Reply to
Attn. of: CACFP-558

Subject: Child and Adult Care Food Program (CACFP)
Draft of Office of Inspector General (OIG)
Audit Program

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas, (Child Nutrition Programs) Missouri DH, Montana DPHSS, Nebraska ED, North Dakota, South Dakota, Utah and Wyoming ED

The Office of Inspector General is revising the OIG Audit Program for the CACFP. The guide is intended for use by nonfederal auditors performing program-specific audits under OMB Circular A-133.

We are requesting that you review this draft and discuss it with your staff for their comments. Pen and ink comments on the draft are acceptable. All comments are due to FNS-Headquarters by Thursday, October 29, 1998. Due to the short time-frames, we are requesting comments from you, to be sent directly to FNS-Headquarters to the following address:

Mr. Stanley C. Garnett, Director
Child Nutrition Division
Food and Nutrition Service
3101 Park Center Drive
Alexandria, VA 22302

Please contact Bob Hollowell at (303) 844-0359 if you have any questions.

ANN C. DEGROAT
Regional Director
Child Nutrition Programs

Attachment

** The attachment is on file in Nutrition Services. **
Audit Program

This audit program will be used by independent Certified Public Accountants in conducting audits of institutions operating the Child and Adult Care Food Program (CACFP). This program supersedes Audit Bulletin 27029-1, dated September 19, 1990.

JAMES R. EBBITT
Assistant Inspector General
for Audit

AUDIT FIRMS WHICH DO NOT COMPLY WITH PROFESSIONAL AUDITING STANDARDS AND/OR FOOD AND NUTRITION SERVICE (FNS) PROGRAM REQUIREMENTS COULD BE REFERRED TO THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, AND CONSIDERED FOR SUSPENSION OR DEBARMENT FROM PERFORMING AUDITS OF FNS PROGRAMS.
# TABLE OF CONTENTS

## I. GENERAL
- **A. PURPOSE** ........................................ 1
- **B. INTRODUCTION AND BACKGROUND** .............. 1
- **C. ABBREVIATIONS** .................................. 4
- **D. PERTINENT REGULATIONS, INSTRUCTIONS AND PUBLICATIONS** ............. 5
- **E. STANDARDS FOR CONDUCTING THIS AUDIT** .......... 10
- **F. AUDIT FREQUENCY AND SCOPE** ................... 11
- **G. AUDIT OBJECTIVES** ................................ 11
- **H. REPORTING REQUIREMENTS** ....................... 15

## II. AUDIT PROCEDURES
- **A. SPONSORING ORGANIZATIONS** ................. 16
- **B. AUDIT OF CLAIMS FOR REIMBURSEMENT AND RECORD KEEPING** .......... 18
- **C. FREE AND REDUCED PRICE DETERMINATIONS** ... 22
- **D. ADVANCED PAYMENT** ................................ 24
- **E. PROCUREMENT STANDARDS** ....................... 25
- **F. ADMINISTRATIVE COSTS** ......................... 26
- **G. SELECTION OF SITES FOR ON-SITE REVIEWS** ..... 28
- **H. CONDUCT OF ON-SITE REVIEWS** ................ 29
- **I. MEAL PATTERN/MENU PLANNING** ................. 30

**EXHIBIT A** - AUDITED STATEMENT OF CLAIM

**EXHIBIT B** - SCHEDULE OF MEALS SERVED AND PROGRAM REIMBURSEMENT

**EXHIBIT C** - AUDITED STATEMENT OF MONETARY CLAIMS AND QUESTIONED COSTS

---

*Date*

September 1998
I. GENERAL

A. PURPOSE

This audit program is designed for FNSRO’s use in assisting independent Certified Public Accountants in conducting program specific audits of CACFP operations at the institution level. It will also be used by the Office of Inspector General (OIG) in conducting program specific audits in the Virginia ROAP CACFP. An institution is a sponsoring organization, a child care center, an outside school-hours care center or an adult day care center which enters into an agreement with the State agency to assume final administrative and financial responsibility for program operations.

This audit program is not a substitute for knowledge of applicable laws, regulations and operating procedures. The auditor must be innovative in tailoring the audit approach to incorporate variables encountered at the audit site.

B. INTRODUCTION AND BACKGROUND

Section 17 of the National School Lunch Act of 1966, as amended, authorizes the Secretary of Agriculture to carry out the CACFP. CACFP is intended to integrate nutritious food service with organized day care for enrolled children and certain functionally impaired, and elderly adults. Under Section 17 of the National School Lunch Act, the Secretary of Agriculture is authorized to provide cash reimbursement and commodity assistance (or cash paid in lieu of donated foods), on a per meal basis, for food service to children in licensed/approved nonresidential child care centers and licensed/approved family day care homes (FDCHs). A provision of the Older Americans Act Amendments of 1987, Public Law (PL) 100-175, amended section 17 to also provide CACFP benefits to eligible adults in adult day care centers.

Children and adults who may be eligible to receive meals under the program are identified in 7 CFR 226.2 Definitions. An eligible “child” is defined as: (a) any person who has not reached his/her 13th birthday; (b) any dependent of a migrant worker who has not reached his/her 16th birthday; or (c) a person with a physical or mental disability (as defined by the State) of any age, who is enrolled in an eligible child care facility where the majority of persons are 18 years of age and under. In addition to children, the CACFP serves adults enrolled in eligible adult day care institutions: (a) adults 60 years of age or older, and (b) functionally impaired adults over 18 years of age.

Within the U.S. Department of Agriculture (USDA), FNS is responsible for food service program operations. FNS provides assistance to State agencies administering CACFP by developing and implementing program instructions and guidance, providing funding for the reimbursement of program costs, and
monitoring program performance. FNS furnishes funds to FNSRO through the Agency Financial Management System (AFMS). The implementing regulations for the program are included at 7 CFR 226. In addition to providing cash assistance under these programs, FNS furnishes donated foods (commodities) under 7 CFR 250. Administering agencies in 54 States or territories are responsible for disbursing CACFP benefits to eligible participating institutions. Food and Nutrition Service (FNS), through its Mid-Atlantic Regional Office (FNSRO), has responsibility for directly administering the Child and Adult Food Program (CACFP) in Virginia, as a regional office administered program (ROAP).

