

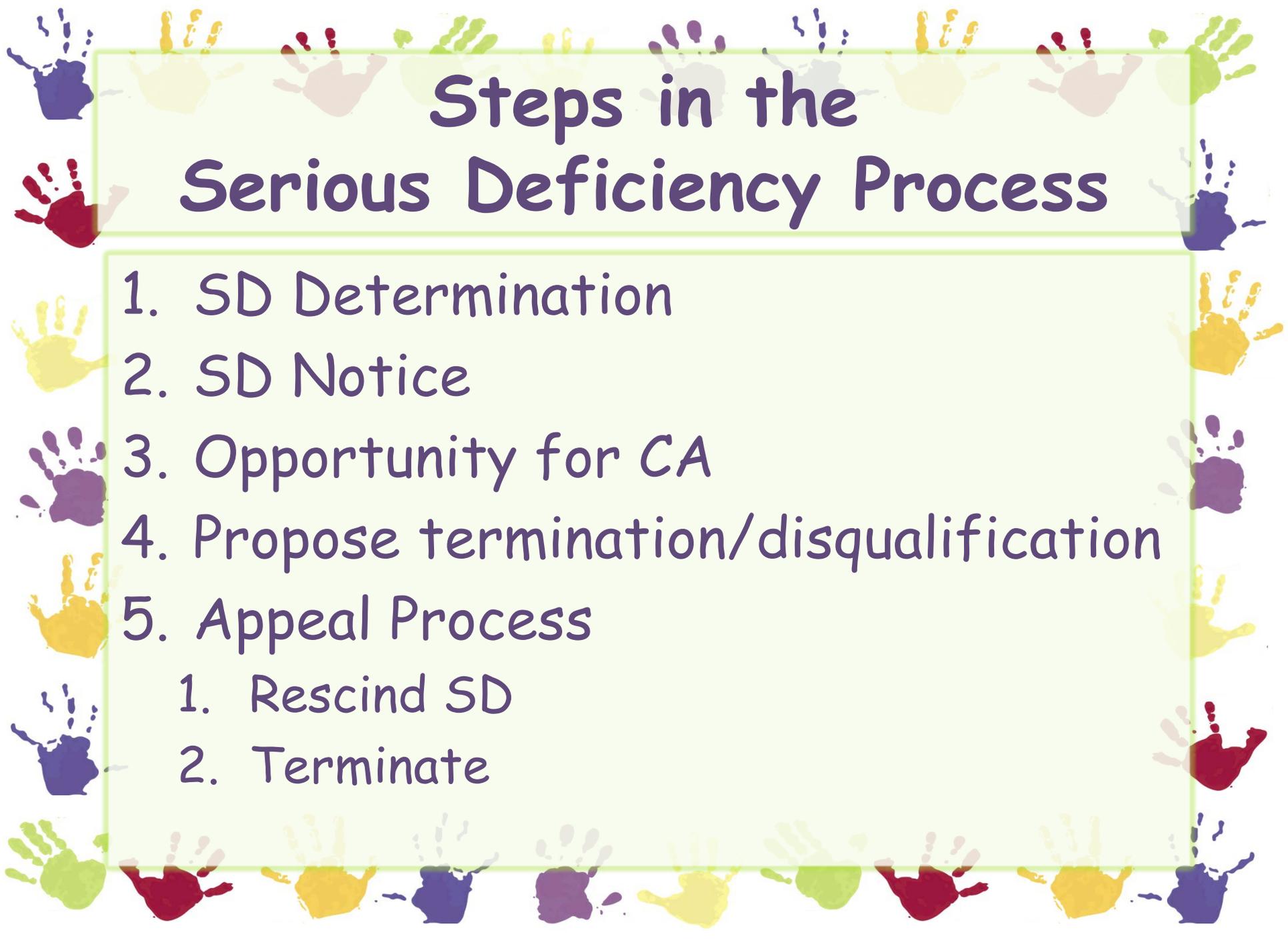


# FY 2011 DCH Renewal Training

Arizona Department of Education

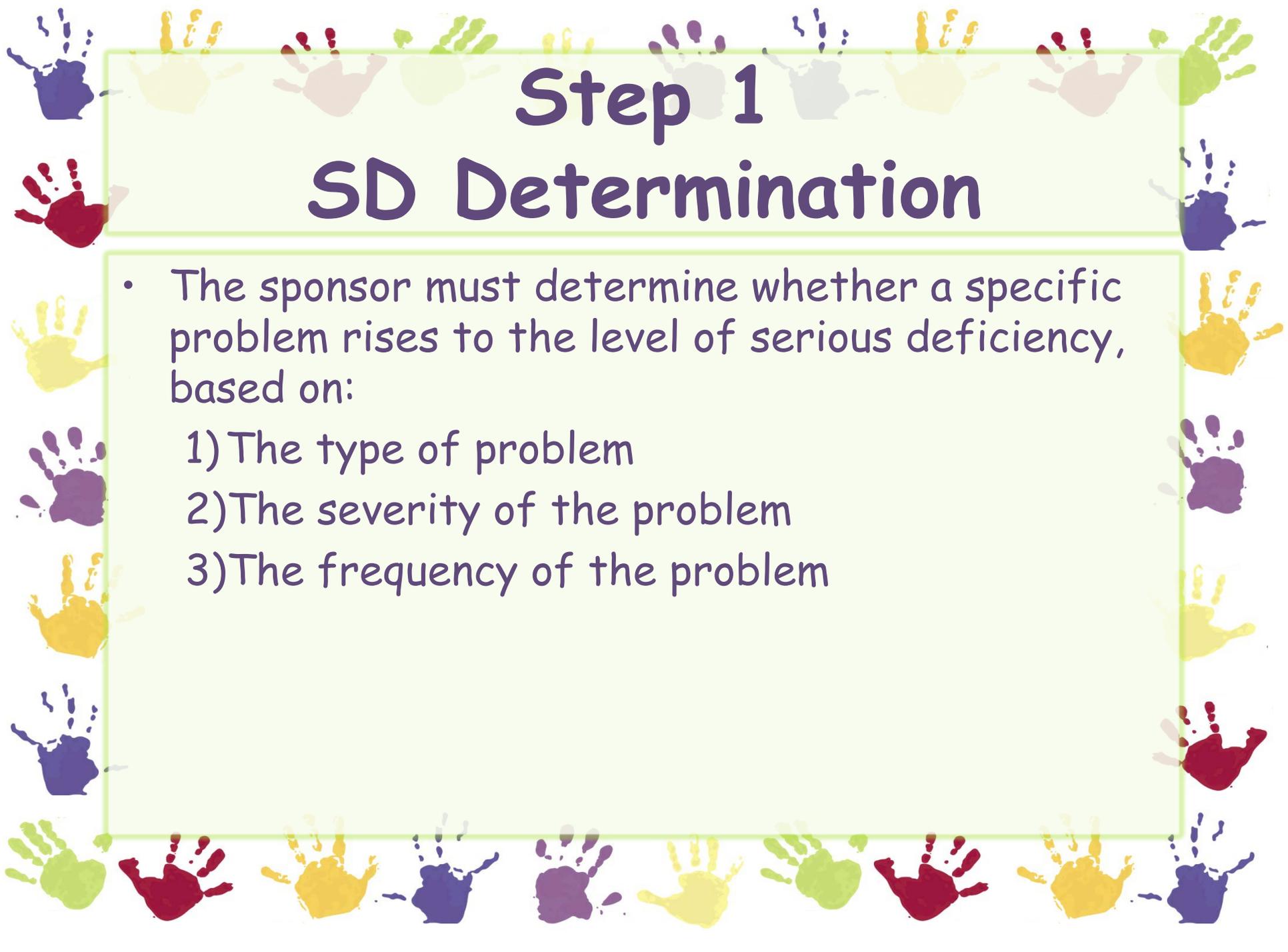


# Serious Deficiency Process

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# Steps in the Serious Deficiency Process

1. SD Determination
2. SD Notice
3. Opportunity for CA
4. Propose termination/disqualification
5. Appeal Process
  1. Rescind SD
  2. Terminate

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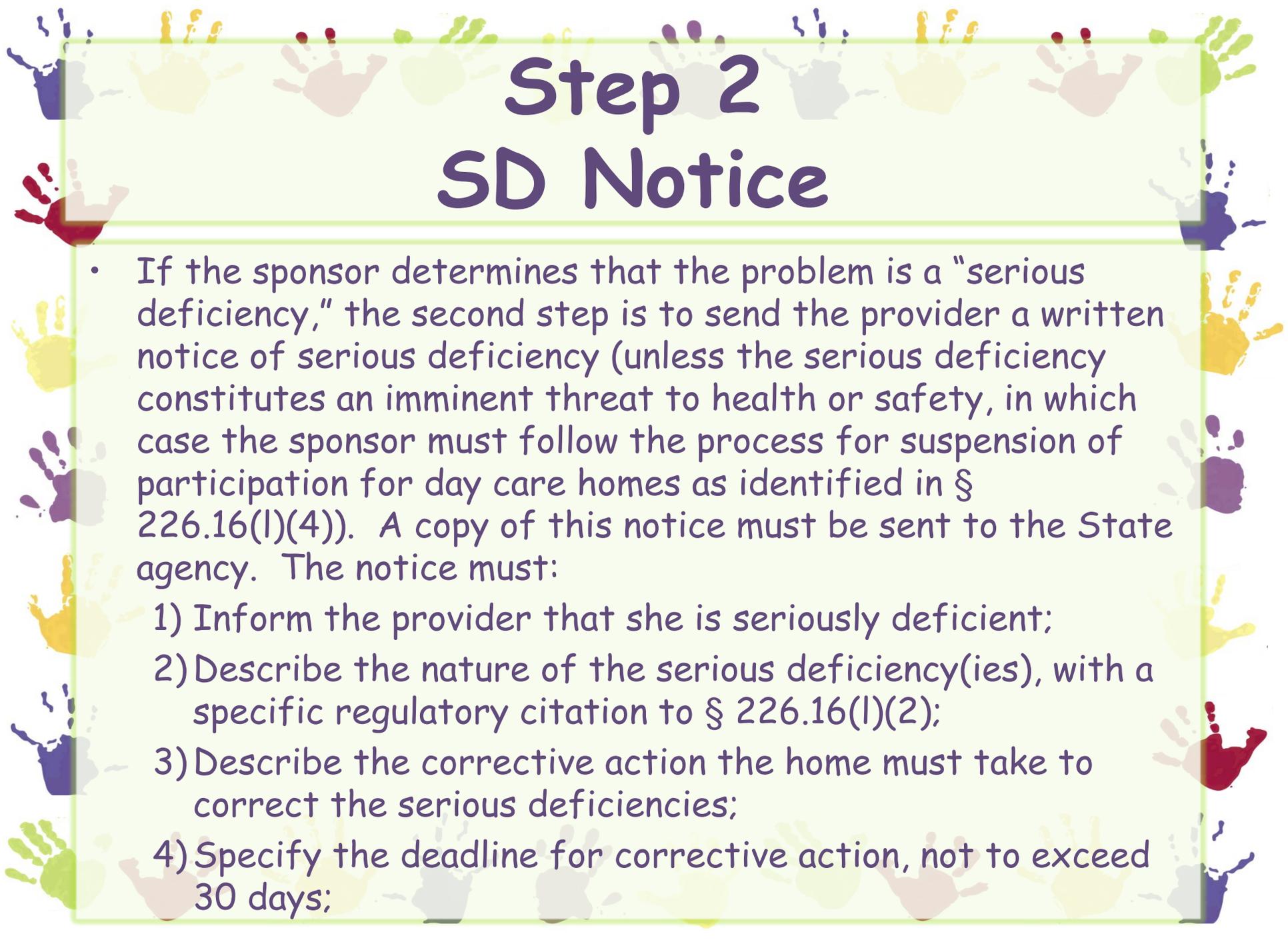
# Step 1

## SD Determination

- The sponsor must determine whether a specific problem rises to the level of serious deficiency, based on:
  - 1) The type of problem
  - 2) The severity of the problem
  - 3) The frequency of the problem

# List of Serious Deficiencies

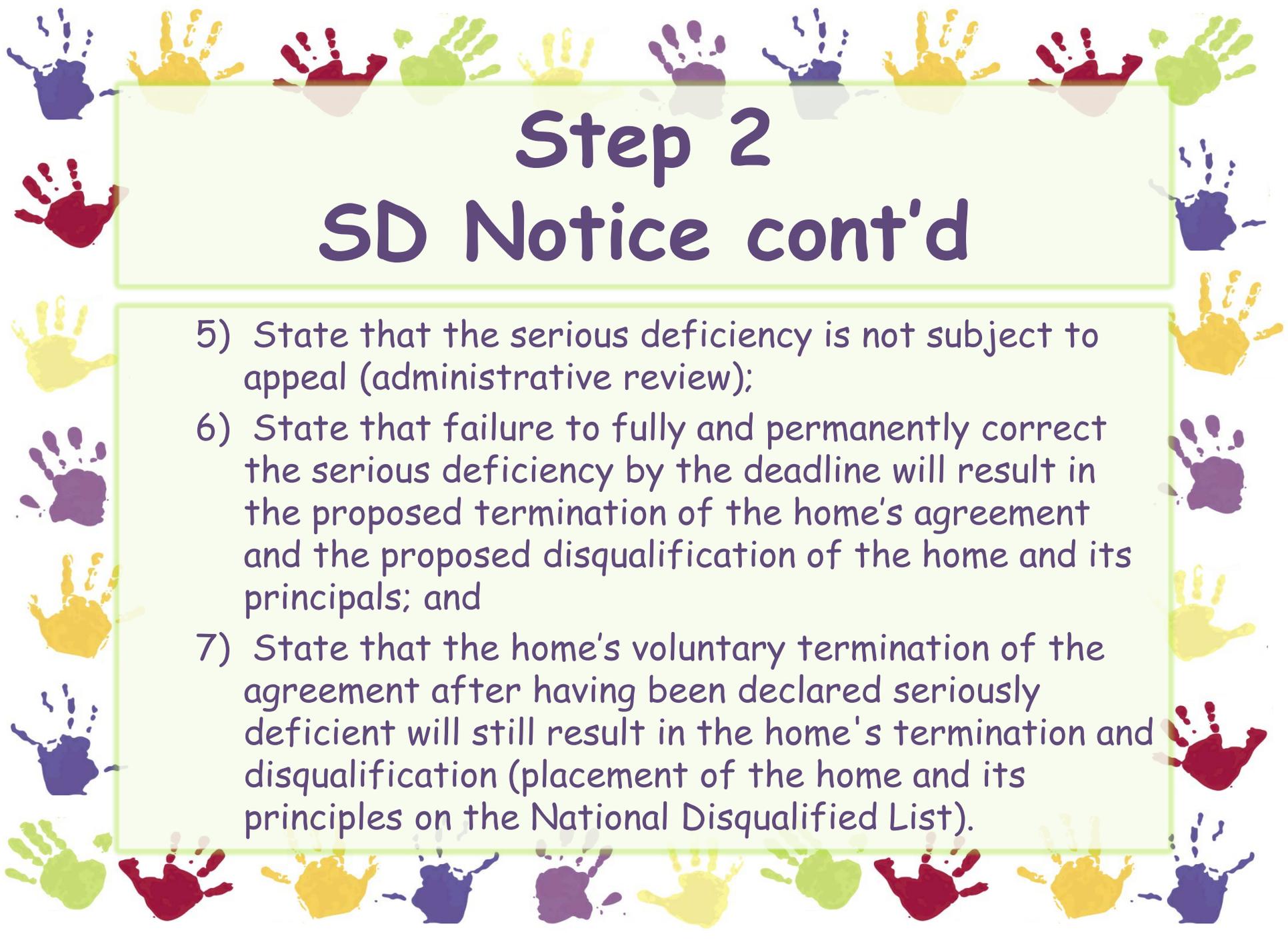
- 7 CFR 226.16(l)(2): List of Serious Deficiencies for day care homes:
  - (i) Submission of false information on the application;
  - (ii) Submission of false claims for reimbursement;
  - (iii) Simultaneous participation under more than one sponsoring organization;
  - (iv) **Non-compliance with the Program meal pattern;**
  - (v) **Failure to keep required records;**
  - (vi) Conduct or conditions that threaten the health or safety of a child(ren) in care, or the public health or safety;
  - (vii) A determination that the day care home has been convicted of any activity that occurred during the past 7 years that indicated a lack of business integrity (i.e. fraud, antitrust violations, embezzlement, theft, forgery, bribery, etc.);
  - (viii) **Failure to participate in training; or**
  - (ix) Any other circumstance related to non-performance under the sponsoring organization-day care home agreement, as specified by the sponsoring organization or the State agency.



