFP-119, dated March 9, 1990 also states Program policy for using these funds.

8. Q. Could 2 percent audit funds be used toward administrative reviews, therefore releasing SAE funds for audit tracking purposes?

A. Yes, this would be allowable.