Program funds can be distributed only to those organizations that meet eligibility requirements. Organizations eligible to administer the CACFP are described in 7 CFR 226.2, Definitions, under "Institution" and "Sponsoring organization." At the local level, the CACFP is operated by an eligible institution that has entered into an agreement with the administering agency to assume administrative and financial responsibility for CACFP operations. CACFP institutions are eligible for cash subsidies and donated foods (or cash-in-lieu of donated food) for reimbursable meals and supplements (snacks) served to eligible participants. Meal types must be approved and reimbursement is provided for meals served that meet Federal guidelines. Institutions that are sponsoring organizations, in turn, reimburse participating centers and/or homes they administer. Family day care homes, unlike individual centers, must be administered by a sponsoring organization.

Public and private nonprofit organizations which are licensed or approved to provide nonresidential day care services are eligible to receive CACFP benefits. Private nonprofit organizations must be tax-exempt; however, an organization may participate in the program while its application is pending review by the Internal Revenue Service. Private for-profit, nonresidential day care institutions, which receive compensation under Title XIX or Title XX of the Social Security Act may also qualify to participate in CACFP. To be eligible for the program, profit-making adult-care centers must receive compensation under either Title XIX or Title XX of the Social Security Act for at least 25 percent of its enrolled participants; profit-making child care centers must receive compensation under Title XX for at least 25 percent of its enrolled children or 25 percent of its licensed capacity, whichever is less (7 CFR 226.2, Definitions, and 226.6, State agency administration responsibility). The types of institutions which provide food service under CACFP include child day care centers, adult day care centers, outside-school-hours care centers, day care homes, and centers providing day care services to handicapped or disabled individuals. Centers may participate in the program either independently or under the auspices of a sponsoring organization.
Independent centers enter into an agreement with the administering agency to provide day care services at a single site. The independent center assumes final administrative and financial responsibility for program operations, including the maintenance of records of daily food service costs, the number of meals or supplements served, and the determination and recording of participant eligibility. To receive CACFP reimbursement, the center must file a monthly claim with the administering agency.

The sponsoring organization assumes complete administrative and financial responsibility for program operations at its facility(ies). It is required to monitor all food service operations, maintain food service data for each facility it sponsors, provide technical and consultative services to assist its facility in meeting CACFP requirements, and prepare and submit a consolidated monthly claim for reimbursement to the administering agency. (7 CFR 226.16, Sponsoring organization provisions.)

Family and day care homes may participate only through a sponsoring organization. Family day care home sponsoring organizations are the only CACFP sponsors eligible to receive separate Federal reimbursement for administrative expenses. The administrative payments to sponsoring organizations are defined in 7 CFR 226.12, Administrative payments to sponsoring organizations for day care homes. On July 1, 1997, new legislation (P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) established a two-tiered reimbursement system for family day care home providers. Under this structure, the level of reimbursement for meals served to enrolled children will be determined by economic need based on the location of the day care home; the income of the day care provider; or the income of individual children's households.

Low income providers and providers serving low income areas receive reimbursement payments at the Tier I rate; other providers are generally reimbursed at a lower Tier II rate. A Tier II provider has the option of having its sponsor collect information on attending children's family incomes and determine their income eligibility status. If the children are determined to come from households with incomes at or below 185 percent of the poverty level, meals served to those children are reimbursed at the higher tier I rate. (7 CFR 226, Interim Rule published January 7, 1997)

There are some significant operational differences in the delivery of program benefits to children and to adults. In order to implement the requirements under the Older Americans Act Amendment of 1987, PL 100-175, CACFP regulations were modified to relate to the particular circumstances of adult participation. For example:
• Family – As it refers to children, "family" is defined as "... a group of related or nonrelated individuals, who are not residents of an institution or boarding house, but who are living as one economic unit." In reference to adults, "family" is defined as "... the adult participant, and if residing with the adult participant, the spouse and dependent(s) of the adult participant." (7 CFR 226.2, Definitions.)

• Eligibility Criteria – Eligibility for participation in the program, as provided under the Older Americans Act Amendment of 1997, PL 100-175 and PL 100-460 (appropriations for rural development, agriculture, and related agencies for FY 89), must be established for both the adult day care institution and the adult participant (7 CFR 226.19a, Adult day care center provisions).

• Meal Reimbursement – Unlike facilities which serve children, adult day care centers may be eligible to receive food service benefits under CACFP and part C of Title III of the Older Americans Act of 1965. However, benefits reimbursement cannot be received from both programs for the same meal served (7 CFR 226.19a, Adult day care center provisions).

• Meal Patterns – Current meal pattern requirements for adults allow the inclusion of certain milk alternatives and flexibility in food portioning which would not be permitted in meal patterns for children (7 CFR 226.20, Requirements for meals).

C ABBREVIATIONS

ACD - Agency for Child Development

AICPA - American Institute of Certified Public Accountants

AFMS - Agency Financial Management System

CFR - Code of Federal Regulations (e.g., 7 CFR part 226)

CACFP - Child and Adult Care Food Program

FDCH - Family Day Care Home

FNS - Food and Nutrition Service

FNSRO - Food and Nutrition Service Regional Office
NSLA - National School Lunch Act
OIG - Office of Inspector General
OMB - Office of Management and Budget
PL - Public Law
ROAP - Regional Office Administered Program
SA - State Agency
SSI - Supplemental Security Income
TANF - Temporary Assistance for Needy Families (formerly AFDC - Aid to Families with Dependent Children)
USDA - United States Department of Agriculture

D. PERTINENT REGULATIONS, INSTRUCTIONS AND PUBLICATIONS

- Code of Federal Regulations

Note: CFR Compendium is published annually; rates and income eligibility guidelines are revised and published annually.

7 CFR 226, Child and Adult Care Food Program, revised as of January 1, 1997, including the following recently implemented requirements:

1. Interim Rule: Child and Adult Care Food Program; Improved Targeting of Day Care Home Reimbursements, dated January 7, 1997.

2. Interim Rule: Child and Adult Care Food Program, Improved Targeting of Day Care Home Reimbursements; Correction and Extension of Comment Period, dated February 6, 1997.


8. 7 CFR 3015, Uniform Federal Assistance Regulations.

9. 7 CFR 3017, Governmentwide Debarment and Suspension (Nonprocurement).

10. 7 CFR 3018, New Restrictions on Lobbying.