# Step 2

## SD Notice

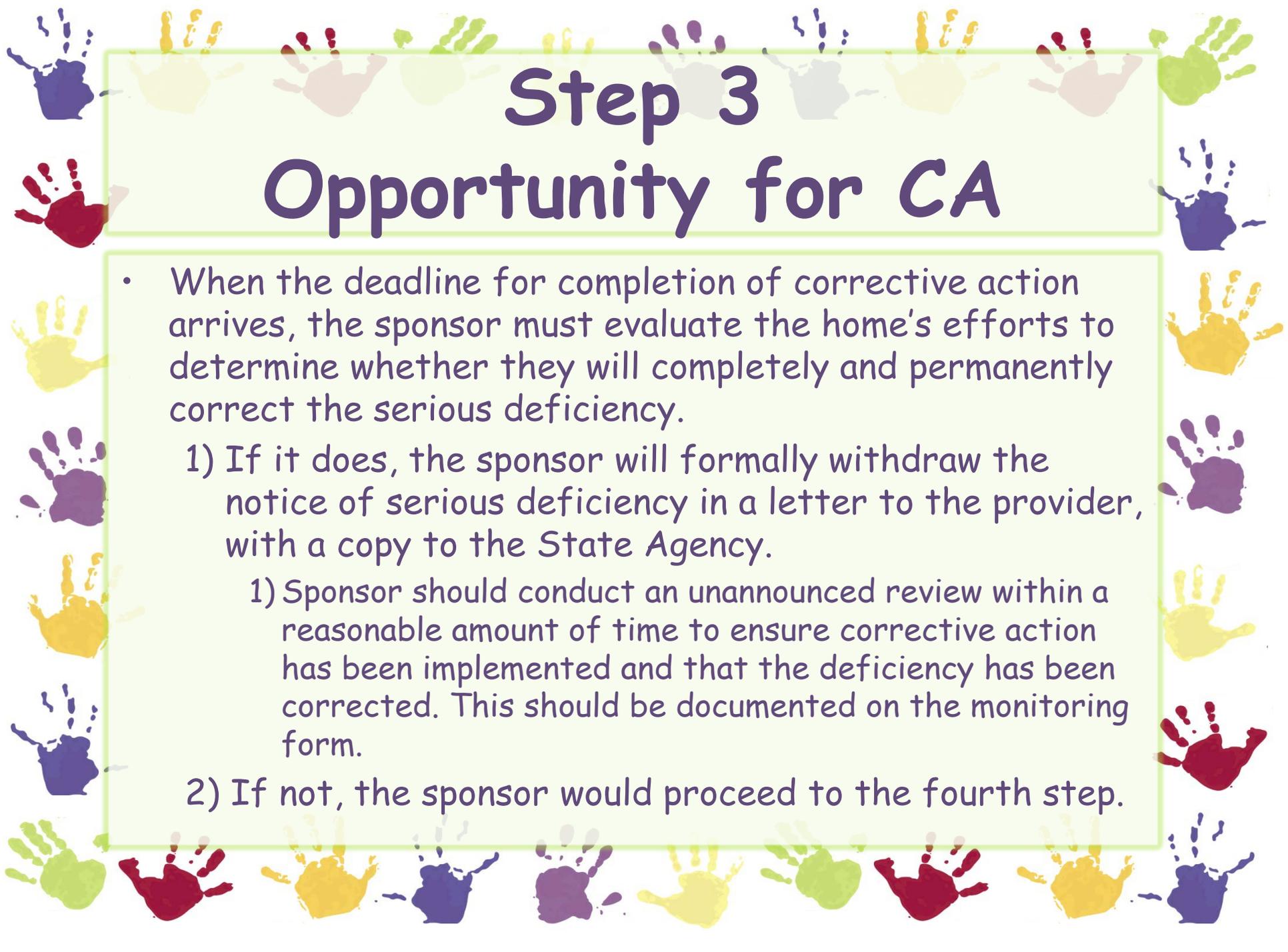
- If the sponsor determines that the problem is a "serious deficiency," the second step is to send the provider a written notice of serious deficiency (unless the serious deficiency constitutes an imminent threat to health or safety, in which case the sponsor must follow the process for suspension of participation for day care homes as identified in § 226.16(1)(4)). A copy of this notice must be sent to the State agency. The notice must:
  - 1) Inform the provider that she is seriously deficient;
  - 2) Describe the nature of the serious deficiency(ies), with a specific regulatory citation to § 226.16(1)(2);
  - 3) Describe the corrective action the home must take to correct the serious deficiencies;
  - 4) Specify the deadline for corrective action, not to exceed 30 days;



# Step 2

## SD Notice cont'd

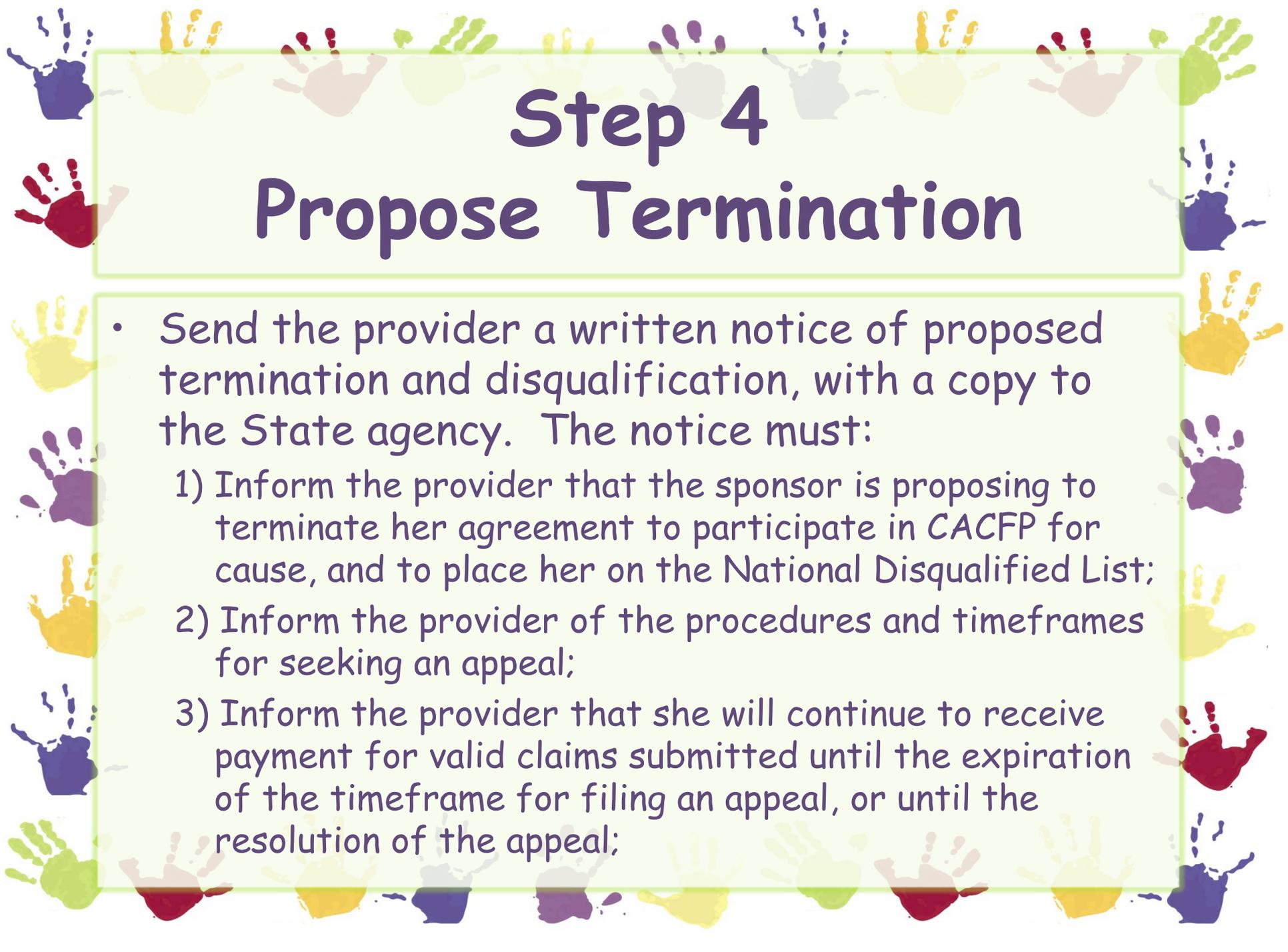
- 5) State that the serious deficiency is not subject to appeal (administrative review);
- 6) State that failure to fully and permanently correct the serious deficiency by the deadline will result in the proposed termination of the home's agreement and the proposed disqualification of the home and its principals; and
- 7) State that the home's voluntary termination of the agreement after having been declared seriously deficient will still result in the home's termination and disqualification (placement of the home and its principles on the National Disqualified List).



## Step 3

# Opportunity for CA

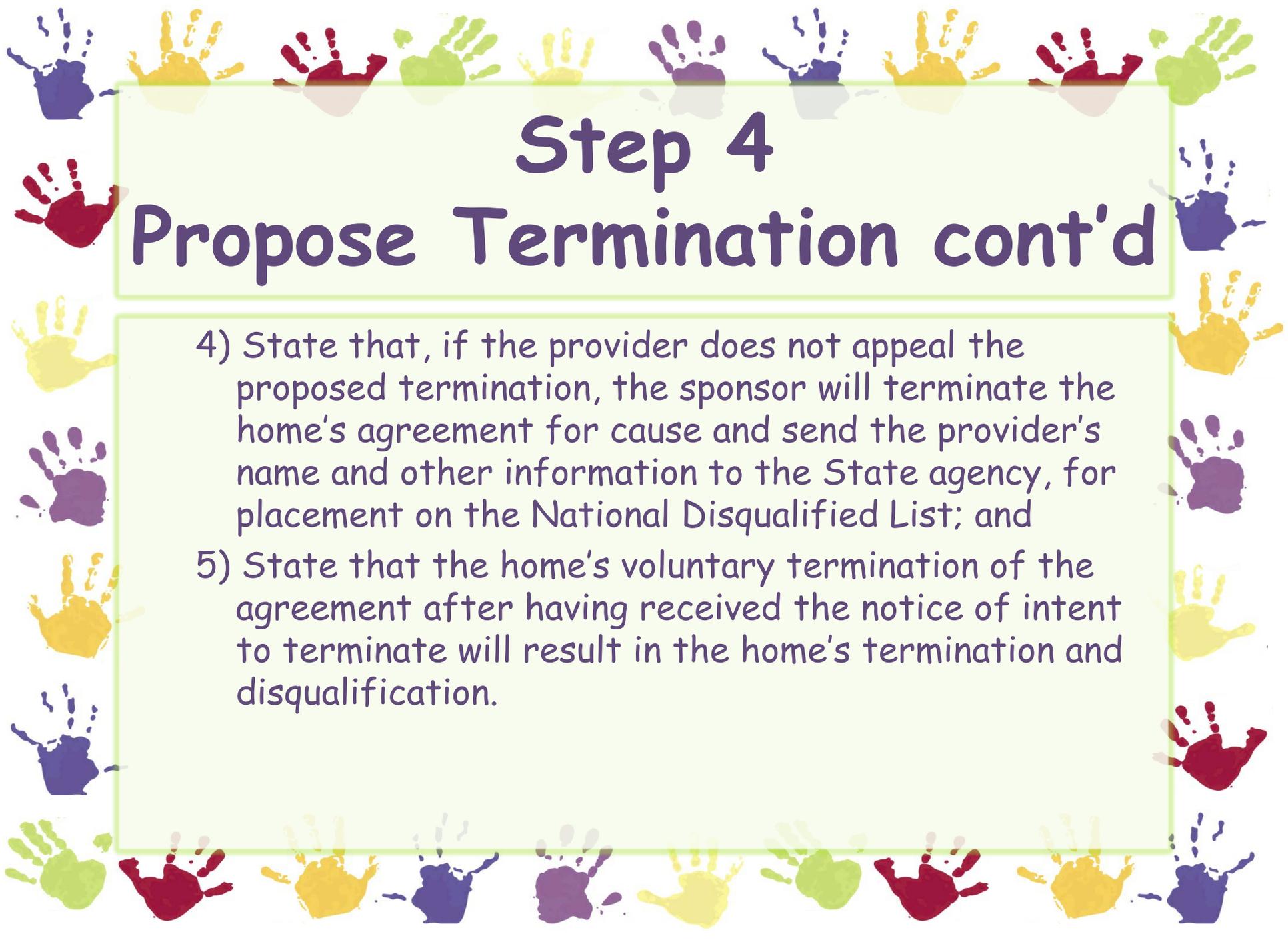
- When the deadline for completion of corrective action arrives, the sponsor must evaluate the home's efforts to determine whether they will completely and permanently correct the serious deficiency.
  - 1) If it does, the sponsor will formally withdraw the notice of serious deficiency in a letter to the provider, with a copy to the State Agency.
    - 1) Sponsor should conduct an unannounced review within a reasonable amount of time to ensure corrective action has been implemented and that the deficiency has been corrected. This should be documented on the monitoring form.
  - 2) If not, the sponsor would proceed to the fourth step.



# Step 4

## Propose Termination

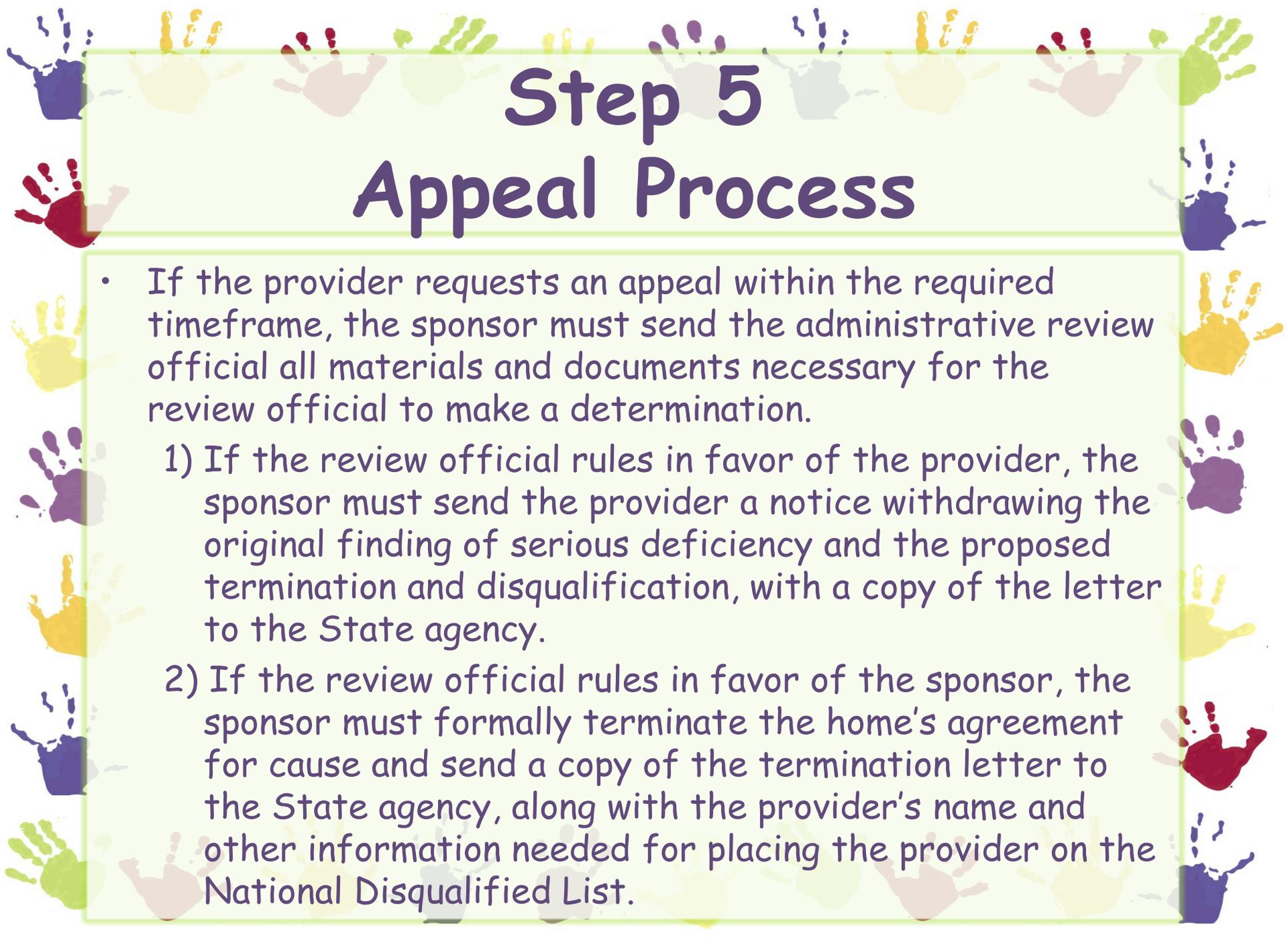
- Send the provider a written notice of proposed termination and disqualification, with a copy to the State agency. The notice must:
  - 1) Inform the provider that the sponsor is proposing to terminate her agreement to participate in CACFP for cause, and to place her on the National Disqualified List;
  - 2) Inform the provider of the procedures and timeframes for seeking an appeal;
  - 3) Inform the provider that she will continue to receive payment for valid claims submitted until the expiration of the timeframe for filing an appeal, or until the resolution of the appeal;



## Step 4

# Propose Termination cont'd

- 4) State that, if the provider does not appeal the proposed termination, the sponsor will terminate the home's agreement for cause and send the provider's name and other information to the State agency, for placement on the National Disqualified List; and
- 5) State that the home's voluntary termination of the agreement after having received the notice of intent to terminate will result in the home's termination and disqualification.

