Reply to

Attn of: CACFP-753

April 18, 2005

Subject: Transfer of Data Related to the Child and Adult Care Food Program
and the Food Stamp Program

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

On September 1, 2004, the Food and Nutrition Service (FNS) published an interim rule,
“Child and Adult Care Food Program; Improving Management and Program Integrity” (69
FR 53502). This memorandum explains a provision in that rule requiring State Agencies
(SA) that administer the Child and Adult Care Food Program (CACFP) to share information
with SAs that administer the Food Stamp Program (FSP), effective April 1, 2005.

History
In several audits conducted during the late 1990s, USDA’s Office of the Inspector General
(OIG) expressed concern about the adequacy of financial and administrative controls in the
CACFP and recommended changes to review and monitoring requirements.

The CACFP reimburses sponsoring organizations for eligible meals served by their family
day care home providers. Reimbursement is made at two levels: a higher rate, or “Tier I,”
and a lower rate, or “Tier II.” Providers are categorically eligible for Tier I reimbursement if
their household participates in the FSP. The OIG sampled CACFP providers who had
claimed this reimbursement and determined that many of those providers, when applying for
FSP benefits, understated or did not reveal self-employment income derived from child care.
In these cases, the provider should have received a lower food stamp allotment, may have
been ineligible to receive food stamps altogether, and may have subsequently been ineligible
for Tier I reimbursement.

The OIG recommended that FNS take steps to reduce the incidence of providers receiving
reimbursement at the Tier I level, based on the provider’s improper participation in the FSP.

Requirements for State CACFP Agencies
The September interim rule amends 7 CFR 226.6(f)(1) of the CACFP regulations. Under this
rule, State CACFP agencies must:

• Annually collect from each sponsoring organization of day care home providers, a list of
  providers receiving CACFP Tier I benefits on the basis of their participation in the FSP;

• Within 30 days of receiving a list, provide the list to the State FSP Agency.
These lists will be used to verify whether providers have submitted household income data, as required. The eligibility of a provider for Tier I benefits may be examined if the State FSP Agency determines that the provider failed to submit complete household income data. However, the inclusion of a provider on this list does not suggest, in and of itself, noncompliant activity by the provider.

Additional guidance on the Second Interim Rule was sent to SAs via CACFP-748 in January 2005. The section titled “Tier I Eligibility Based on Food Stamp Participation”, discusses the initial collection date, subsequent annual collection dates, defines which providers must be included, and lists the information that must be collected.

Requirements for State FSP Agencies
Upon receipt of the list State FSP Agencies must, at a minimum, review the case at the next recertification to ensure the household has correctly reported its self-employment income.

Confidentiality
The collection of personal data from a provider occurs under a presumption of confidentiality. However, this presumption does not mean that a provider’s Program eligibility will not be reviewed for accuracy by appropriate State and Federal officials.

Coordination of Effort
As an agency, FNS encourages participation by eligible individuals in both the CACFP and the FSP. At the same time, FNS and SAs must ensure that individuals receiving benefits meet the statutory requirements for eligibility. Specifically, we must ensure that providers accurately report their household income, including the income they receive for providing child care. Self-employment income of any kind poses difficulties for those charged with making food stamp or any other Federal eligibility determination, but we are in a position to improve the accuracy of these determinations by sharing information across programs.

Ultimately, successful implementation of this provision relies on cooperation between food stamp and child nutrition agencies. We encourage you to discuss the provision and transfer data in the most efficient manner possible.

If you have any questions, please contact our office at (303) 844-0354.

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Special Nutrition Program