48 CFR 31, Contract Cost Principles and Procedures

Note: Auditors should also consult with FNSRO for additional guidance.

- General Accounting Office Publication
  Government Auditing Standards - Revised 1994 (Yellow Book)

- FNS Instructions and Guidance

Applicable FNS instructions include, but may not be limited to the following:

FNS-113-4, Civil Rights Compliance and Enforcement in the Child Care Food Program, December 16, 1982.


FNS-765-4, Rev. 2, Independence of the Review Official in the Child and Adult Care Food Program.

FNS-765-5, Rev. 1, Free and Reduced Price Eligibility Determinations for Foster and Institutionalized Children, March 19, 1986.
FNS-765-10, Rev. 1, child and Adult Care Food Program Follow-up Verification Reviews.


FNS-770-2, Rev. 1, Commodity Distribution Requirements in the Child and Adult Care Food Program.

FNS-776-3, Rev. 2, Eligibility of Individuals Over 12 Years of Age With Mental or Physical Disabilities in Child Care Facilities Participating in the Child and Adult Care Food Program, June 18, 1992.

FNS-776-4, Rev. 1, Temporary Emergency Residential Care in the Child and Adult Care Food Program, November 7, 1991.

FNS-776-8, Eligibility of Proprietary Title XX Centers, August 8, 1986.

FNS-776-9, Verification of Eligibility Procedures in the Child and Adult Care Food Program, June 30, 1993.

FNS-781-7, Rev. 1, Cost of Distribution of Bonus Commodities to Family Day care Homes, January 21, 1992.

FNS-781-8, Rev. 1, Use of Program Funds for Child Care Standards Compliance, August 28, 1966.

FNS-782-1, Rev. 1, Outside-School-Hours Care Centers, August 27, 1986.

FNS-782-4, Rev. 2, Approval of Child Care Institutions for the Summer Food Service Program, November 8, 1991.


FNS-783-2, Rev. 2, Meal Substitutions for Medical or Other Special Dietary Reasons, October 14, 1994.

FNS-783-7, Milk Requirement – Child Nutrition Programs, Rev. 1, January 24, 1995.
FNS-783-8, Rev. 1, Distribution of USDA-Donated Foods to Schools, Child Care Institutions, and Service Institutions, December 30, 1976.

FNS-783-9, Rev. 2, Family Style Meal Service in the Child and Adult Care Food Program, May 3, 1993.

FNS-783-11, Rev. 1, Juice Products — Child Nutrition Programs, August 17, 1995.


FNS-783-14, Rev. 1, Variation in Meal Requirements for Religious Reasons: Seventh-day Adventist Schools and Institutions, Rev. 1, April 29, 1992.

FNS-784-3, Reimbursement for Meals Provided by Parents in the Child Care Food Program, October 14, 1982.

FNS-786-5, Rev. 1, Provider Claim Documentation and Reconciliation, November 8, 1991.

FNS-786-6, Rev. 4, Reimbursement for Recycled Milk and Other Meal Components, August 21, 1990.

FNS-786-7, Rev. 1, Reimbursement for Meals and Milk Served on Weekends, June 6, 1988.

FNS-786-13, Rev. 1, Limitation on Number of Meals/Snacks Per Child Per Day in the Child Care Food Program, September 29, 1987.

FNS-788-3, Rev. 2, Classification of Applicants in the Child and Adult Care Food Program, November 1, 1991.

FNS-788-5, Approval of Administrative Budgets for Multi-State Sponsoring Organizations of Family Day Care Homes - CACFP, October 25, 1982.

FNS-788-6, Rev. 2, Availability of Institutions' Records to Administering Agencies, November 1, 1991.

FNS-788-7, Rev. 2, Staff-Child Ratios for Centers in Child and Adult Care Food Program Child Care Standards, November 7, 1991.

FNS-788-10, Retroactivity of Agreements for the CACFP, October 14, 1982.


FNS-788-17, Documentation of Licensing/Approval - January 11, 1993.


FNS-792-2, Rev. 1, Contracting Out Management Functions in the Child and Adult Care Food Program - November 1, 1991.

FNS-794-5, Rev. 1, Agreements with Entities which Operate Interstate Schools and Facilities - June 6, 1993.


FNS-796-5, Tax Issues Concerning Day Care Homes, October 14, 1982.

Child and Adult Care Food Program, Child Care Centers Handbook, Issued by FNS in August 1995.

Child and Adult Care Food Program, Adult Day Care Handbook, Issued by FNS in October 1993.

Child and Adult Care Food Program, Day Care Homes Handbook, Issued by FNS in October 1994.

Child and Adult Care Food Program, Eligibility Guidance for Family Day Care Homes, Issued by FNS in May 1997.

OMB Directives

OMB Circular A-87, Cost Principles for State and Local Governments

OMB Circular A-102, Attachment O, Uniform Requirements for Assistance to States and Local Government Procurement Standards
OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations

OMB Circular A-122, Cost Principles for Nonprofit Organizations

OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations

E. STANDARDS FOR CONDUCTING THIS AUDIT

1. AICPA Attestation Standards

The American Institute of Certified Public Accountants (AICPA) has published Statements on Auditing Standards which provide professional guidelines for performing attest services. These standards are to be followed by the certified public accountant (firm) in the practice of public accounting that is engaged to perform an attestation engagement. The engagements performed under the program should meet these Attestation Standards as they pertain to the technical competence, independence in mental attitude, due professional care, adequate planning and supervision, sufficient evidence, and appropriate reporting for the highest level of assurance as provided by an "examination" procedure to a presentation of assertions.

2. GAO Government Auditing Standards

The Comptroller General of the United States has published Government Auditing Standards (1994 Revision) which contain standards for audits of governmental organizations, programs, activities and functions, and of government funds received by contractors, nonprofit organizations, and other nongovernmental organizations. These standards are to be followed by Federal, State and local government audit groups, as well as independent public accountants, when required by law, regulation, agreement, contract, or policy. The examinations performed under this program must meet the Government Auditing Standards as they pertain to the auditor's professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful reports for financial-related audits.
3. **Other Authoritative Standards**

To the extent applicable, to attestation engagements and financial-related audits, the engagement is subject to any other authoritative interpretive standards that apply to the engagement.