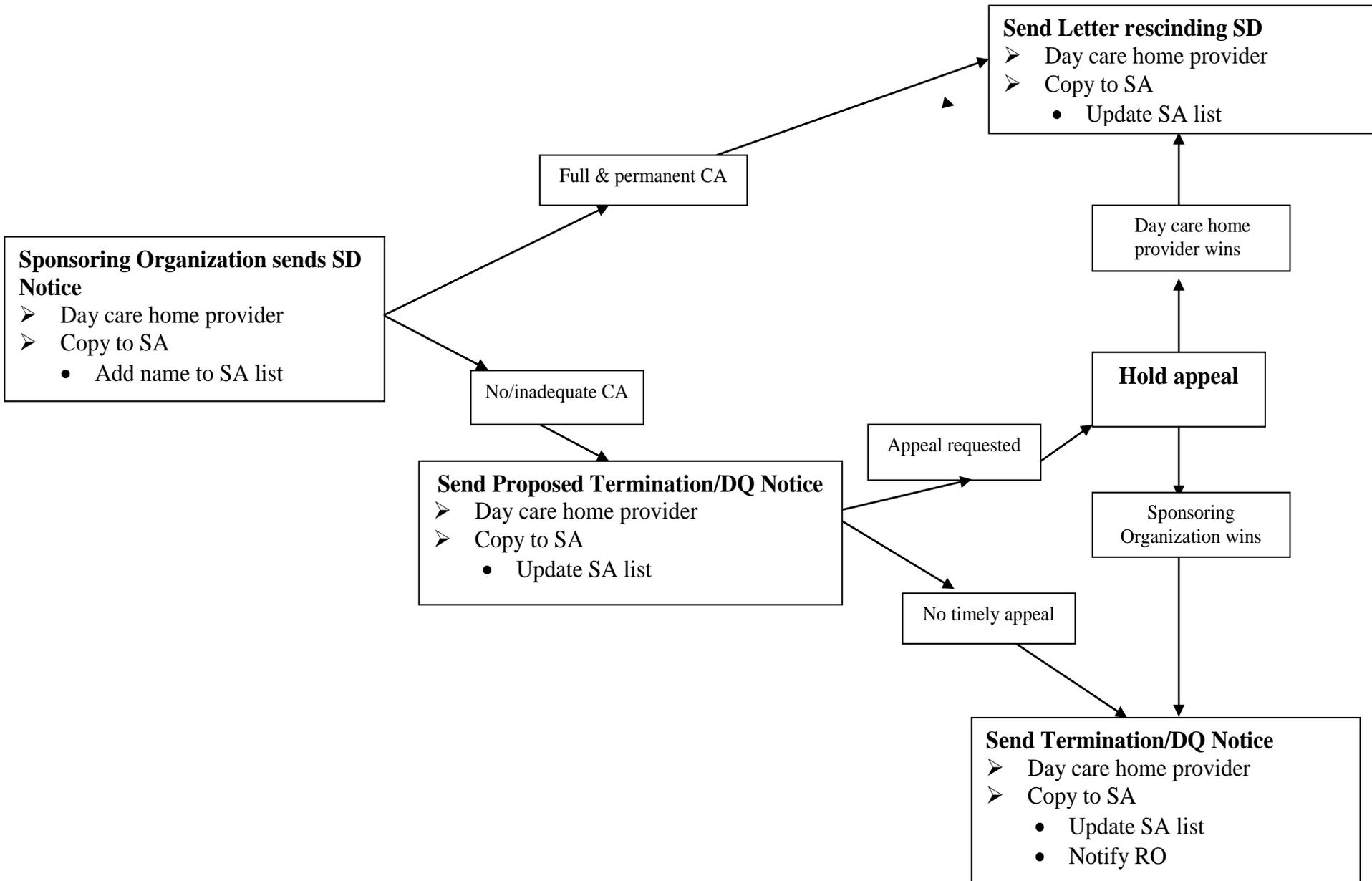


# Step 5

## Appeal Process

- If the provider requests an appeal within the required timeframe, the sponsor must send the administrative review official all materials and documents necessary for the review official to make a determination.
  - 1) If the review official rules in favor of the provider, the sponsor must send the provider a notice withdrawing the original finding of serious deficiency and the proposed termination and disqualification, with a copy of the letter to the State agency.
  - 2) If the review official rules in favor of the sponsor, the sponsor must formally terminate the home's agreement for cause and send a copy of the termination letter to the State agency, along with the provider's name and other information needed for placing the provider on the National Disqualified List.

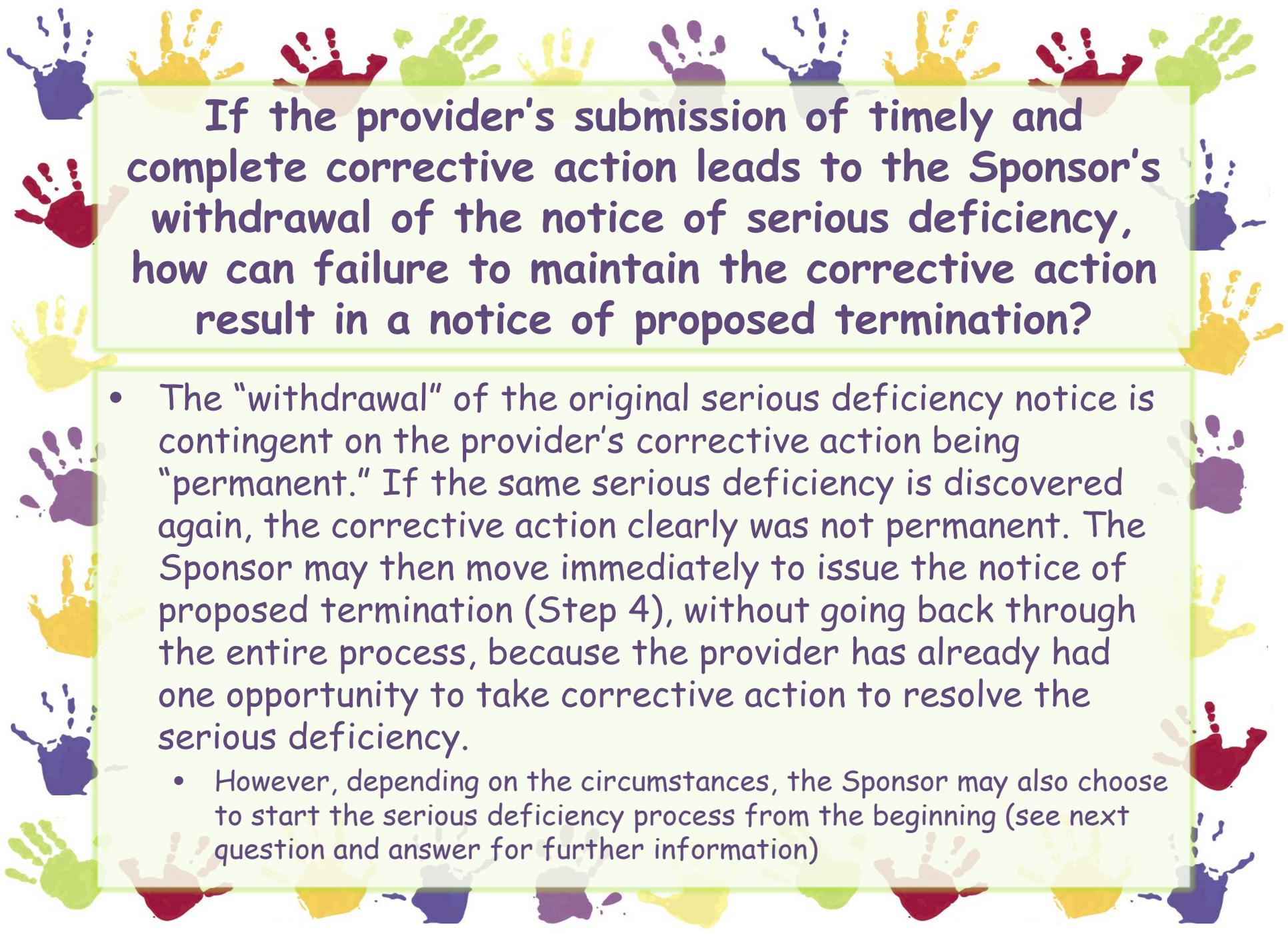
# Flow Chart: Serious Deficiency Process Day Care Home Providers





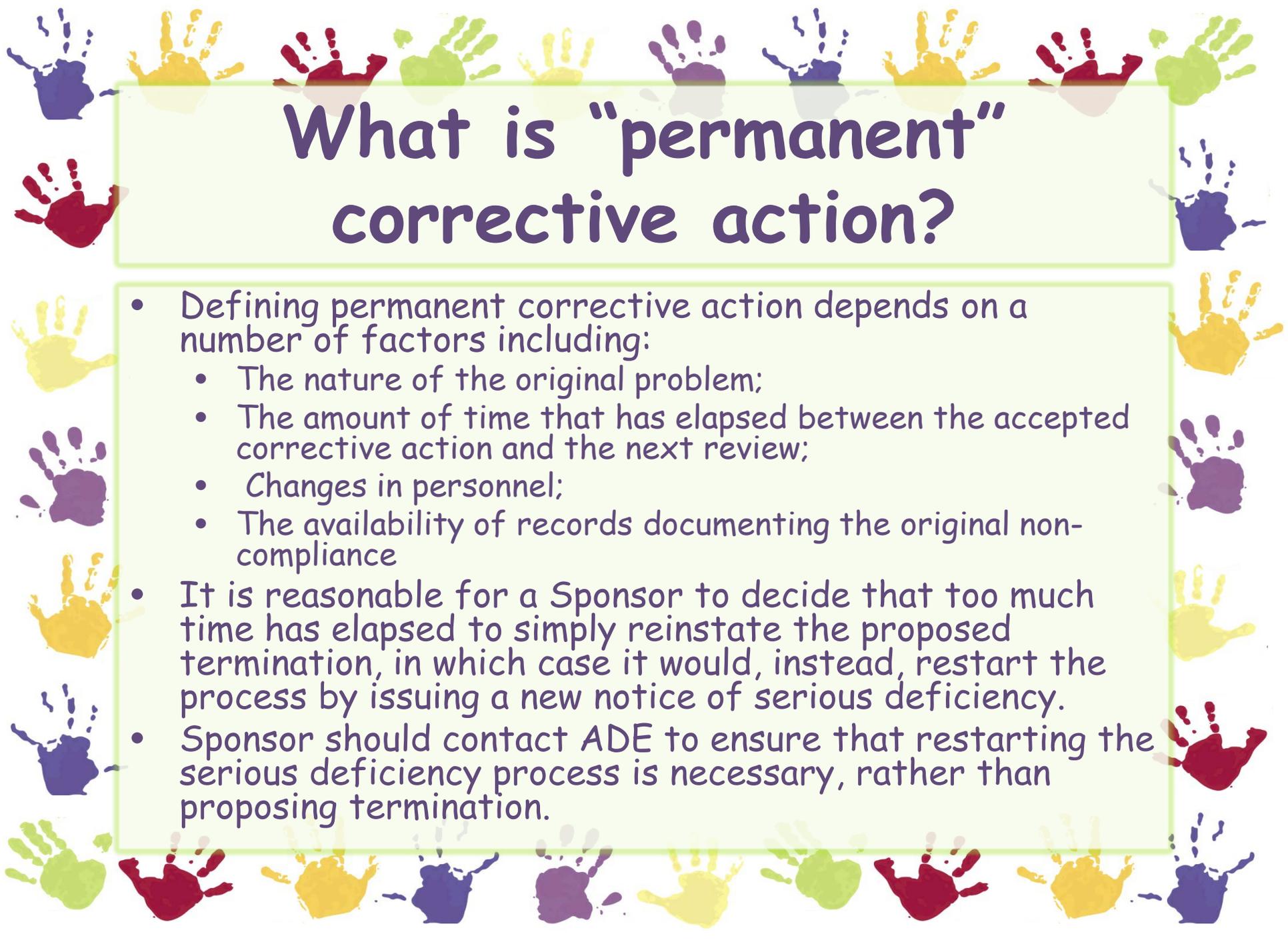
**Serious Deficiency**  
Q and A's





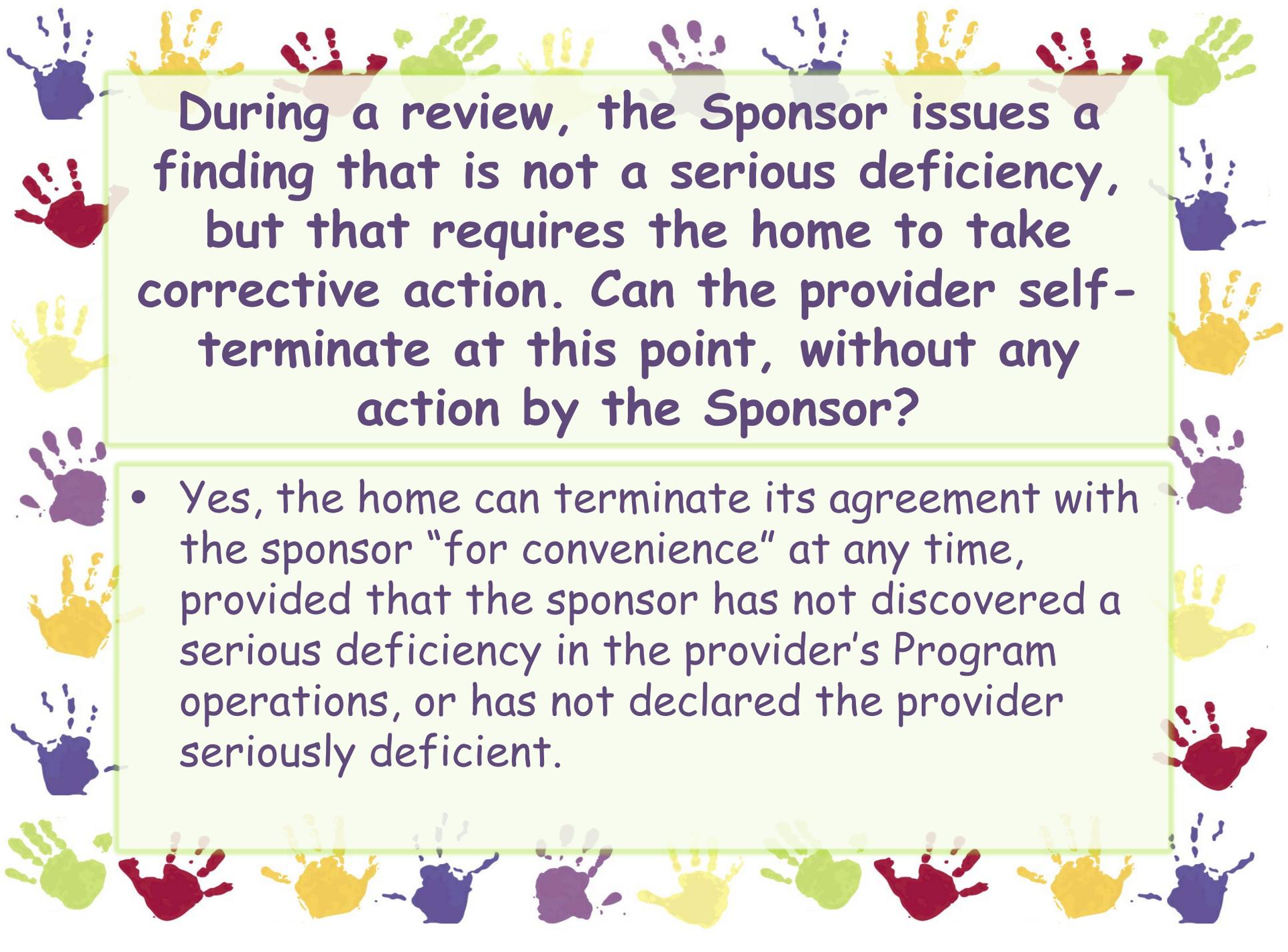
If the provider's submission of timely and complete corrective action leads to the Sponsor's withdrawal of the notice of serious deficiency, how can failure to maintain the corrective action result in a notice of proposed termination?

- The "withdrawal" of the original serious deficiency notice is contingent on the provider's corrective action being "permanent." If the same serious deficiency is discovered again, the corrective action clearly was not permanent. The Sponsor may then move immediately to issue the notice of proposed termination (Step 4), without going back through the entire process, because the provider has already had one opportunity to take corrective action to resolve the serious deficiency.
  - However, depending on the circumstances, the Sponsor may also choose to start the serious deficiency process from the beginning (see next question and answer for further information)



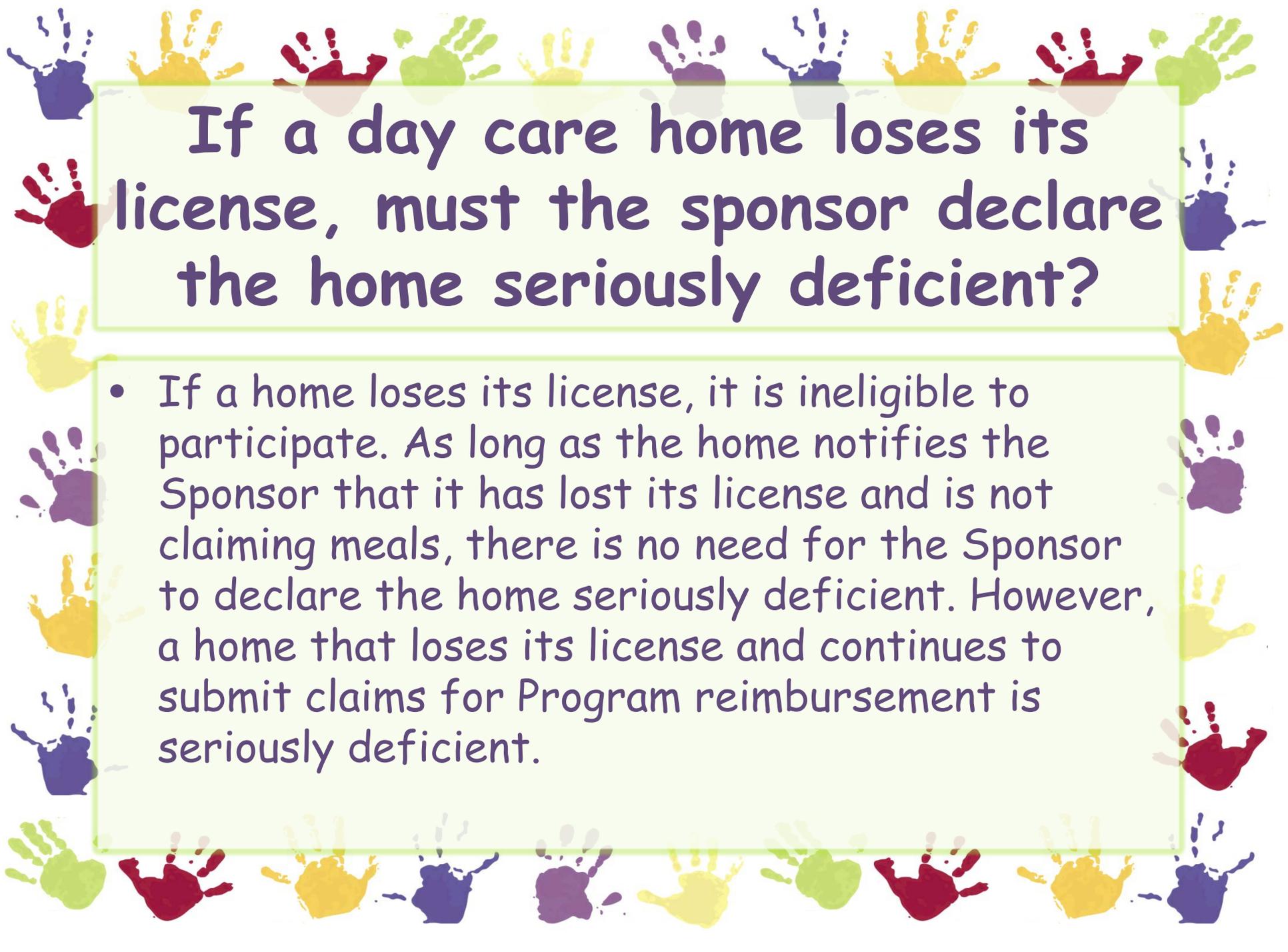
# What is "permanent" corrective action?

- Defining permanent corrective action depends on a number of factors including:
  - The nature of the original problem;
  - The amount of time that has elapsed between the accepted corrective action and the next review;
  - Changes in personnel;
  - The availability of records documenting the original non-compliance
- It is reasonable for a Sponsor to decide that too much time has elapsed to simply reinstate the proposed termination, in which case it would, instead, restart the process by issuing a new notice of serious deficiency.
- Sponsor should contact ADE to ensure that restarting the serious deficiency process is necessary, rather than proposing termination.



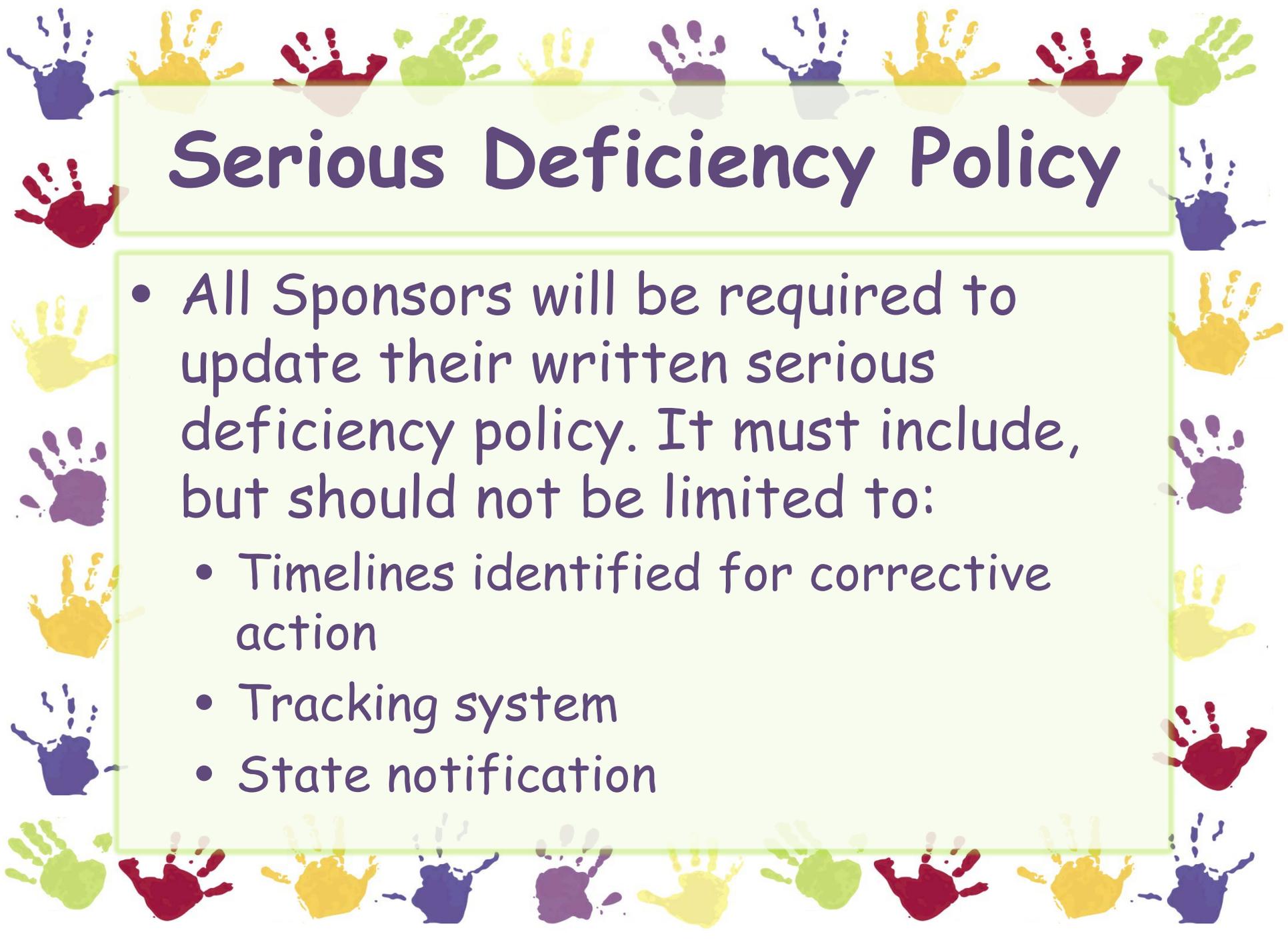
During a review, the Sponsor issues a finding that is not a serious deficiency, but that requires the home to take corrective action. Can the provider self-terminate at this point, without any action by the Sponsor?

- Yes, the home can terminate its agreement with the sponsor "for convenience" at any time, provided that the sponsor has not discovered a serious deficiency in the provider's Program operations, or has not declared the provider seriously deficient.



# If a day care home loses its license, must the sponsor declare the home seriously deficient?

- If a home loses its license, it is ineligible to participate. As long as the home notifies the Sponsor that it has lost its license and is not claiming meals, there is no need for the Sponsor to declare the home seriously deficient. However, a home that loses its license and continues to submit claims for Program reimbursement is seriously deficient.

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# Serious Deficiency Policy

- All Sponsors will be required to update their written serious deficiency policy. It must include, but should not be limited to:
  - Timelines identified for corrective action
  - Tracking system
  - State notification



**Any Questions on  
Serious Deficiency  
Process?**





# Provider Application

- ADE has updated the provider application
  - Tiering Section now on separate form
  - Please begin using immediately
- New in FY 11: Providers must keep a copy of their application in the home

# Child and Adult Care Food Program (CACFP) Child Care Home Provider Application FY 20\_\_\_\_\_

## Please Print Clearly

Provider's Name: \_\_\_\_\_

Last 4 digits of SSN: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Physical Address: \_\_\_\_\_ City: \_\_\_\_\_ Zip: \_\_\_\_\_

List anything that restricts access to the property (i.e. gated community, locked entry, loose dogs, etc): \_\_\_\_\_

Mailing Address: \_\_\_\_\_ City: \_\_\_\_\_ Zip: \_\_\_\_\_

County: \_\_\_\_\_ Phone (H): \_\_\_\_\_ (C) \_\_\_\_\_

Email address: \_\_\_\_\_ Name of Substitute Provider: \_\_\_\_\_

**Application Type:**  New Provider  Renew/Cont Provider  Change of Address  Provider Transfer

If previously participated in CACFP, please include name of prior organization and date(s) of participation \_\_\_\_\_

\_\_\_\_\_

**Provider Information:**

Home is:  AA (Private)  DES Certified  DHS Certified  Military Certified  Tribal Certified

Days and hours child care will **regularly** be provided **Explain any variations in days or hours of care:**

- Mon \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_
- Tues \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_
- Wed \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_
- Thurs \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_
- Fri \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_
- Sat \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_
- Sun \_\_\_\_\_ AM / PM to \_\_\_\_\_ AM / PM \_\_\_\_\_

Will holiday care be provided?  Yes  No

Provider claims own children?  Yes  No If Yes, how many: \_\_\_\_\_

Below, list meals that will be regularly claimed and times meals will be served:

**Meals Claimed   Meal Times   Second Shift (If applicable)   Meal Time Requirements**  
**(Includes shift care)**

- Breakfast    \_\_\_ to \_\_\_    \_\_\_ to \_\_\_    Breakfast may be served between 6-9am (max duration is 1 ½ hrs).
- AM Snack    \_\_\_ to \_\_\_    \_\_\_ to \_\_\_    Lunch may be served between 11am-1pm. Supper may be served
- Lunch    \_\_\_ to \_\_\_    \_\_\_ to \_\_\_    between 5-7pm. Evening Snack may be served after 7pm. All
- PM Snack    \_\_\_ to \_\_\_    \_\_\_ to \_\_\_    snacks have a maximum duration of 1 hour. There must be at least
- Supper    \_\_\_ to \_\_\_    \_\_\_ to \_\_\_    2 hours between the beginnings of each meal and/or snack and at
- Eve Snack    \_\_\_ to \_\_\_    \_\_\_ to \_\_\_    least 15 mins. between the last meal/snack and close of business.

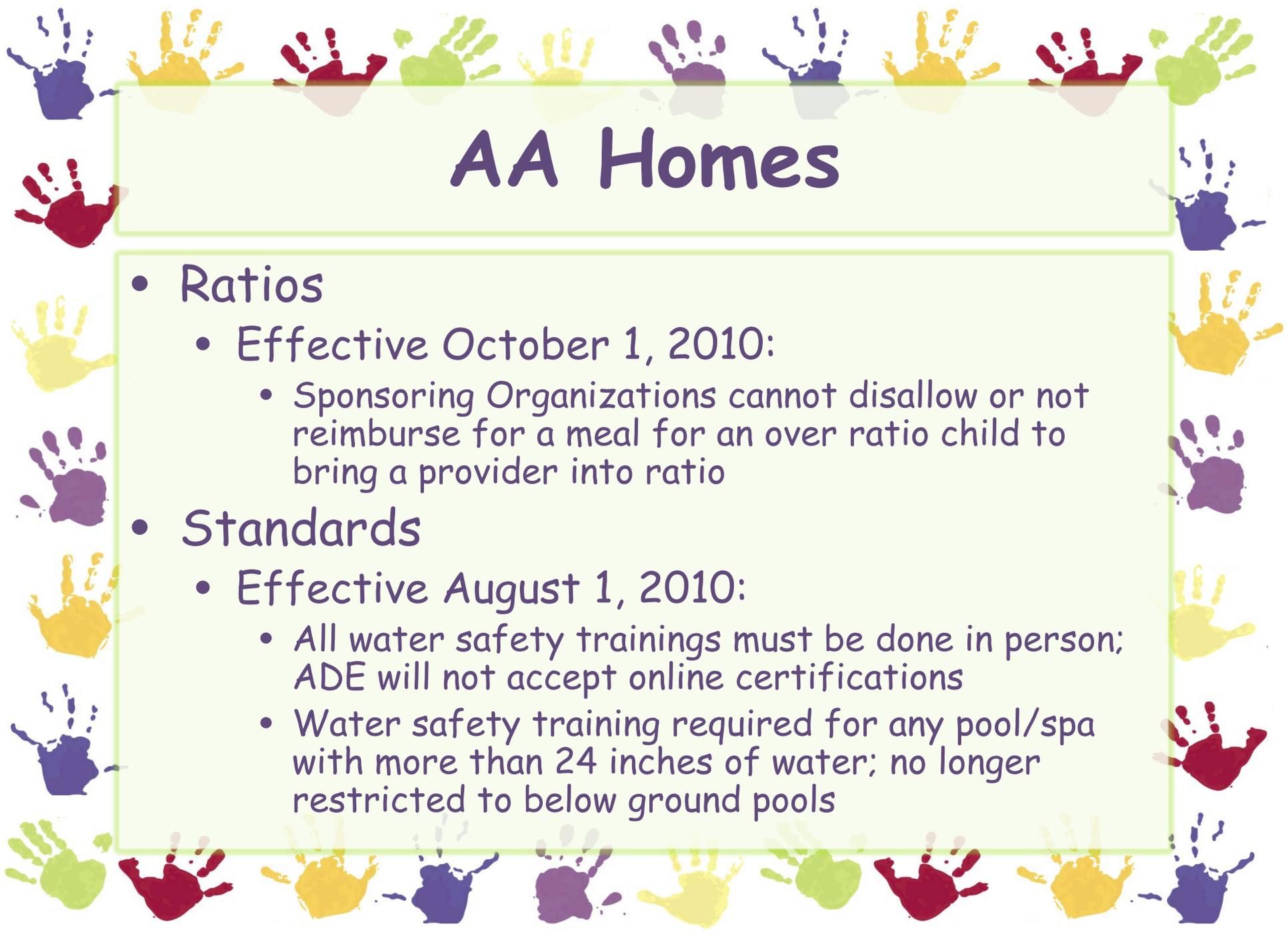
Will meals claimed or meal times vary?  Yes     No    If Yes, please explain: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

I hereby certify that all of the above information is true and correct as of this date. I understand that this information is being given in connection with the receipt of federal funds; that ADE officials may, for cause verify information, and that deliberate misrepresentation may subject me to prosecution under applicable state and federal criminal statutes.

Provider's Signature \_\_\_\_\_ Date \_\_\_\_\_

This institution is an equal opportunity provider.  
According to 7 CFR 226.19(d), "Each day care home participating in the program shall serve the meal types specified in its approved application in accordance with the meal pattern requirements specified in 226.20.



# AA Homes

- Ratios

- Effective October 1, 2010:

- Sponsoring Organizations cannot disallow or not reimburse for a meal for an over ratio child to bring a provider into ratio

- Standards

- Effective August 1, 2010:

- All water safety trainings must be done in person; ADE will not accept online certifications
    - Water safety training required for any pool/spa with more than 24 inches of water; no longer restricted to below ground pools



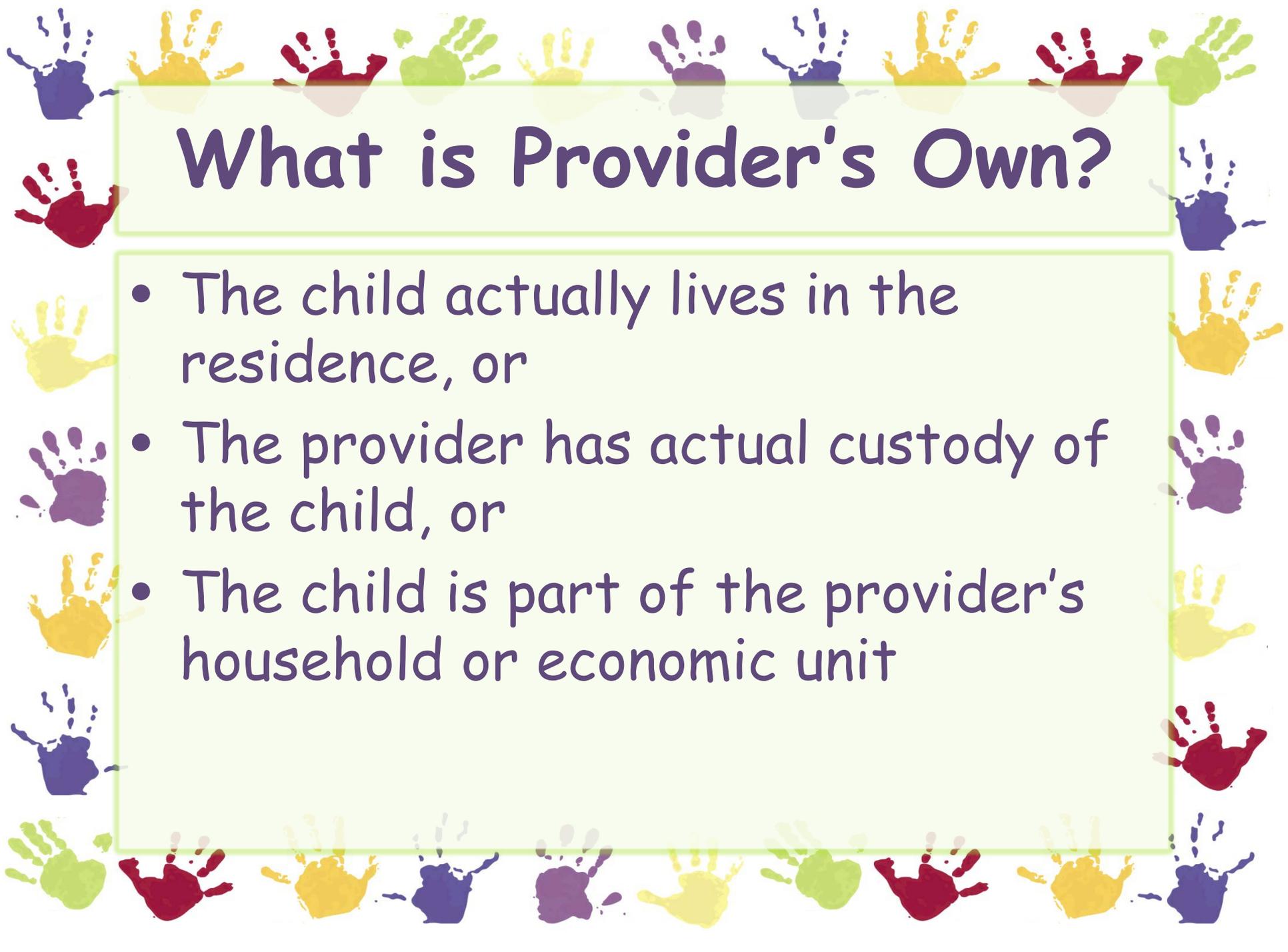
# Fire & Health Inspection Reports

- Effective immediately, Sponsors may not alter an inspection report in any way
  - This includes indicating if a finding has been corrected
  - Sponsor may develop a form for documenting follow-ups for fire and health inspections or document on monitoring form
  - Inspection reports are legal documents that should not be altered after being signed by the provider and inspector