**F. AUDIT FREQUENCY AND SCOPE**

OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations," establishes the uniform audit requirements for non-Federal entities that expend $300,000 or more in Federal awards in one year. Program policy establishes the audit requirements for proprietary Title XIX and Title XX centers. (7 CFR 226.8(a)).

**G. AUDIT OBJECTIVE**

1. **General**

The objectives of the audit are: (1) to determine the integrity of program and participation data reported by the institution on which claims for reimbursements are based, (2) to test and report if the institution is in compliance with applicable laws and regulations, (3) to obtain an understanding of the internal control structure, and (4) to prepare a report showing the results of the examination.

2. **Preliminary Procedures**

Prior to beginning the examination, if applicable, determine whether the institution has arranged for an organizationwide or single audit meeting the requirements of OMB Circular A-133. Federal agencies are to rely on recipient audits provided they are made in accordance with audit standards issued by the Comptroller General and otherwise meet the requirements of the agency. Federal agencies are not to duplicate the work, but are to build upon the results of non-Federal audits. OMB Circular A-133 calls for coordination between auditors for the entity and Federal auditors. FNSRO is to notify OIG if an audit meeting the requirements of the circular has been performed or is planned or if audits by other Federal agencies were recently performed or are scheduled.

Next, the auditor should obtain and review key reference material. (See section I, part D of this guide.) This review should provide a frame of reference as to how the program operates and what the auditor may expect of the institution to properly administer the program. The auditor should make copies or extracts of those documents the auditor considers
necessary to retain in the audit workpapers. The following items will serve as a guide for materials that should be reviewed during the preliminary review:

a. The institution's agreement(s) to operate the CACFP for the period under audit. (The FNSRO should have this agreement on file.) Certain information should be available which will be needed to plan the audit approach and tailor this audit guide to meet circumstances at the institution level. Key information includes:

(1) type of organization—sponsoring organizations and types of child care and/or adult day care facilities under its sponsorship, or independent center;

(2) type of reimbursement method (claiming percentages, blended rates or actual counts) and authorized reimbursement rates, applicable to child and adult day care centers and day care homes;

(3) institution's option to annually elect to receive commodities or cash in lieu of commodities, where available;

(4) institution's option to receive advance payments, if applicable; and

(5) reported enrollment, and licensed capacity, if applicable.

b. Previous audit reports concerning CACFP operations issued within the last 2 years, and replies to the audit relating to any required corrective actions. The auditor should follow up on known findings and recommendations from previous audits and determine whether appropriate corrective action was taken. The auditor's report should disclose the status of known but uncorrected findings and recommendations.

c. Program regulations and documents relating to the FNSRO's financial management systems. The auditor should also have an understanding of Federal and FNS financial requirements.

d. For the audit period, copies of claims for reimbursement the institution submitted and copies of documents showing FNSRO reimbursement paid.

e. Where applicable, governmentwide cost allocation plans.
f. Copies of administrative reviews FNSRO performed at the institution and documentation relating to the necessary corrective actions taken or contemplated.

3. Evaluation of Internal Controls

The auditor must determine how much reliance can be placed on the audited institution's internal control structure to provide reasonable assurance of accurate financial and program data and compliance with applicable laws and regulations (For example, reasonable assurance that (1) meal requirements are met; (2) sponsoring organizations comply with monitoring requirements; (3) safety and health requirements are met; (4) meals claimed were served; and (5) providers for whom meals were claimed actually exist and are participating). The evaluation consists of two phases:

- Review of the System - This is the process of obtaining information about the organization and the prescribed procedures used to capture program and financial data pertaining to food service operations.

- Tests of Compliance - This is determining, through the review of selected transactions, whether the control features are applied as prescribed.

The auditor should, at a minimum, obtain an understanding of, and assess the control risk for, internal controls necessary to provide reasonable assurance that:

a. The accounting system provides for actual meal service count by type - breakfast, lunch, supper, and supplement.

b. Where an institution must determine participant eligibility for free, reduced price or paid meals, the structure provides for establishing eligibility and reporting the results correctly.

c. Where a sponsoring organization makes Tier I home determinations, the structure provides for establishing eligibility and reporting the results correctly.

d. Food service costs are adequately segregated, accumulated, and documented. Day care homes receive a flat reimbursement per meal type and are not required to keep program cost data; however, a sponsoring organization claiming administrative costs as the sponsor
of FDCHs must have a system to capture administrative cost expenditures and income data.

e. Income to the program is segregated, accumulated and documented.

f. Federal procurement standards for food items, supplies, equipment and other goods and services are met.

g. Costs (both direct and indirect) are charged appropriately to the CACFP.

The evaluation of internal controls should be documented in the audit workpapers including tests made to assure program compliance. The documentation should also include the auditor's conclusion on how much reliance may be placed on records and reports generated by the institution's system. The audit report should contain a Statement on Internal Accounting Control.

4. Compliance with Laws and Regulations

In order to participate in the CACFP, each sponsoring organization, independent child care center, independent outside-school-hours care center and independent adult day care center must submit an application and meet the required eligibility criteria. These institutions also agree to comply with specific program requirements. The eligibility criteria and program requirements are explained in 226.15, Instruction provisions; 226.16, Sponsoring organization provisions; 226.17, Child care center provisions; 226.18, Day care home provisions; 226.19, Outside-school-hours care center provisions; and 226.19a, Adult day care center provisions. The following audit steps should be taken to evaluate compliance with key areas of the laws and regulations:

a. Determine that the institution has submitted an application and has been approved to operate the CACFP. Verify that the data provided on the application correctly reflects the circumstances. (See 7 CFR 226.15, Institution provisions.)

b. Determine that the institution is a public agency or a private nonprofit organization as defined under the Internal Revenue Code of 1986. An institution which is moving towards tax-exempt status or which is operating a Federal program that requires tax-exempt status may be approved. Under the Omnibus Reconciliation Act of 1980, PL 96-499 and PL 97-35, the Omnibus Reconciliation Act of 1982, profit-making institutions that receive Title XIX or Title XX funds may be eligible for
CACFP participation. (See 7 CFR 226.15, Institutions provisions). These institutions are required to have supporting documentation.

c. Determine that the institution(s) has/have been approved or licensed by Federal, State or local authorities. (See 7 CFR 226.6, State agency administrative responsibilities, and 226.193, Adult day care center provisions.)

d. When observing the service of meals or supplements in pricing program centers (which charge separately for meals), determine whether participants who receive free or reduced price meals are treated differently from other participants. Possible discriminate treatment may include participants being required to use separate serving lines or lunchroom facilities, to be served meals at a different time, or to work for their meals. (See II J.)