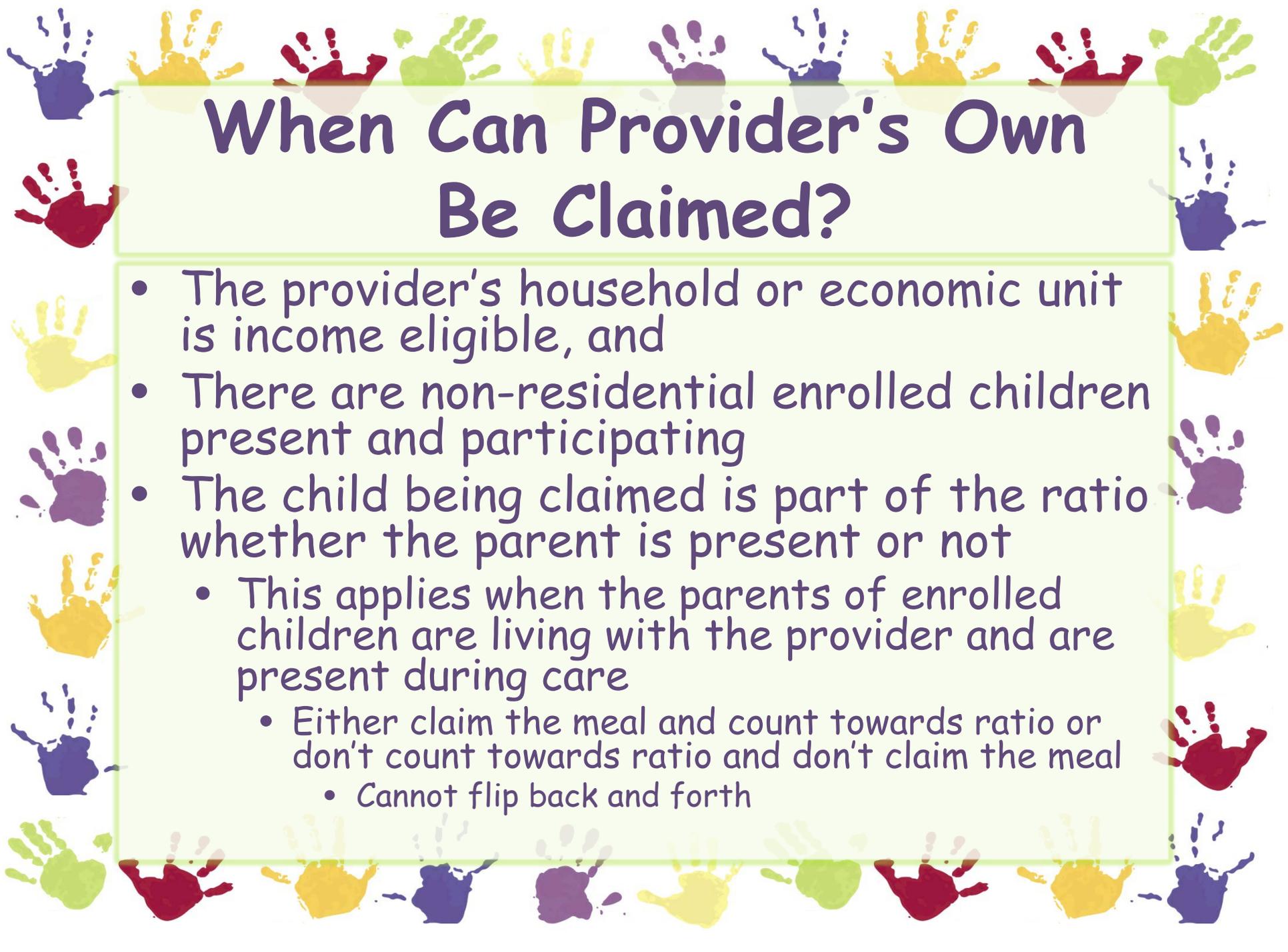
# Sponsor/Provider Permanent Agreement

- Ensure providers are keeping a copy of the permanent agreement that is signed by both the provider and the Sponsor representative
  - ADE reviews have found that agreements kept in the provider's home are not signed by both parties
  - The permanent agreement is a contract between the provider and Sponsor and must contain all appropriate signatures



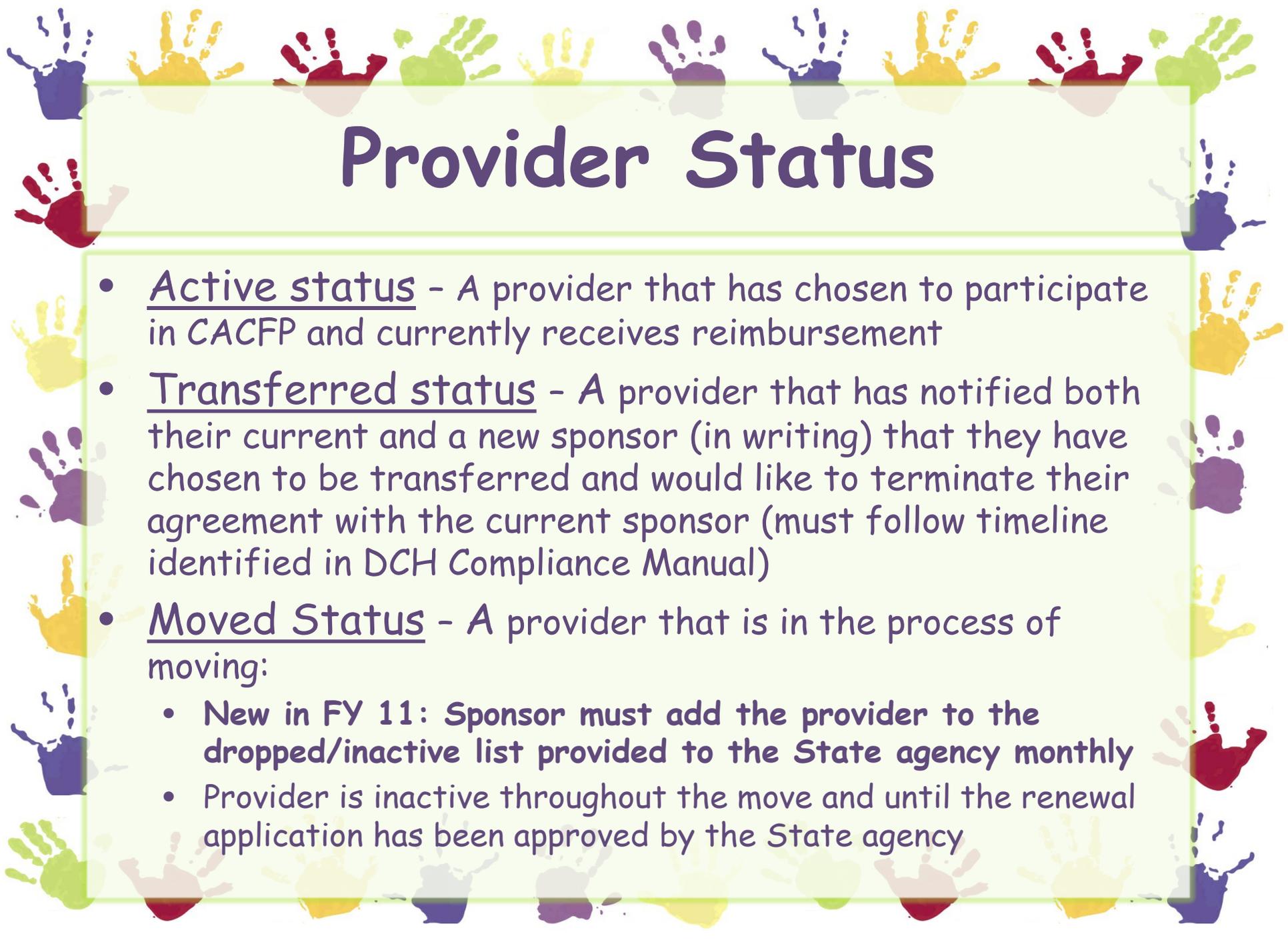
# What is Provider's Own?

- The child actually lives in the residence, or
- The provider has actual custody of the child, or
- The child is part of the provider's household or economic unit



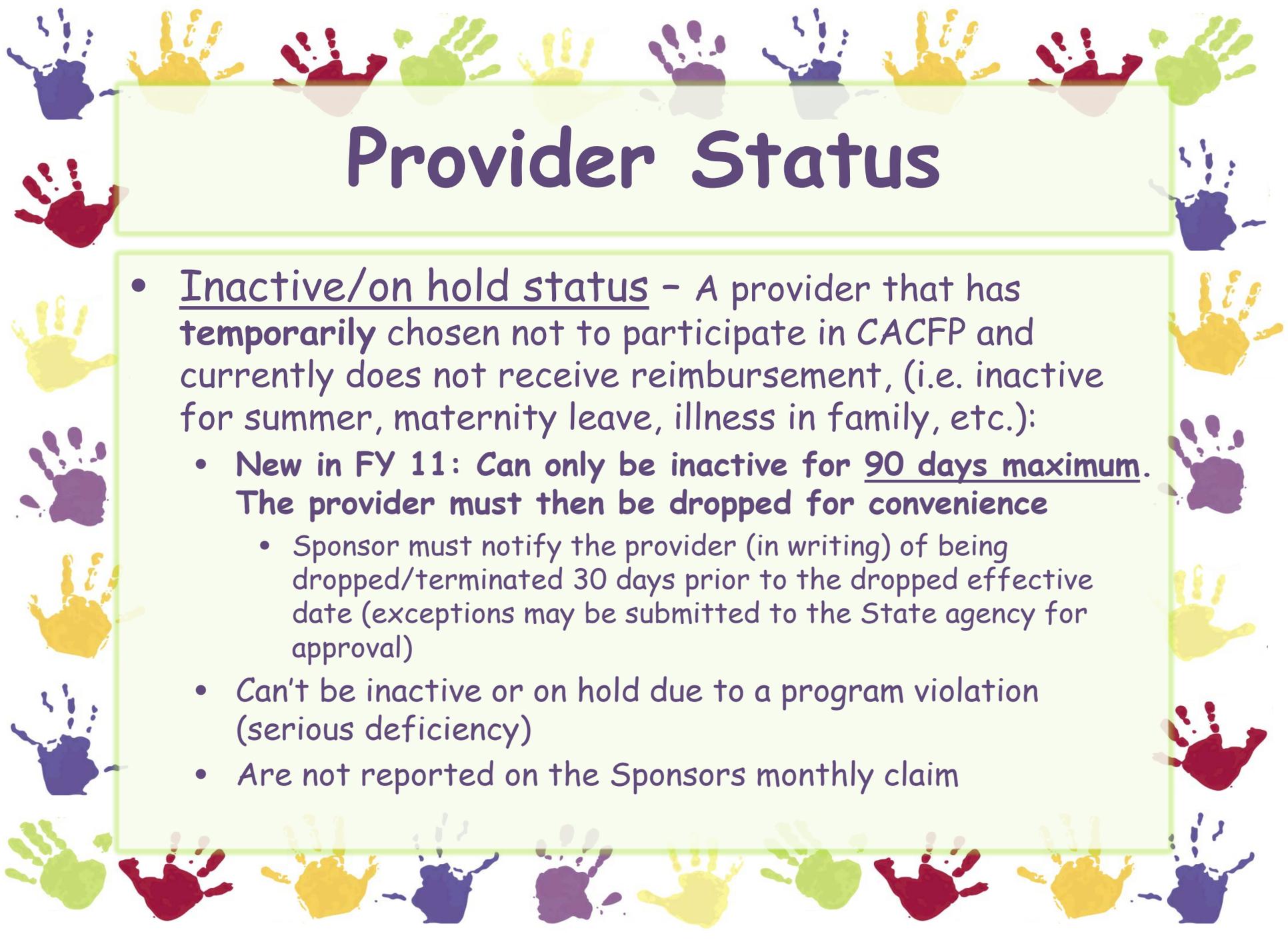
# When Can Provider's Own Be Claimed?

- The provider's household or economic unit is income eligible, and
- There are non-residential enrolled children present and participating
- The child being claimed is part of the ratio whether the parent is present or not
  - This applies when the parents of enrolled children are living with the provider and are present during care
    - Either claim the meal and count towards ratio or don't count towards ratio and don't claim the meal
      - Cannot flip back and forth



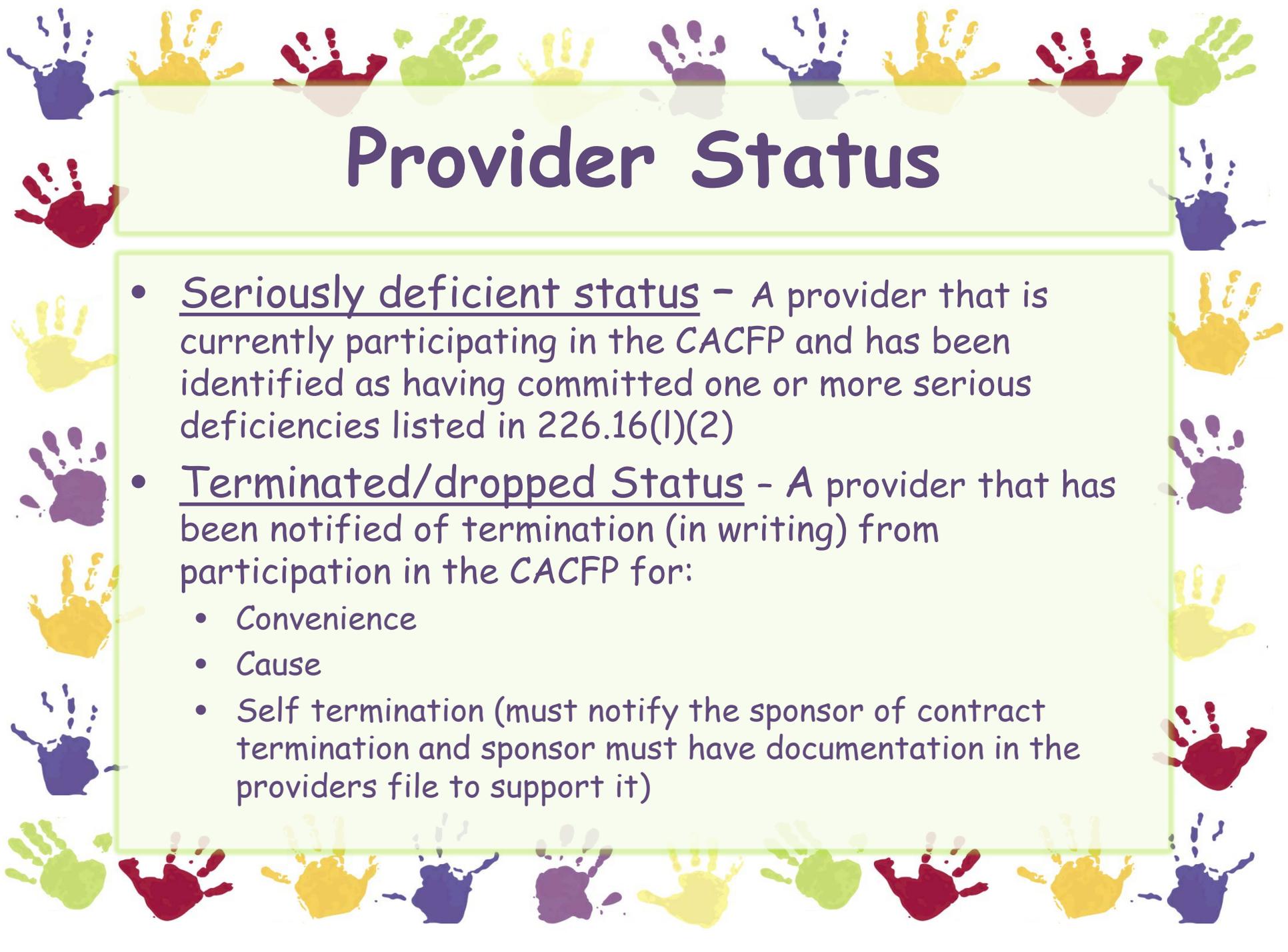
# Provider Status

- Active status - A provider that has chosen to participate in CACFP and currently receives reimbursement
- Transferred status - A provider that has notified both their current and a new sponsor (in writing) that they have chosen to be transferred and would like to terminate their agreement with the current sponsor (must follow timeline identified in DCH Compliance Manual)
- Moved Status - A provider that is in the process of moving:
  - New in FY 11: Sponsor must add the provider to the dropped/inactive list provided to the State agency monthly
  - Provider is inactive throughout the move and until the renewal application has been approved by the State agency



# Provider Status

- Inactive/on hold status - A provider that has temporarily chosen not to participate in CACFP and currently does not receive reimbursement, (i.e. inactive for summer, maternity leave, illness in family, etc.):
  - **New in FY 11: Can only be inactive for 90 days maximum. The provider must then be dropped for convenience**
    - Sponsor must notify the provider (in writing) of being dropped/terminated 30 days prior to the dropped effective date (exceptions may be submitted to the State agency for approval)
  - Can't be inactive or on hold due to a program violation (serious deficiency)
  - Are not reported on the Sponsors monthly claim



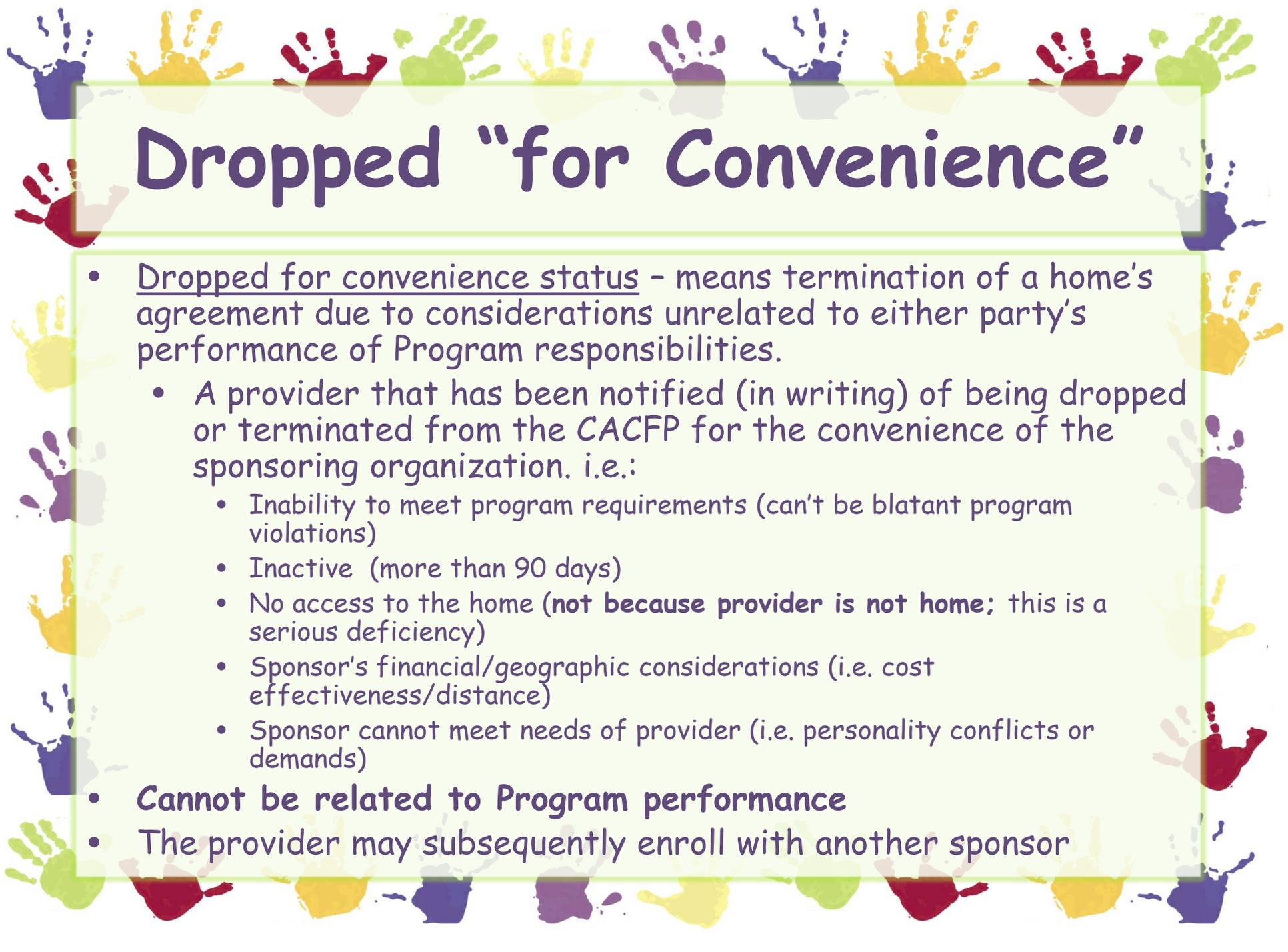
# Provider Status

- Seriously deficient status - A provider that is currently participating in the CACFP and has been identified as having committed one or more serious deficiencies listed in 226.16(l)(2)
- Terminated/dropped Status - A provider that has been notified of termination (in writing) from participation in the CACFP for:
  - Convenience
  - Cause
  - Self termination (must notify the sponsor of contract termination and sponsor must have documentation in the providers file to support it)



# Dropped "for Cause"

- Dropped for cause - means termination of a home's agreement due to the home's violation of the agreement.
  - A provider that has been declared seriously deficient and has been provided with a (written) notice of intent to terminate with a reasonable amount of time to appeal and is being or has been dropped from the CACFP for:
    - Failure to comply with written corrective action prescribed by the sponsoring organization; and/or
    - Failure to permanently implement corrective action



# Dropped "for Convenience"

- Dropped for convenience status - means termination of a home's agreement due to considerations unrelated to either party's performance of Program responsibilities.
  - A provider that has been notified (in writing) of being dropped or terminated from the CACFP for the convenience of the sponsoring organization. i.e.:
    - Inability to meet program requirements (can't be blatant program violations)
    - Inactive (more than 90 days)
    - No access to the home (**not because provider is not home**; this is a serious deficiency)
    - Sponsor's financial/geographic considerations (i.e. cost effectiveness/distance)
    - Sponsor cannot meet needs of provider (i.e. personality conflicts or demands)
- **Cannot be related to Program performance**
- The provider may subsequently enroll with another sponsor



# Office Hours

- Management Plan
  - Must be staffed by supervisory staff 8:00 to 5:00; Monday through Friday
    - If you are going close the office to run errands or for lunch, post sign stating when you anticipate returning



# Civil Rights

- Annual training must be provided for staff and providers and include Civil Rights as a topic.
- Sponsor must inform provider of the process of filing a complaint.
- Provider should be able to explain the process of filing a complaint to ADE Specialist at a review.
- Non-discrimination statement must be included on any advertisements.

# Civil Rights Data Collection

CHILD AND ADULT CARE FOOD PROGRAM (CACFP)  
CIVIL RIGHTS COMPLIANCE  
DATA COLLECTION

FY 2011

SPONSOR: \_\_\_\_\_

CTD#: \_\_\_\_\_

SITE: \_\_\_\_\_

DATE: \_\_\_\_\_

|                                       | ENROLLED | ENROLLED % | SERVICE AREA | STAFF (DCH only) |
|---------------------------------------|----------|------------|--------------|------------------|
| WHITE*                                | _____    | _____      | _____        | _____            |
| BLACK/AFRICAN<br>AMERICAN*            | _____    | _____      | _____        | _____            |
| HISPANIC/LATINO                       | _____    | _____      | _____        | _____            |
| AMERICAN INDIAN/<br>ALASKA NATIVE*    | _____    | _____      | _____        | _____            |
| NATIVE HAWAIIAN/<br>PACIFIC ISLANDER* | _____    | _____      | _____        | _____            |
| ASIAN*                                | _____    | _____      | _____        | _____            |
| SOME OTHER<br>RACE (S) *†             | _____    | _____      | _____        | _____            |
| TOTAL                                 | _____    | _____      | _____        | _____            |



# Civil Rights Data Collection

- Complete all required areas.
- Enter the number of providers and staff in section titled, "Staff (DCH Only)"
- Enter the number of participants in the section titled, "Enrolled".
  - Enrolled section is for children only NOT for provider numbers.
- Complete one form per county if more than one county is serviced by the Sponsor.

# CACFP Required Training Topics for Staff and Providers

| Minimum Content Areas            | Examples of training topics  |
|----------------------------------|--|
| <b>Meal Pattern Requirements</b> | <ul style="list-style-type: none"> <li>•Child &amp; infant meal patterns</li> <li>•Portion sizes</li> <li>•Reimbursable meal components</li> <li>•Creditable and non-creditable foods</li> </ul> |
| <b>Meal Count Documentation</b>  | <ul style="list-style-type: none"> <li>•Meal counts separate from attendance</li> <li>•Pont of service meal counts</li> </ul>  |
| <b>Record Keeping</b>            | <ul style="list-style-type: none"> <li>•Monthly record keeping forms</li> <li>•Meal counts, menus and food production records</li> <li>•Medical Statements</li> <li>•Infant Records</li> </ul>   |
| <b>Claims Submission</b>         | <ul style="list-style-type: none"> <li>•Claims process</li> <li>•Compare menus to meal pattern</li> </ul>  |
| <b>Reimbursement System</b>      | <ul style="list-style-type: none"> <li>•Monthly claim submission dates</li> <li>•Monthly claim edit checks</li> <li>•Claim preparation</li> <li>•CACFP record retention</li> </ul>               |
| <b>Civil Rights</b>              | <ul style="list-style-type: none"> <li>-Program Availability</li> <li>-Complaint Procedures</li> <li>-Non-Discrimination Statement</li> </ul>  |



# Infant Feeding Requirements

- Providers must offer program meals to ALL eligible children, including infants
  - Providers cannot choose to not claim infants because they don't want to do the extra paperwork
- The CACFP does not discriminate in any aspect of the delivery of program benefits. This includes the "inequitable allocation of Program (CACFP) benefits or services to eligible children on the basis of race, color, national origin, sex, **age** or handicap [disability]." - (FNS Instruction 113-4 XII A 2)



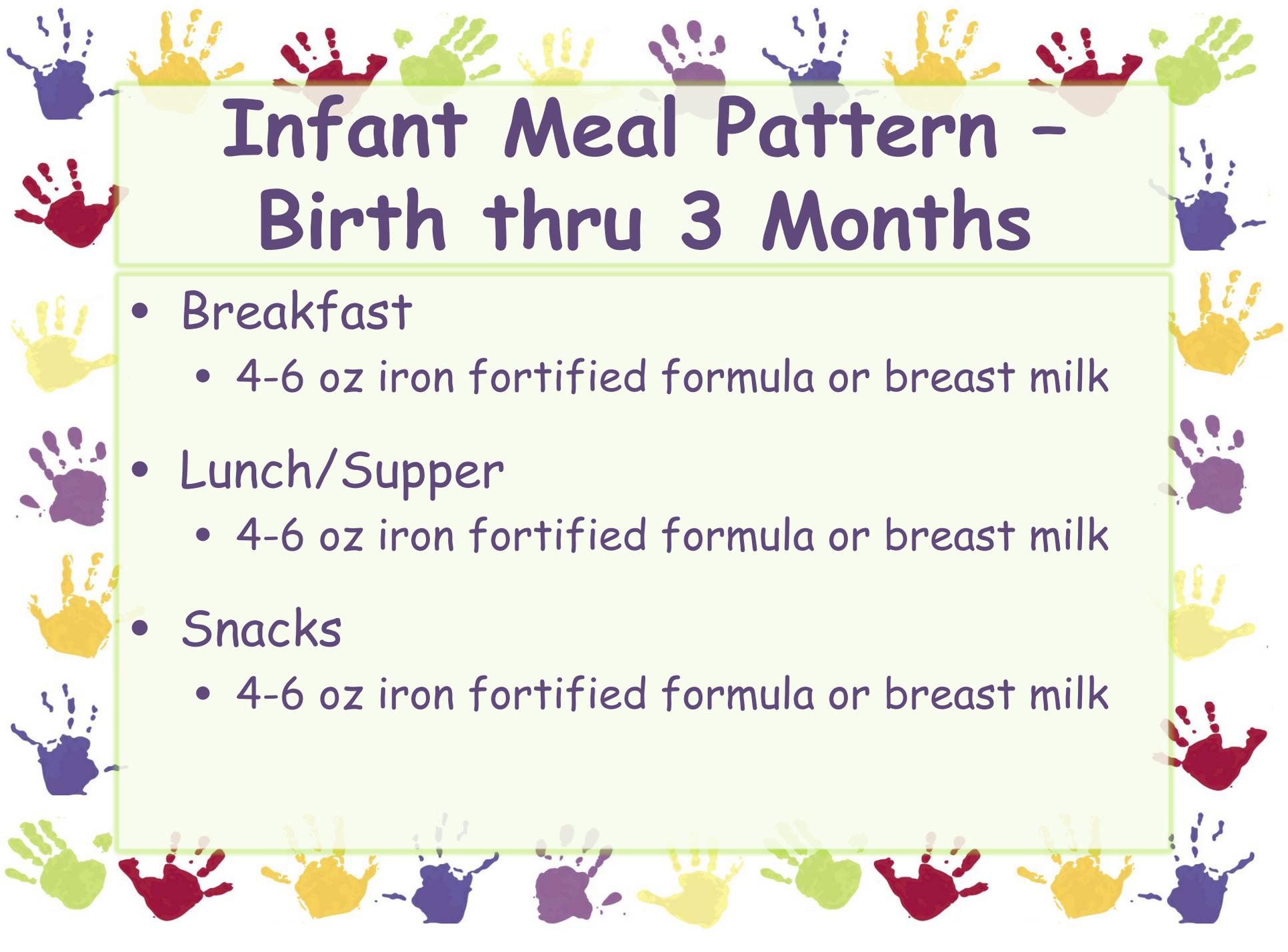
# Infant Requirements

- Providers must purchase and offer all required infant components.
  - Those components include iron-fortified infant formula and cereal, and jarred fruits and vegetables
  - An infant feeding preference form must be on file and filled out correctly for all enrolled infants.
    - Allows parents to decline what the provider is offering and provide the components of their choosing
    - Reference Guidance Manual Section 805.



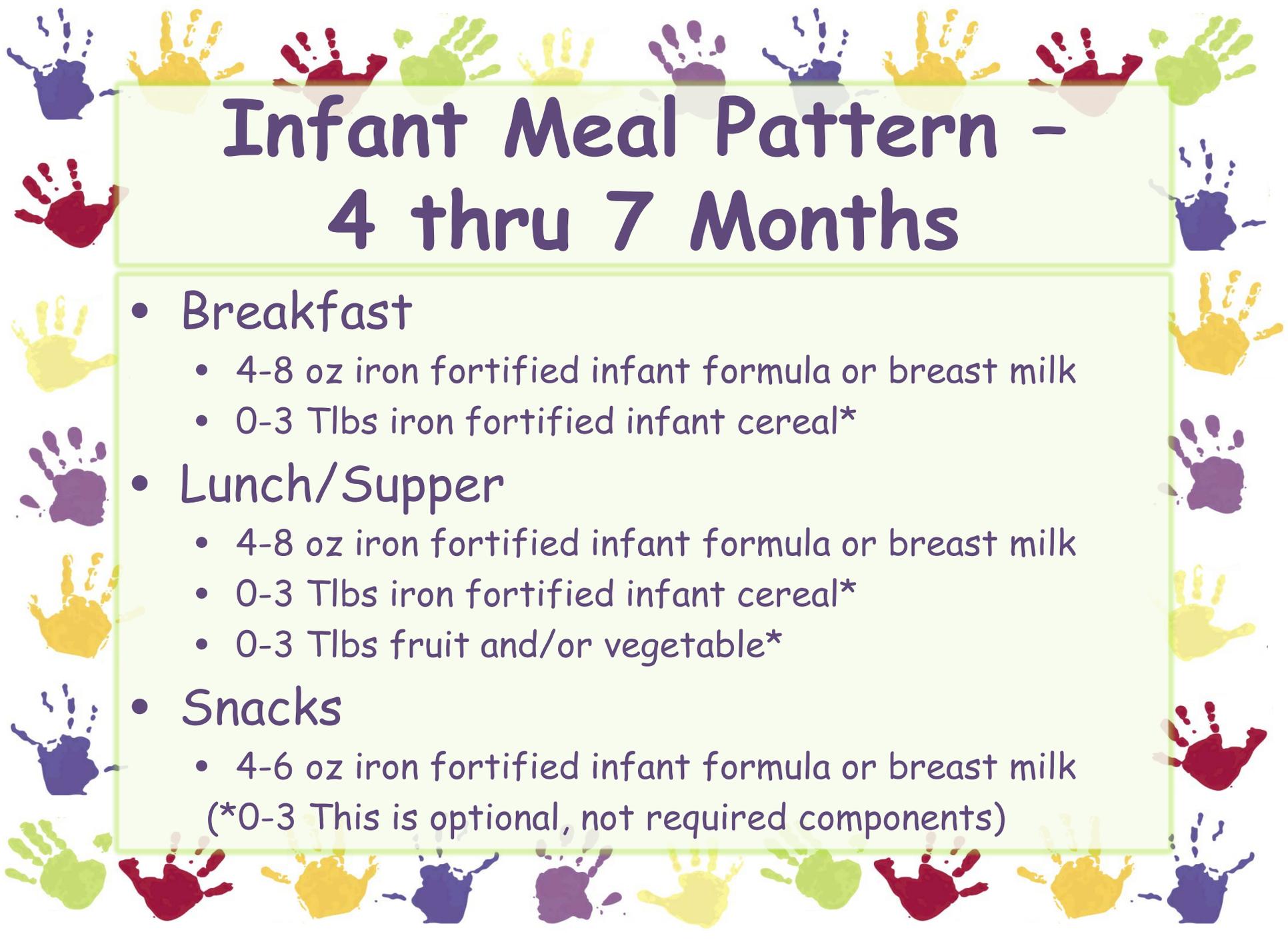
# Infant Feeding Requirements

- When an infant reaches the 8-11 months category, the provider must be providing at least one component.
  - I.E. Parent cannot provide formula/breast milk, cereal, and fruits or vegetables. Provider must be providing at least one of those components
- Once a child is one year old the provider must supply all of the meal components.



# Infant Meal Pattern - Birth thru 3 Months

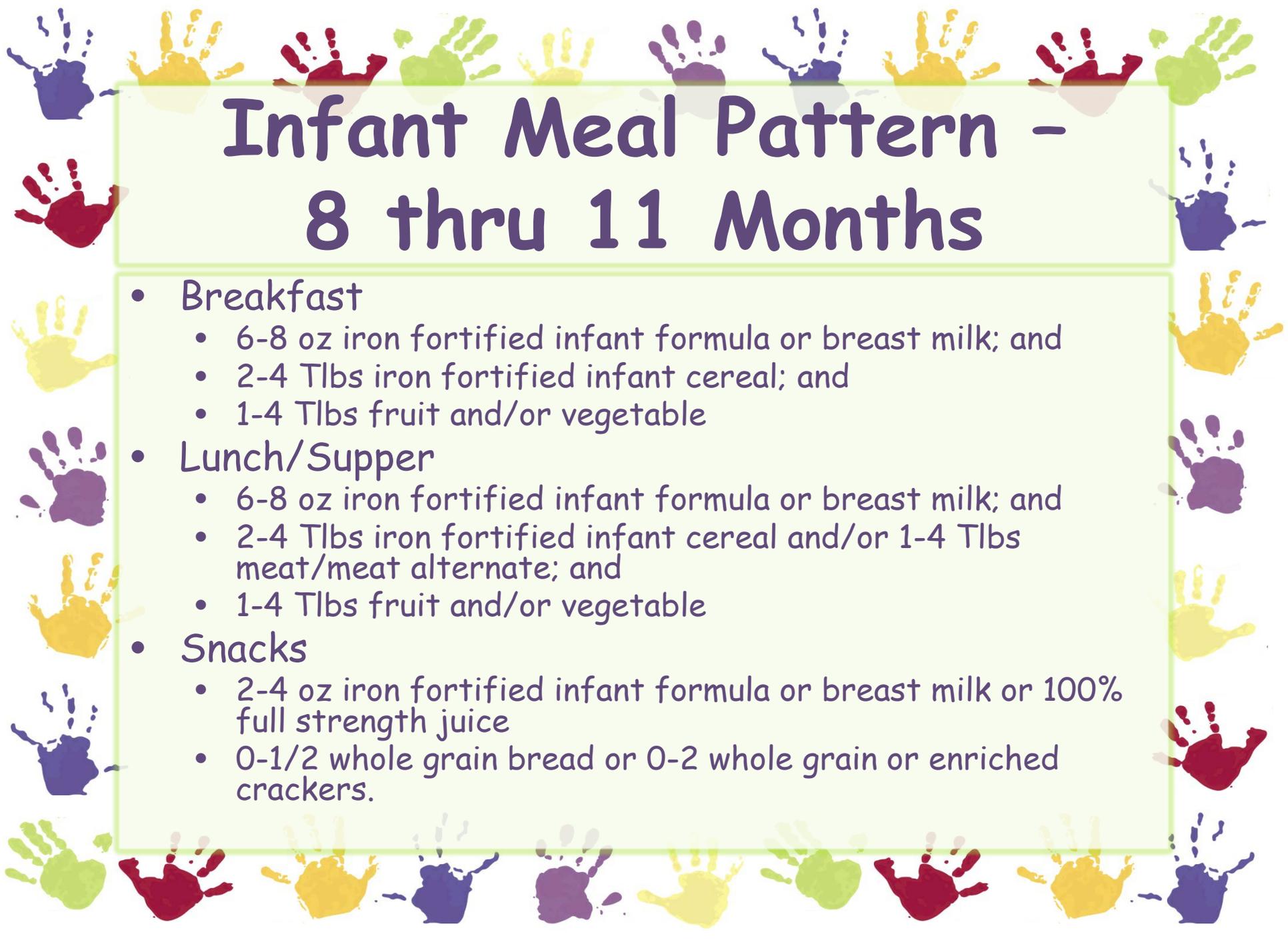
- Breakfast
  - 4-6 oz iron fortified formula or breast milk
- Lunch/Supper
  - 4-6 oz iron fortified formula or breast milk
- Snacks
  - 4-6 oz iron fortified formula or breast milk