The auditor's conclusion should be summarized and the audit report should include a statement on compliance and a statement on positive and negative assurances.

H. REPORTING REQUIREMENTS

The report shall contain an expressed opinion, narrative statements, exhibits, and other pertinent data including deficiencies found and actions needed to correct and/or prevent recurrence of the deficiencies reported. The report should include the following:

1. An opinion as to whether the institution's claims for reimbursement during the audit period fairly presented the number of meals/supplements eligible for reimbursement. If the auditor cannot express an opinion, the report shall disclose why and make appropriate recommendations. The following text should be used for unqualified opinions:

We have examined the accompanying claims for reimbursement (schedules of monthly claims attached) submitted by (institution's name) under the CACFP. Our examination was made in accordance with auditing standards established by the AICPA and with generally accepted Government auditing standards established by the Comptroller General of the United States and included tests of programs and accounting records prescribed by the USDA-OIG guide for audits of this program. In our opinion, the aforementioned claims present fairly the number of meals or supplements eligible for reimbursement for the period __________ through 19__.
2. A statement that the auditor's test of compliance with applicable laws and regulations which contain a positive assurance on those items tested, a negative assurance on those items not tested, and all material instances of noncompliance. The auditor should promptly report any illegal acts or indications of such acts. If top officials are believed to be a party to such acts or otherwise implicated, the auditor should immediately notify OIG.

3. A report on the auditor's understanding of the internal control structure and the auditor's assessment of control risk, which includes as a minimum, the scope of the auditor's work, the entity's significant internal controls or internal control structure and reportable conditions.

4. A report of all audit findings, conclusions, causes and recommendations for all material instances of noncompliance and reportable internal control conditions presented in accordance with Government Auditing Standards (see chapter 5, Reporting Standards for Financial Audits, parts 23 and 27, and chapter 7 Reporting Standards for Performance Audits, parts 17 through 26 and 55 through 69).

5. The titles of officials with whom the report was discussed, and their comments, including agreement or disagreement with the auditor's conclusions. The auditor will include any response from the audited institution and/or FNS as an exhibit to the final report. In addition, Exhibits A and B should be prepared.

6. Any nonmaterial instances of noncompliance and internal control weaknesses should be communicated in a management letter which should be referred to in the overall report. The sponsor should provide any management letters to FNS within 30 days of receipt.

II. AUDIT PROCEDURES

A. SPONSORING ORGANIZATIONS

Sponsoring organizations agree to provide specific functions and supervise the child care or adult day care facilities which they administer. Specific requirements are explained under 7 CFR 226.16, Sponsoring organization provisions.

In addition to the financial requirements necessary for claiming reimbursements, sponsoring organizations must maintain records to substantiate that program advances (if applicable) and reimbursements for food service under CACFP are disbursed to the child care or adult day care facilities which they administer within the specified timeframe of 5 working
days. Sponsors of legally distinct centers and/or day care homes must pass on advances within 5 working days of receipt of funds from the State agency; FDCH sponsors must reimburse their providers within 5 working days of receiving meal counts and menu records.

The following audit steps apply only to sponsoring organizations:

1. For facilities which began participation during the audit period, determine whether the sponsoring organization
   a. made a pre-approval visit to discuss CACFP benefits and to determine whether the capability to provide food service exists, and
   b. trained facility staff in program duties and responsibilities.

2. Determine whether the sponsoring organization has provided, at a minimum, annual training sessions for child care or adult day care facility staff.

3. Determine whether the sponsoring organization has completed the required review of child care or adult day care facilities to assess compliance with meal patterns, recordkeeping and other program requirements. If deficiencies were uncovered during reviews, examine what actions were taken to correct the deficiencies.

4. Determine whether the sponsoring organization performed all required monitoring visits to DCH's.

5. Perform tests to determine that records for all reimbursement payments exist, that they reflect the payments received by the sponsors, and that these funds were passed through to the participating day care providers and/or centers, if applicable, within 5 working days.

6. Determine whether current meal counts and menu records for meals served were maintained.

7. Based on the number of children in attendance on the day of visit, records on file, and reimbursement records, determine whether meals reflect past claiming pattern.

8. Determine what controls the sponsor has in place to prevent or detect inflated and unsupported meal claims (i.e., monitoring instrument, targets meal counts).
9. Determine whether monitoring forms used by sponsors to document the results of their visits collects and evaluates sufficient information to identify inflated meal counts and unsupported meals.

10. Determine whether sponsor oversight of the DCH program provides the primary controls to ensure the validity of DCH meal claims and maintain program integrity.

11. Determine whether sponsoring organization ensured DCH’s provided safe environments for children (e.g. fire inspections, general cleanliness, etc.).

12. Determine how many facilities each monitor is expected to visit each month. Consider whether a monitor can be reasonably expected to complete this number of visits and adequately review operations at each type of child care facility.

For at least one month, determine the days on which monitors actually visited facilities and compare the number of visits completed on each day and the number of visits the monitors are expected to make. If the actual number of visits completed during the month or on any day is greater than the number of visits the monitor is expected to make, consider whether or not the forms documenting the visits are accurate.

B. **AUDIT OF CLAIMS FOR REIMBURSEMENT AND RECORDKEEPING**

The auditor must determine whether the institution’s costs of acquiring meals for participants are correctly documented and whether its claims for reimbursement are correctly reported. The preliminary procedures outlined in section I, part G(2) of this guide are designed to provide the auditor with needed background information in order to proceed with the examination of the institution.

1. **General**—The auditor may encounter a variety of circumstances in performing the audit which will necessitate tailoring the audit steps to be applied. The following information about reimbursements and recordkeeping should be useful to the auditor in evaluating this program area:

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, established a two-tiered reimbursement system for family day care home providers. Low income providers and providers serving low income areas receive reimbursement payments at the tier I rate; other providers are generally reimbursed at a lower tier II
rate. A tier II provider has the option of having its sponsor collect information on attending children's family incomes and determine their income eligibility status. If the children are determined to come from households with incomes at or below 185 percent of the poverty level, meals served to those children are reimbursed at the tier I rate. All meals and supplements served at day care homes are served without charge to enrolled children. FDCHs are reimbursed under Tier I and Tier II by meal type for each meal.