# Infant Meal Pattern - 4 thru 7 Months

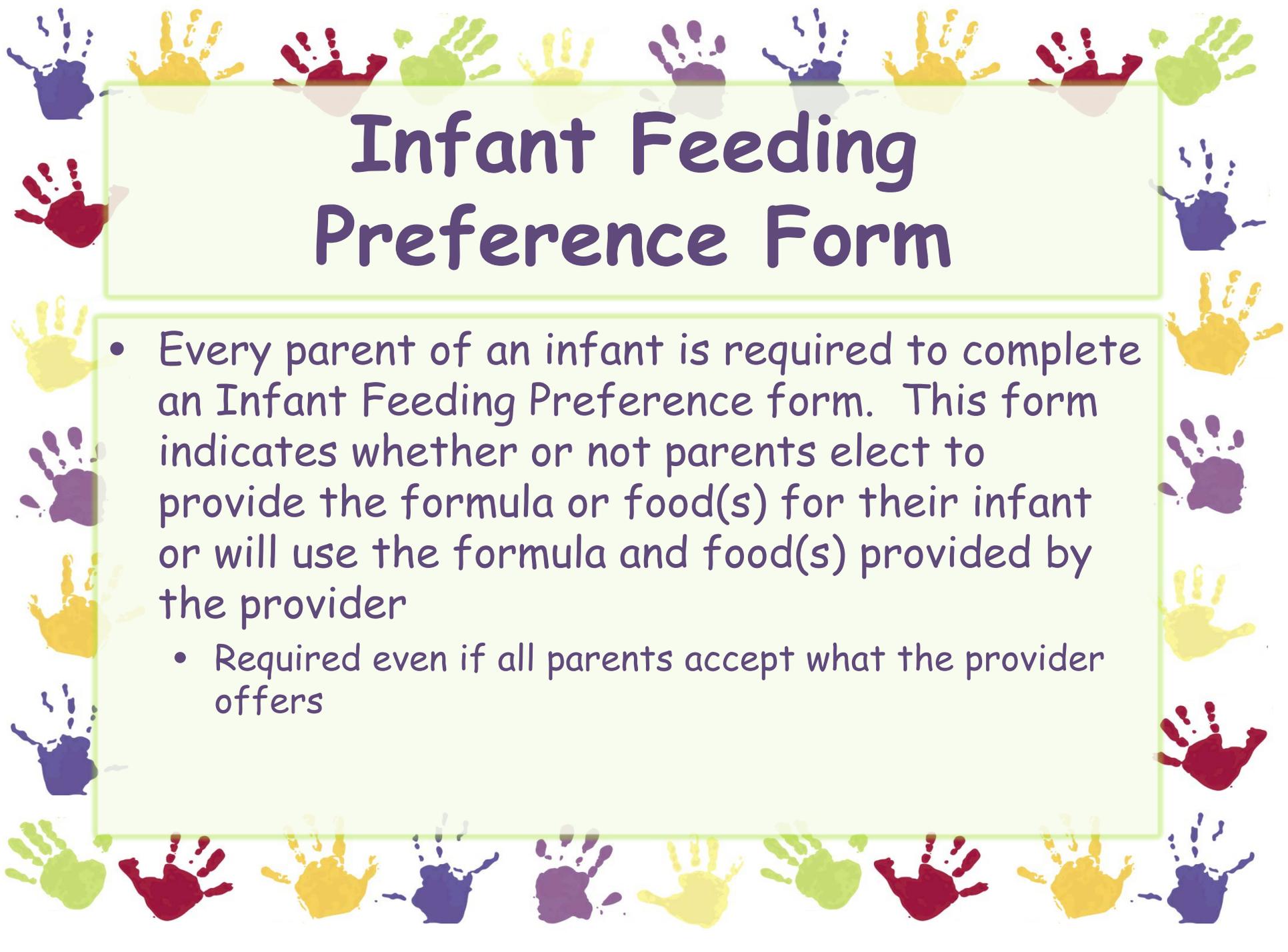
- Breakfast
  - 4-8 oz iron fortified infant formula or breast milk
  - 0-3 Tlbs iron fortified infant cereal\*
- Lunch/Supper
  - 4-8 oz iron fortified infant formula or breast milk
  - 0-3 Tlbs iron fortified infant cereal\*
  - 0-3 Tlbs fruit and/or vegetable\*
- Snacks
  - 4-6 oz iron fortified infant formula or breast milk

(\*0-3 This is optional, not required components)



# Infant Meal Pattern - 8 thru 11 Months

- Breakfast
  - 6-8 oz iron fortified infant formula or breast milk; and
  - 2-4 Tlbs iron fortified infant cereal; and
  - 1-4 Tlbs fruit and/or vegetable
- Lunch/Supper
  - 6-8 oz iron fortified infant formula or breast milk; and
  - 2-4 Tlbs iron fortified infant cereal and/or 1-4 Tlbs meat/meat alternate; and
  - 1-4 Tlbs fruit and/or vegetable
- Snacks
  - 2-4 oz iron fortified infant formula or breast milk or 100% full strength juice
  - 0-1/2 whole grain bread or 0-2 whole grain or enriched crackers.



# Infant Feeding Preference Form

- Every parent of an infant is required to complete an Infant Feeding Preference form. This form indicates whether or not parents elect to provide the formula or food(s) for their infant or will use the formula and food(s) provided by the provider
  - Required even if all parents accept what the provider offers

# Infant Feeding Preference Form

## CACFP INFANT FEEDING PREFERENCE – CENTERS

Name of infant Infant A Date of Birth 4/3/10

Kids are Okay Child Care Center will feed your infant breastmilk provided by you  
(name of provider)  
and/or we will provide iron fortified infant formula.

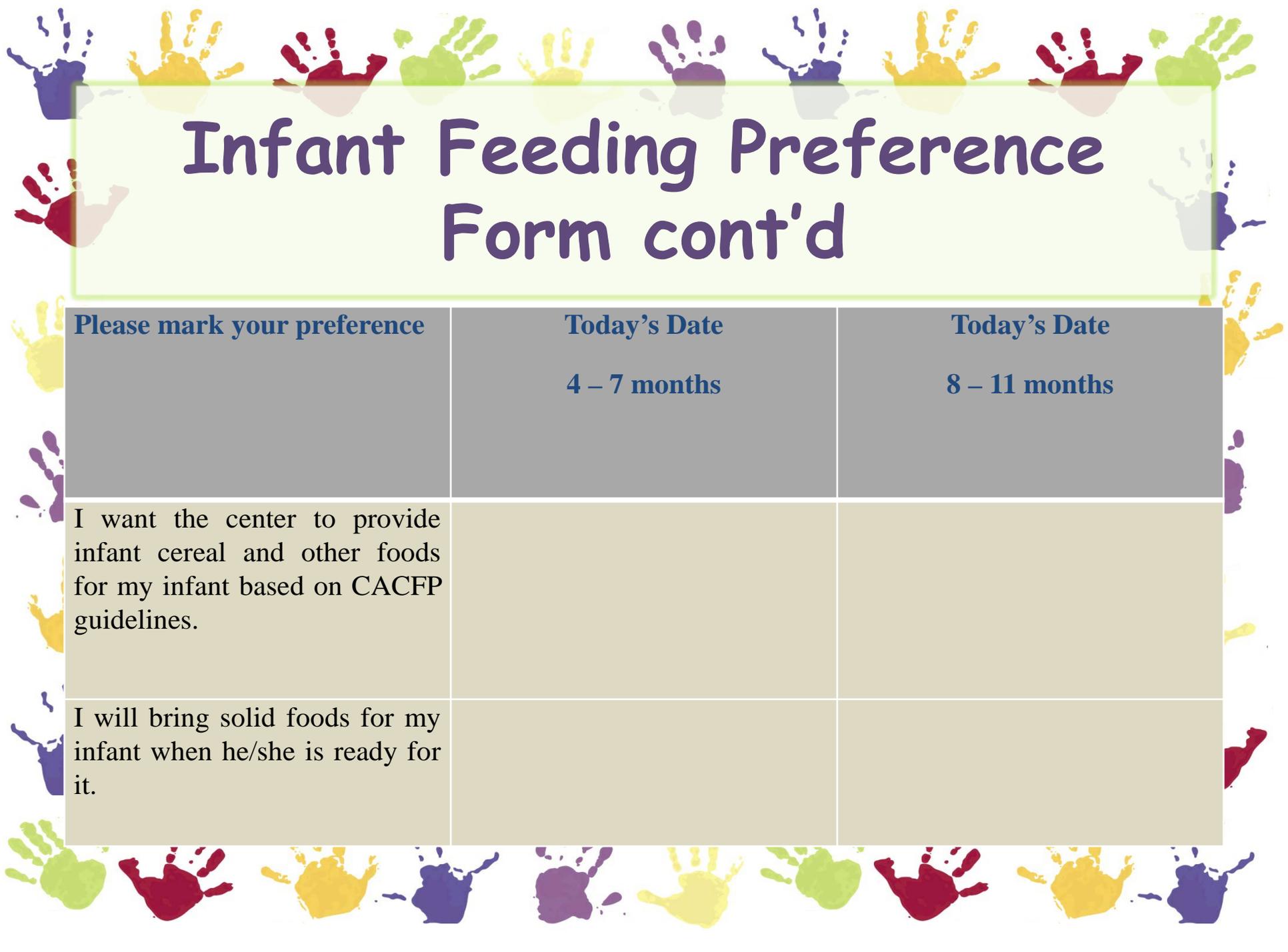
The formula we provide is: Similac w/Iron.

This center/home/ministry participates in the Child and Adult Care Food Program (CACFP) and receives USDA reimbursement for serving nutritious meals to infants and children. Participation in this program requires caregivers to follow specific meal patterns according to the age of the child being fed.

Policy requires a center/home/ministry participating in the CACFP to offer formula to infants who are in care during meal service times. Parents/guardians, however, may decline what is offered, and supply the infants formula.

# Infant Feeding Preference Form cont'd

| Please mark your preference (choose all that apply)   | Today's Date<br><u>6/28/10</u><br>Birth – 3 months | Today's Date<br>4 – 7 months | Today's Date<br>8 – 11 months |
|---|--|------------------------------|-------------------------------|
| I will bring expressed breastmilk for my infant.  |  |                              |                               |
| I will come to the center to breastfeed my infant.  |  |                              |                               |
| I want the center to provide formula for my infant.   |  |                              |                               |
| I will bring formula for my infant.<br>Please list kind of formula you will bring:<br><b>Enfamil w/Iron</b> | X  |                              |                               |



# Infant Feeding Preference Form cont'd

**Please mark your preference**

**Today's Date**

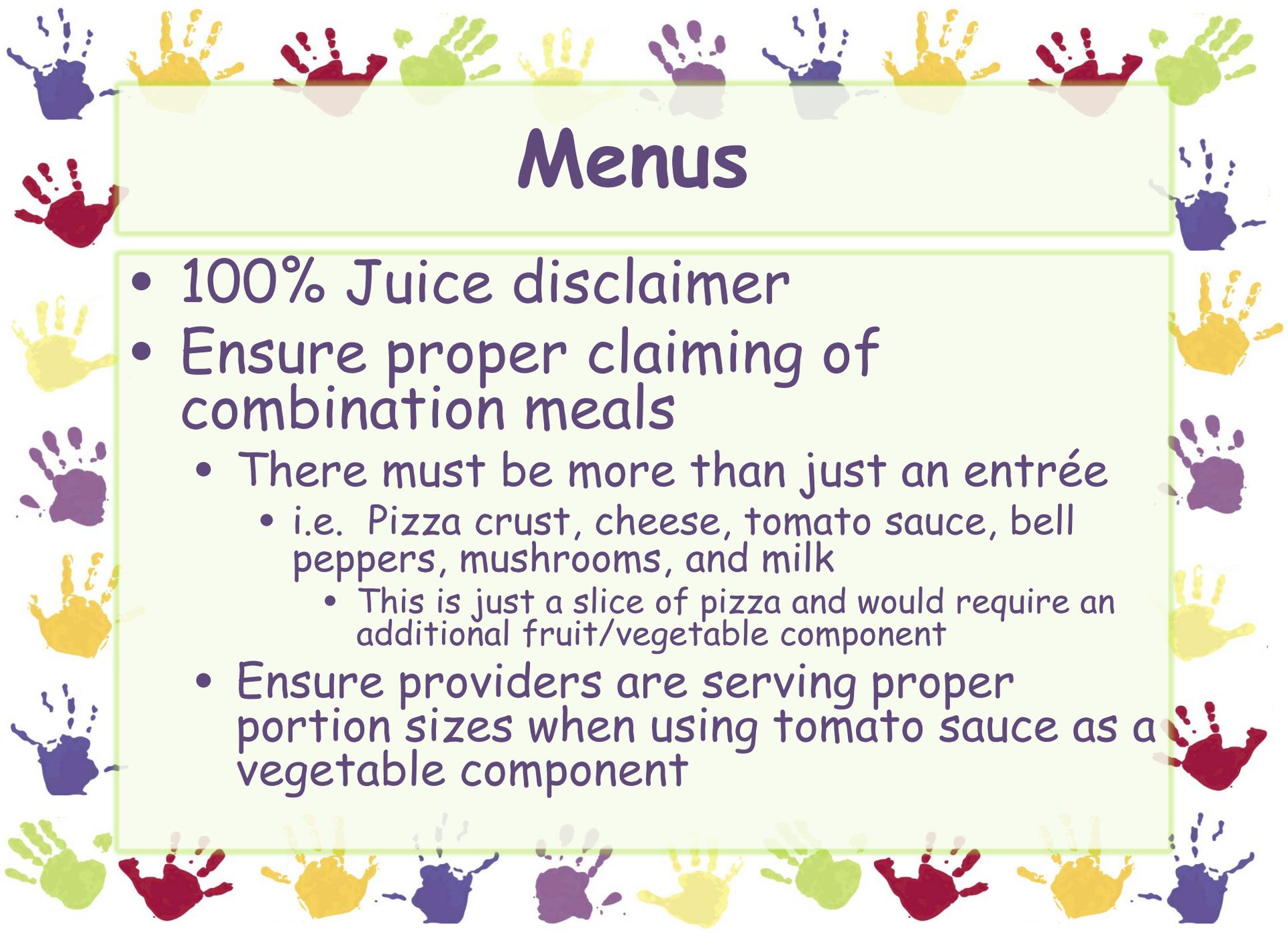
**Today's Date**

**4 – 7 months**

**8 – 11 months**

I want the center to provide infant cereal and other foods for my infant based on CACFP guidelines.

I will bring solid foods for my infant when he/she is ready for it.