FDCHs are required to maintain records on the number and daily attendance of enrolled children, the number and types of meals which they are served, and the menus for each of the meals served.

All child care or adult day care centers must keep records of participant enrollment, daily attendance, meals served by type, and menus of meals served. If free or reduced price meal benefits are claimed, then records must be maintained establishing participant eligibility, food service cost, and income data as required by FNSRO's financial management system.

Reimbursement is not allowed for meals served to persons who are not enrolled in the program, adults who do not meet individual eligibility criteria, or participants which exceed the FDCH or center's authorized capacity. Participating adult day care centers may not claim CACFP reimbursement for meals which have been claimed under part C of title III of the Older Americans Act of 1965. Meals served at Title XIX or Title XX centers during a calendar month when less than 25 percent of enrolled adult participants were Title XIX or Title XX beneficiaries or when less than 25 percent of enrolled children or less than 25 percent of the center's licensed capacity (whichever is less) were Title XIX or Title XX beneficiaries are not reimbursable.

Day care homes are not required to maintain food service cost data. Sponsoring organizations of FDCHs may claim administrative costs for carrying out the program functions required of them. The sponsor must maintain cost and income records to support any administrative costs which are claimed.

All sponsoring organizations must maintain records which show that advance payments are passed on to legally distinct centers and/or day care homes within 5 working days, and reimbursements are passed on to the center or day care home within 5 working days.

Institutions in FNS administered programs, which are under a ROAP payment system, are not required to report meal costs on claims for
reimbursement. However, such programs are required to maintain records of such costs to ensure that (1) a nonprofit food service is maintained, and (2) any cash balances carried forward are utilized solely for the benefit of the food service program. Any cash balances that cannot be appropriately utilized for the benefit of the food service program could be recovered at the discretion of FNS-MARO. Auditors in such circumstances should report cash balances and the circumstances contributing to such cash balances.

2. **Meals and Supplements Claimed**—Four types of meal service are authorized in the program: breakfast, lunch, supplement (snack), and supper. The agreement between an institution and the State agency specifies which types of meals the institution will claim. Subject to the agreement, an institution may receive reimbursement payments for any two of the three principal meals served (breakfast, lunch, or supper) and one supplement, or for two supplements and one meal, for each child or eligible adult in attendance each day of operation. (The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, P.L. 104-193, amended Section 171(12)(B) of the NSLA). All claims that an institution reports to the State agency for reimbursement must be supported by accurate meal counts and records (7 CFR 226.10, Program payment procedures). Those meals claimed for eligible persons in adult day care centers may not be claimed for reimbursement under Part C of Title III of the Older Americans Act of 1965 (7 CFR 226.19a, Adult day care provisions). Meals served as seconds to enrolled, eligible participants may be claimed for reimbursement at institutions which do not use family-style service. (See FNS Instruction 783-9, Rev. 2.) However, as the goal of the program is to provide one meal or supplement, per participant, the serving of seconds should not occur frequently. Auditors should report as management findings any circumstances which in their judgment do not comply with the regulatory directive to plan or the basis of one meal per child per meal service per day. Any fiscal determination should be left to the discretion of FNSRO.

The auditor should take the following steps:

a. Trace meal types and supplements reported on the monthly claim for reimbursement to supporting documents, which must contain meal counts taken at or near the time of service by meal types (breakfast, lunch, supper or supplement). The auditor should be alert to indications of noncounts or overreporting, e.g., the same meal counts reported each day, or meal counts exceeding the reported enrollment.
The auditor should compare the number of meals claimed with the number of children present at the time the meal was served.

b. Observe a meal service to determine the number of meals claimed for reimbursement. Determine whether the counting method used resulted in an accurate meal count. Daily meal counts must be documented in order to comply with regulations (7 CFR 226.15, Institution provisions). If data are unavailable, the auditor’s observations and conclusions about meal counts reported should be noted in the audit report, and appropriately treated in the opinion.

c. If meals are claimed by category, perform appropriate tests to ensure that it has a system which provides accurate counts by category (free, reduced price, paid). A determination may be made using enrollment, attendance and participant eligibility data.

d. Where an institution explains the service of seconds as the reason for meal counts exceeding enrollment and attendance, use the observations made about meal service and meal count controls to perform tests to determine what corrective action has been taken by the institution to provide only one meal per participant.

e. Test to ensure that meals are not claimed for participants in excess of an institution’s licensed capacity. Meal counts may exceed the licensed capacity of either a center or home if meals are served in shifts where one group of participants leaves the premises before another group arrives, and the number of enrolled participants in care at any given time does not exceed the authorized capacity.

f. Test to ensure that meals claimed for CACFP reimbursement do not duplicate reimbursement under another Federal program, and that the costs associated with those meals claimed under CACFP are not funded with monies from other program sources.

g. Where a difference is found between meals reported for reimbursement and meals supported by documentation or audit tests, determine its financial impact on the reimbursement paid or scheduled to be paid.

h. Consult with the distributing agency regarding any specific institution’s election of USDA donated commodities, or cash-in-lieu of commodities.
3. **Program Income**—CACFP regulations define income to the program to mean "... any funds used in the institution's food service program, including, but not limited to, any monies, other than (CACFP) payments, received from other Federal, State, intermediate, or local government sources; participant's payments for meals and food service fees; income from any food sales to adults; and other income, including cash donations or grants from organizations or individuals." Possible Federal sources of income would include Head Start, Title XIX, or Title XX funds used to pay labor costs. Income to the food service operation must be accounted for and considered in determining net program costs. The auditor will need to understand requirements on how to account for other funds which may be identified; how these funds may have been used in food service, and whether such use would require the reporting of these funds as CACFP income. It may be necessary to contact appropriate Federal or State grantors, or to review the fiscal year closeout of the funds in question.

The auditor should perform the following steps:

a. Trace the income reported on the claims for reimbursements by the sponsoring organization to the sponsor's ledgers or similar records.

b. Trace the reported income to source documents, e.g., records of sales to nonprogram adults, records of monies collected from participants, deposit slips or bank statements.

c. Test to assure that any funds received by the institution, which could impact on CACFP, were considered and properly accounted for. Any significant surplus in the food service account which is disclosed but not accounted for by the institution should be explained in the audit report.

**C. FREE AND REDUCED PRICE DETERMINATIONS**

Each sponsoring organization and independent center must submit a written policy statement to the FNSRO concerning free and reduced price meal service as part of its application for program participation. Once the initial free and reduced price policy statement is submitted it does not have to be resubmitted unless there are substantive changes to the original document. The policy statement for centers must describe the center's meal pricing system.

Pricing programs are those in which enrolled children who do not qualify for free meals are charged separate fees for their meals. This may be direct payment from the child at the time each meal is served; a separate daily,
weekly, or monthly food charge or meal ticket payment; a specifically earmarked portion of the tuition payment for food service; or an identifiable reduction from the standard tuition rate for meals provided by parents. Nonpricing programs are those in which no separate charges are made for meals served to enrolled children (7 CFR 226.15, Institution provisions). Meal prices are set by the SFA or CACFP institution with approval of the State agency. All meals and supplements served in day care homes are served at separate charge to eligible children.

Eligibility for free or reduced price meals may be established by the submission of an annual application or statement which furnishes such information as family income and family size. A child's eligibility may also be established categorically based on its household receiving benefits under the Food Stamp Program, Food Distribution Program on Indian Reservations (FDPIR) or Aid to Families With Dependent Children Program (AFDC). (AFDC has been replaced by "State program funded" under part A of Title 4 of the Social Security Act, commonly referred to as the Temporary Assistance for Needy Families (TANF)). Such households may furnish documentation of participation in one of these programs in order to establish a member's eligibility for free or reduced price meals under the CACFP. Adults may also establish their eligibility for free meals under the CACFP by furnishing a Food Stamp Program case number, or Medicaid and/or Social Security Income (SSI) assistance identification number (7 CFR 226.23, Free and reduced price meals).

The application form used to establish eligibility for free or reduced price meals must request the name of the participant(s), the signature of an adult household member, and the date. If an individual is categorically eligible for free meal benefits, an appropriate food stamp, TANF, SSI or Medicaid case or identification number must also be provided on the application. Otherwise, each completed application must contain household information which enables the institution to determine income eligibility. This information much include the names of all household members, the amount and source of income attributed to each member, and the social security number of the adult who signs the application or the adult who is the primary wage earner.

For a tier 1 day care home, the providers' own children may be reimbursed only if the following three conditions exist:

1. the provider's children must be enrolled and participating in the child care food program during the time of the meal service;

2. other enrolled nonresidential children must be present and participating in the same meal service; and
3. Determine that bids to food service management companies totaling $50,000 or more are submitted to the administering FNSRO for review.

4. Evaluate invitations for bid and contracts for food service management companies or commercial vendors to ensure that loans or other monetary benefits, terms or conditions are not to be made to the institutions.

5. Determine that nonexpendable equipment purchases in excess of the amount specified in 7 CFR 3015 are accounted for properly.

F. ADMINISTRATIVE COSTS

1. Administrative Costs for Day Care Homes—Funds are available to sponsoring organizations of FDCHs to reimburse administrative costs incurred for planning, organizing, and managing the food service. Administrative payments may not exceed specific rates established for each FDCH sponsor (See 7 CFR 226.2, Definitions and 226.12, Administrative Payments to Sponsoring Organizations for DCHs.). Examples of specifically disallowed costs are direct support payments to family day care home providers and those that support proprietary activities of a sponsor or its related organization. Administrative reimbursement is limited to the lesser of the following factors on a cumulative Federal fiscal year-to-date basis: (a) the sponsor's approved administrative budget (total); (b) actual administrative costs less income to the program; or (c) the appropriate monthly rates per home times the number of operating homes in each month. In addition, during any fiscal year, administrative payments to a sponsoring organization may not exceed 30 percent of the total amount of administrative payments and food service payments for day care home operations (7 CFR 226.12, Administrative Payments to Sponsoring Organizations for DCHs).

Where administrative costs are authorized, the auditor should:

a. Trace reported administrative costs to ledgers or similar records used to capture the data.

b. Trace ledger entries to source documents, e.g., payroll records, invoices, paid receipts or canceled checks. The auditor should be alert to unallowable costs, e.g., interest payments, finance charges, bad debts, entertainment costs, payments made to any individual, provider, employee or contractor based on the number of homes recruited. (See FNS Instruction 796-2, Rev. 1, for a detailed list of unallowable costs.)
unannounced visits found widespread problems which were not disclosed in earlier announced reviews. We believe the same applies to reviews of sponsors. Where State agency contacts are not made during the sponsor selection process, to avoid the possibility of “tip-offs,” preliminary work at State or local agencies should be performed as near to the review date as possible. In addition, State or local agency staff should be advised to limit the knowledge of the pending reviews to as few persons as possible.

H. CONDUCT OF ON-SITE REVIEWS

Objective - To conduct onsite reviews of food service to recipients to identify (1) possible false claims for reimbursement, (2) service to ineligible population (3) other problems which could result in the disallowance of meals under CACFP regulations.

Audit Steps

1. Select sites for review applying the criteria in section II, part H.

2. Perform the review. Interview the day care home provider or the site supervisor in charge of food services, and observe the entire meal or supplement service to determine:

   a. Was there a beginning inventory of meals available for the sampled meal service. If yes, determine the actual number of meals or meal components held from the prior day.

   b. How many meals were prepared or delivered for the sampled meal service.

   c. Was the meal served during the authorized time period.

   d. If the observed meal has met meal pattern requirements. (7 CFR 226.20)

   e. That meal is served on a first come, first serve basis; if not, explain why not.

   f. That only enrolled or otherwise eligible children and adults are served meals claimed for reimbursement. (7 CFR 226.23(e)(2)(vii)(4).

   g. That all eligible participants were served one meal:
(1) if yes, determine the number of meals not served at the end of meal service (ending inventory) and what with the left over meals,

(2) if seconds were served determine the number,

(3) if eligible participants were not served, determine why not (for example, more eligible participants may have come to eat than meals were delivered).

3. Compare the number of meals claimed for reimbursement by the site with the auditor’s count and observation of the meal service, and with the number of meals claimed for the previous month. If the site’s claim is inconsistent, determine why.

4. Determine if the meals claimed as served consistently equal the enrollment or the number of meals delivered. If yes, interview sponsoring officials to determine why. If no, interview sponsoring officials to determine why adjustments are not made. If the institution does not prepare meals on-site, determine if the number of meals ordered and delivered are adjusted periodically, and documented, to reflect changes in attendance. Check whether the institution records change in participant enrollment or eligibility. If no, determine why not.

5. If discrepancies in meal counts versus meal delivery are noted, interview the site supervisor in charge of food service to determine the basis of the site’s claims for reimbursement.

6. Determine the monetary effect of any adverse findings disclosed through the performance of the review.

I. MEAL PATTERN/MENU PLANNING

A meal or supplement service must contain a minimum number and amount of food components in order to qualify for reimbursement. Menu requirements are established in 7 CFR 226.20, Requirements for meals. Substitutions of food items are allowed, for religious reasons (see FNS Instruction 783-13, Rev. 2), or if a child or an adult is unable to eat a certain food because of medical or other special dietary needs (See FNS Instruction 783-2, Rev.2). Substitutions due to medical needs must be supported by a statement from a recognized medical authority. Current meal pattern provisions for adult participants allow for yogurt and cheese to be substituted for fluid milk; however, fluid milk must be included in either one meal or supplement each
Audited Statement of Claim

ANYTOWN CHILD CARE FOOD PROGRAM
Agreement No. 1234-56
19 Child and Adult Care Food Program

For the Period _______ to _______

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement per Audit</td>
<td>$9,644</td>
</tr>
<tr>
<td>(Supported by EXHIBITS B and C as needed)</td>
<td></td>
</tr>
<tr>
<td>Program Reimbursements Claims and Received*</td>
<td>10,078</td>
</tr>
<tr>
<td>(Claims for Reimbursements Attached)</td>
<td></td>
</tr>
<tr>
<td>Amount due Institution (Amount due from Institution)</td>
<td>($434)</td>
</tr>
</tbody>
</table>

* Actual reimbursements received from administering agency should also include administrative reimbursement received for FDCH's.

Should also include income that accrued to the program.

A footnote should reflect if the claims for reimbursement have been paid or not.
Schedule of Meals Served and Program Reimbursement
(Sponsor with No Day Care Homes)

ANYTOWN CHILD CARE FOOD PROGRAM
Agreement No. 1234-56
19 ___ Child and Adult Care Food Program

For the Period ______ to ______

<table>
<thead>
<tr>
<th>Meals Served</th>
<th>Number Served by Meal Type</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Breakfast</td>
<td>861</td>
</tr>
<tr>
<td></td>
<td>Lunch</td>
<td>4,981</td>
</tr>
<tr>
<td></td>
<td>Supplement</td>
<td>5,577</td>
</tr>
<tr>
<td></td>
<td>Supper</td>
<td>4,427</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15,846</td>
</tr>
</tbody>
</table>

- Less meals disallowed based on meal violation notices from FNSRO
  - (43)  (540)  (119)  (1,102)

- Less meal adjustments made by auditor for program violations (net of FNSRO notices)
  - (222)  (160)  -  (382)

Net Meals Served

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Breakfast</td>
<td>861</td>
<td>4,716</td>
</tr>
<tr>
<td>Lunch</td>
<td>4,981</td>
<td>4,477</td>
</tr>
<tr>
<td>Supplement</td>
<td>5,577</td>
<td>4,308</td>
</tr>
<tr>
<td>Supper</td>
<td>4,427</td>
<td>14,362</td>
</tr>
</tbody>
</table>

Reimbursement Rate*

<table>
<thead>
<tr>
<th></th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Supper</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$.3925*</td>
<td>$.7600*</td>
<td>$.2050*</td>
<td>$.7600*</td>
</tr>
</tbody>
</table>

Total Based on Reimbursement Rate

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 338</td>
<td>$3,584</td>
</tr>
<tr>
<td></td>
<td>$ 918</td>
<td>$3,274</td>
</tr>
<tr>
<td></td>
<td>$ 8,114</td>
<td></td>
</tr>
</tbody>
</table>

* The auditor must determine (from the FNSRO) the actual reimbursement for the audit period by meal type. Note: Regulations provide three methods for computing reimbursement - one of which will be assigned by the administering agency to each independent center and sponsoring organization of centers at least annually:
  • claiming percentages;
  • blended per meal rate; or
  • total monthly counts of the actual number of meals by type served each day to children eligible for free, reduced price, and paid meals.

(Statement continued on next page to cover day care homes.)
Schedule of Meals Served and Program Reimbursement
(For Day Care Homes Only)

ANYTOWN CHILD CARE FOOD PROGRAM
Agreement No. 1234-56
19 __ Child and Adult Care Food Program

For the Period ________________

<table>
<thead>
<tr>
<th>Meals Served</th>
<th>Breakfast</th>
<th>Lunch</th>
<th>Supplement</th>
<th>Supper</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,146</td>
<td>1,214</td>
<td>846</td>
<td>1,282</td>
<td>4,585</td>
</tr>
<tr>
<td>(Net Meals Served)</td>
<td>(14)</td>
<td>(15)</td>
<td>(175)</td>
<td>(205)</td>
<td></td>
</tr>
<tr>
<td>(Net Meals Served)</td>
<td>(148)</td>
<td>(18)</td>
<td>(166)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reimbursement Rate*</th>
<th>$2675*</th>
<th>$4775*</th>
<th>$1675*</th>
<th>$4775*</th>
<th>-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Based on Reimbursement</td>
<td>$338</td>
<td>$3,584</td>
<td>$918</td>
<td>$3,274</td>
<td>$8,114</td>
</tr>
</tbody>
</table>

Program Cost for Centers and Day Care Homes

| Payment for Centers (See exhibit C(1)) | $8,114 |
| Day Care Homes Reimbursement | 1,530 |
| Sub-total | $9,644 |
| Administrative Costs for Day Care Homes + 971 |
| Total Program Reimbursement | $10,615 |

* The FNS Regional Office should be contacted to determine the appropriate reimbursement rate for the audit period.

* Total administrative cost reimbursement for day care homes is limited to actual costs pertaining only to the home or the amount determined by multiplying the number of homes
by the appropriate rate or the amount approved by the FNSRO in the sponsoring organization's budget.

Note: Use either or both schedules (Exhibit B(1) & (2) depending on sponsor's activity.
<table>
<thead>
<tr>
<th>Detail No.</th>
<th>Description of Exception</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total to be collected from institution or reimbursed to institution $______