# Menus

- 100% Juice disclaimer
- Ensure proper claiming of combination meals
  - There must be more than just an entrée
    - i.e. Pizza crust, cheese, tomato sauce, bell peppers, mushrooms, and milk
      - This is just a slice of pizza and would require an additional fruit/vegetable component
  - Ensure providers are serving proper portion sizes when using tomato sauce as a vegetable component



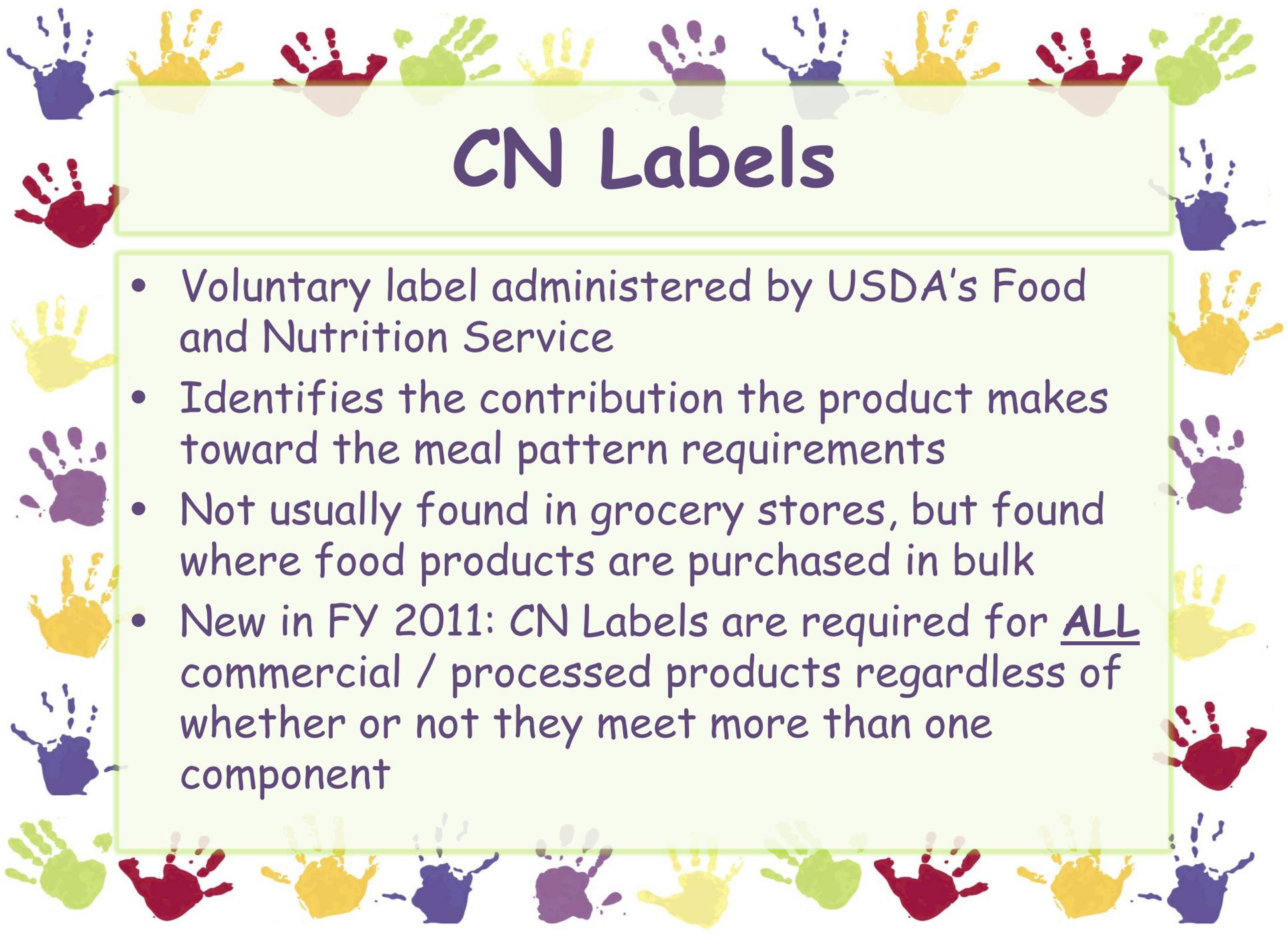
# High Fats

- High fats must be limited to no more than twice per week.
  - **Newly Added:**
    - All fried foods not limited to:
      - Fried Chicken
      - Hard Shell/Crunchy Tacos
      - Fry Bread
      - Taquitos/Chimichangas
    - Top Ramen/Ramen Noodles



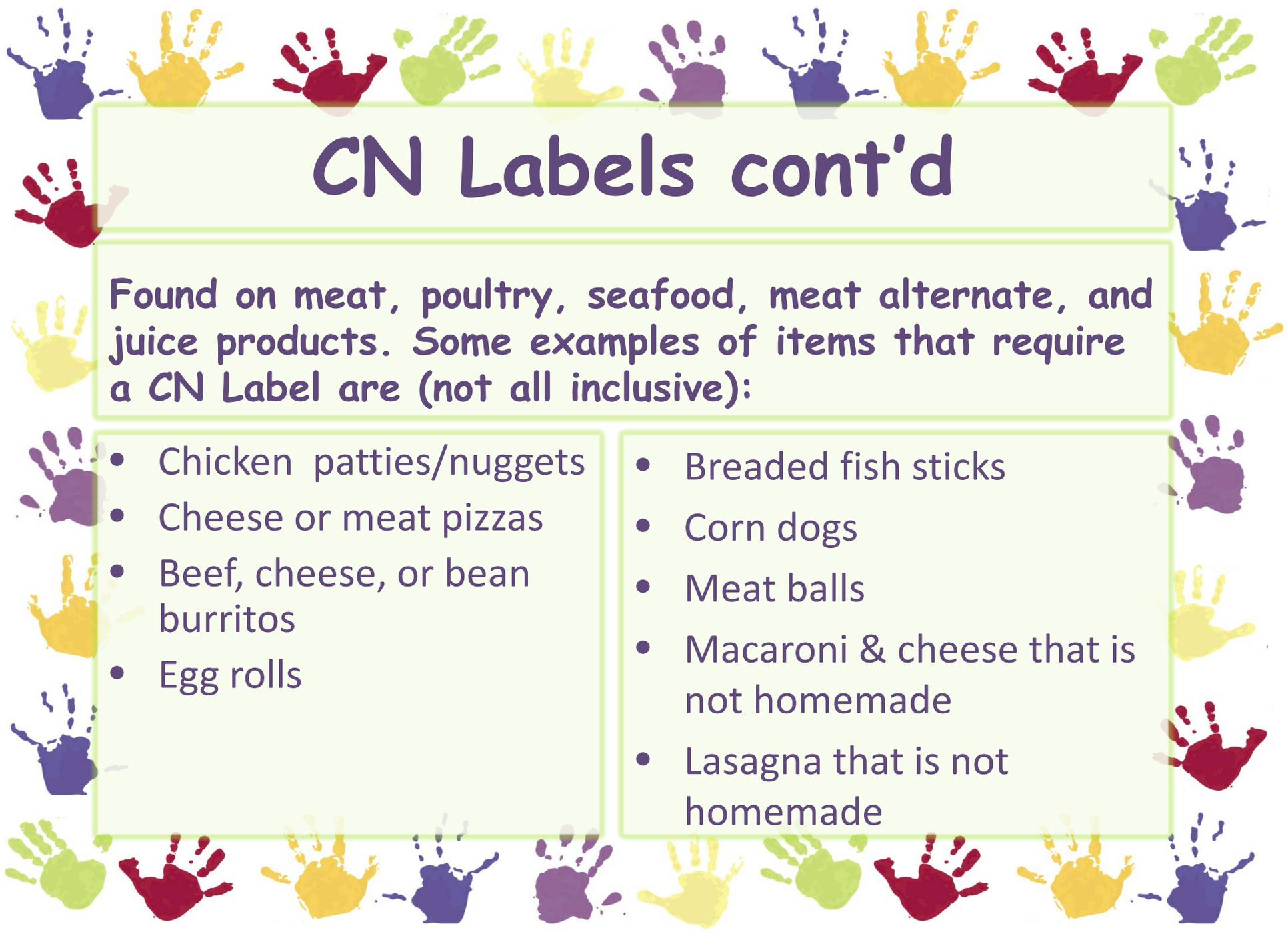
# High Sugars

- High sugars must be limited to no more than twice per week.
  - High sugars are limited to breakfast and snacks
  - Cannot serve high sugar items during lunch/supper



# CN Labels

- Voluntary label administered by USDA's Food and Nutrition Service
- Identifies the contribution the product makes toward the meal pattern requirements
- Not usually found in grocery stores, but found where food products are purchased in bulk
- New in FY 2011: CN Labels are required for ALL commercial / processed products regardless of whether or not they meet more than one component



# CN Labels cont'd

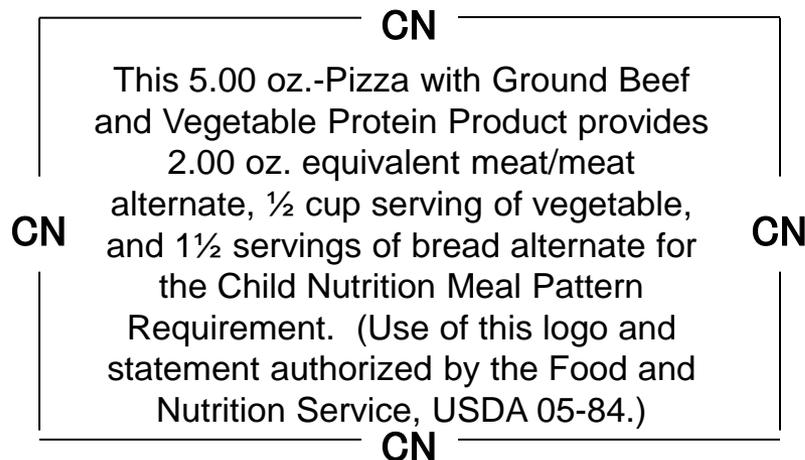
Found on meat, poultry, seafood, meat alternate, and juice products. Some examples of items that require a CN Label are (not all inclusive):

- Chicken patties/nuggets
- Cheese or meat pizzas
- Beef, cheese, or bean burritos
- Egg rolls

- Breaded fish sticks
- Corn dogs
- Meat balls
- Macaroni & cheese that is not homemade
- Lasagna that is not homemade

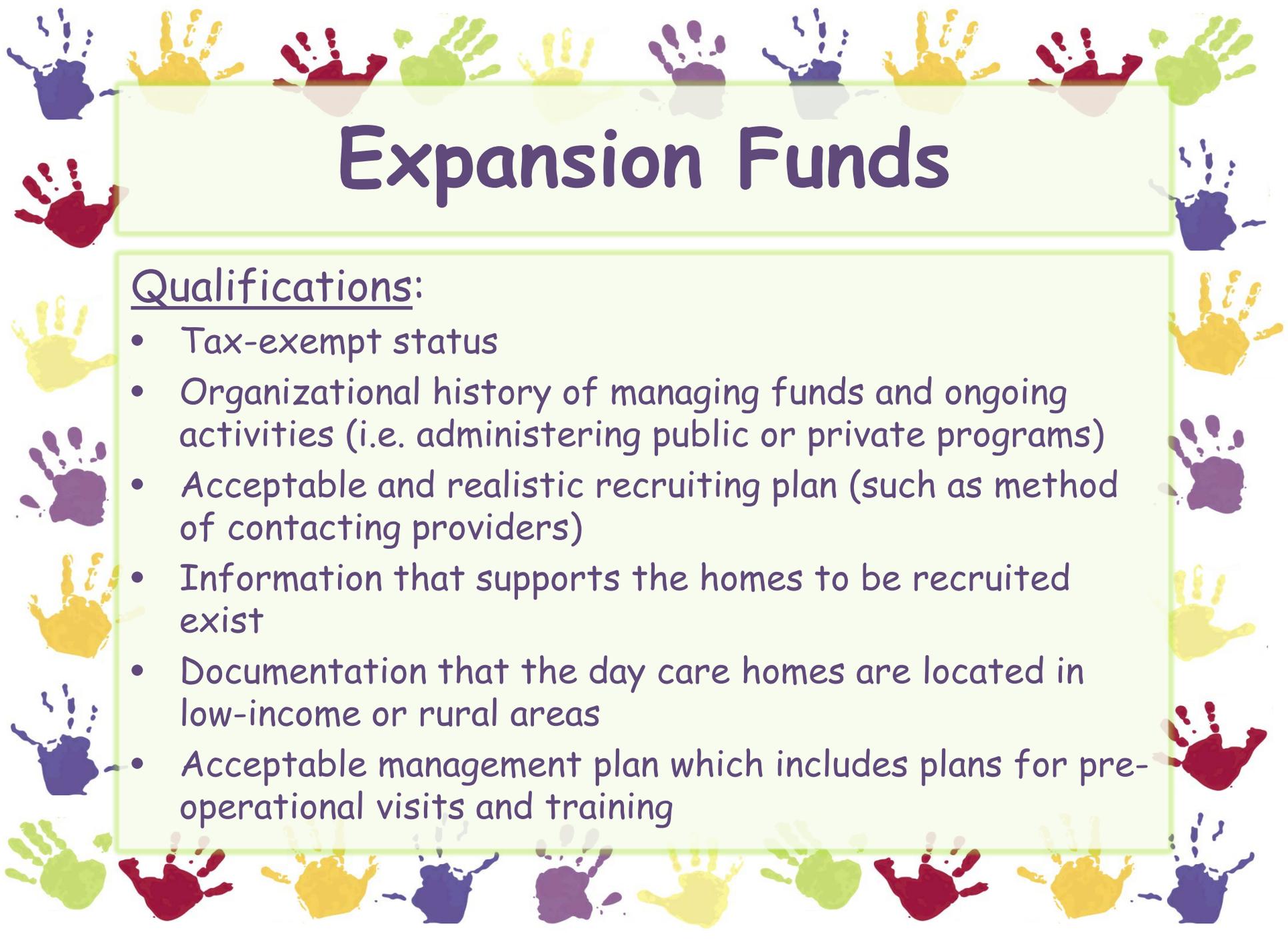
# CN Labels cont'd

- CN labels will always contain:
  - CN logo (a distinct border)
  - Meal pattern contribution statement
  - 6 digit product identification number
  - USDA/FNS authorization statement
  - Month and year of approval





# Expansion Funds



# Expansion Funds

## Qualifications:

- Tax-exempt status
- Organizational history of managing funds and ongoing activities (i.e. administering public or private programs)
- Acceptable and realistic recruiting plan (such as method of contacting providers)
- Information that supports the homes to be recruited exist
- Documentation that the day care homes are located in low-income or rural areas
- Acceptable management plan which includes plans for pre-operational visits and training



# Expansion Funds

## Application Requirements:

- An acceptable and realistic plan detailing activities for recruiting potential providers
- Documentation that the area in which the organization is planning on serving is currently underserved (not being served by other FDCH sponsors) so there is no overlap in recruiting efforts
- Documentation which supports that the homes to be recruited exist (i.e. name, address, phone number of 50 potential providers)
- A detailed budget which demonstrates financial viability (defined as ability to operate without the federal CACFP monies)



# Expansion Funds

## Application Requirements Cont'd:

- Operational accountability (have adequate recordkeeping systems in place)
- Organizational capability (enough trained staff to effectively manage the recruitment) and a plan for pre-operational visits and training
- Timelines for the expansion operation
- Goals the Sponsoring Organization expects to accomplish with the expansion funds
- Documentation that the proposed expansion area meets rural and low-income standards



# Expansion Funds

## Fiscal Responsibility:

- Expansion funds must be accounted for separately from monthly administrative costs
- Expansion funds should not be reported as administrative costs on the monthly claim for reimbursement
- The sponsor must submit documentation of activities performed and costs for review by the administering agency
- The State agency will conduct a post expansion review of documentation for all activities performed and costs incurred
- If the sponsoring organization has not made every reasonable effort to carry out the activities specified the State agency will demand repayment of all or part of the funds received
- The sponsor will be required to repay expansion payments not used or any funds received in excess of actual costs incurred



**Budget**

**Resources and Cost  
Verification**



# Budget Resources

Must be in compliance with:

1. FNS Instruction 796-2 (rev. 3)

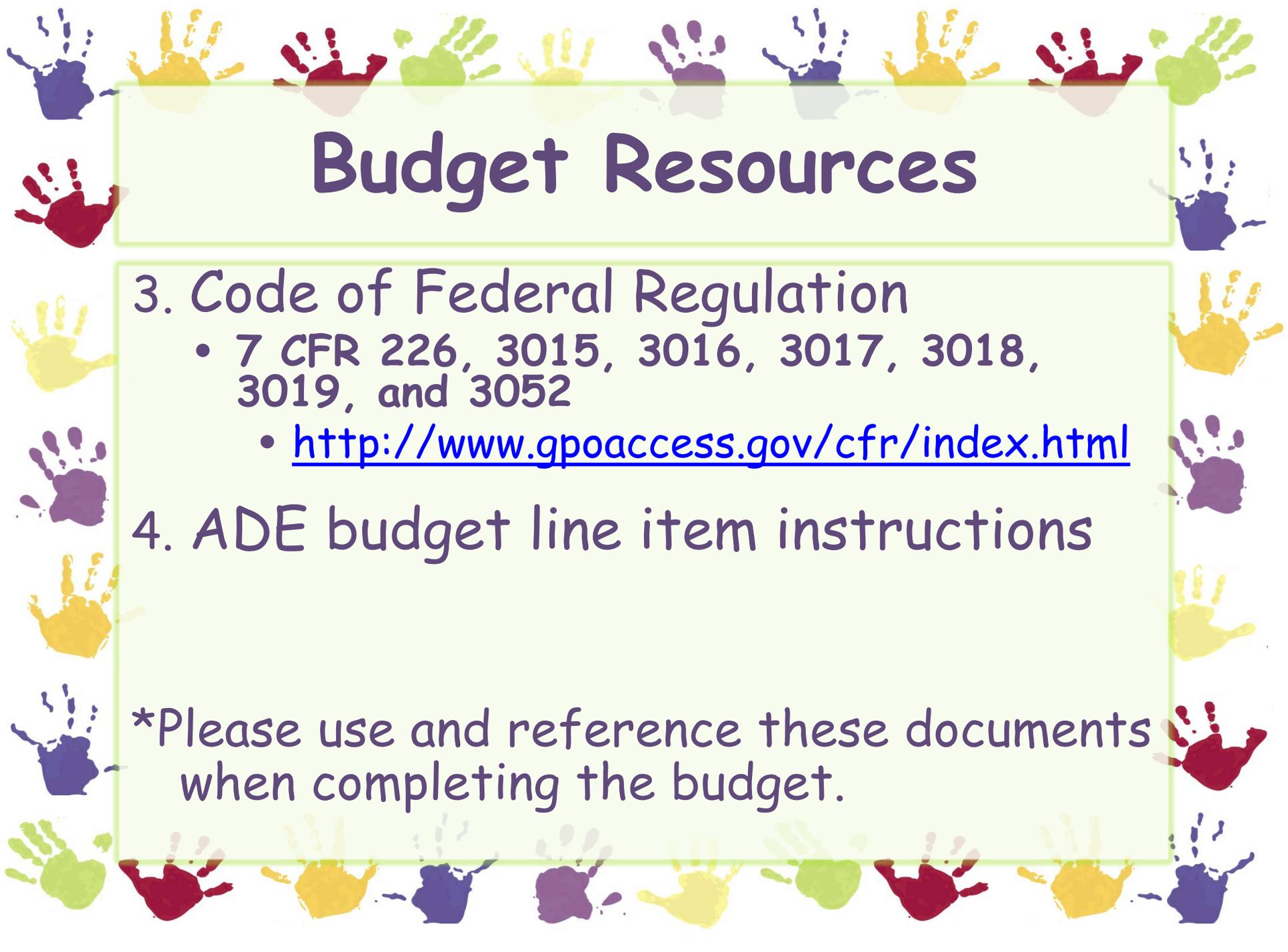
- Provides guidance to State agencies and institutions <http://www.ade.az.gov/health-safety/cnp/cacfp/family>

2. OMB Circulars (A-87, A-122)

- <http://www.whitehouse.gov/omb/circulars/index.html>



OFFICE OF  
MANAGEMENT AND BUDGET



# Budget Resources

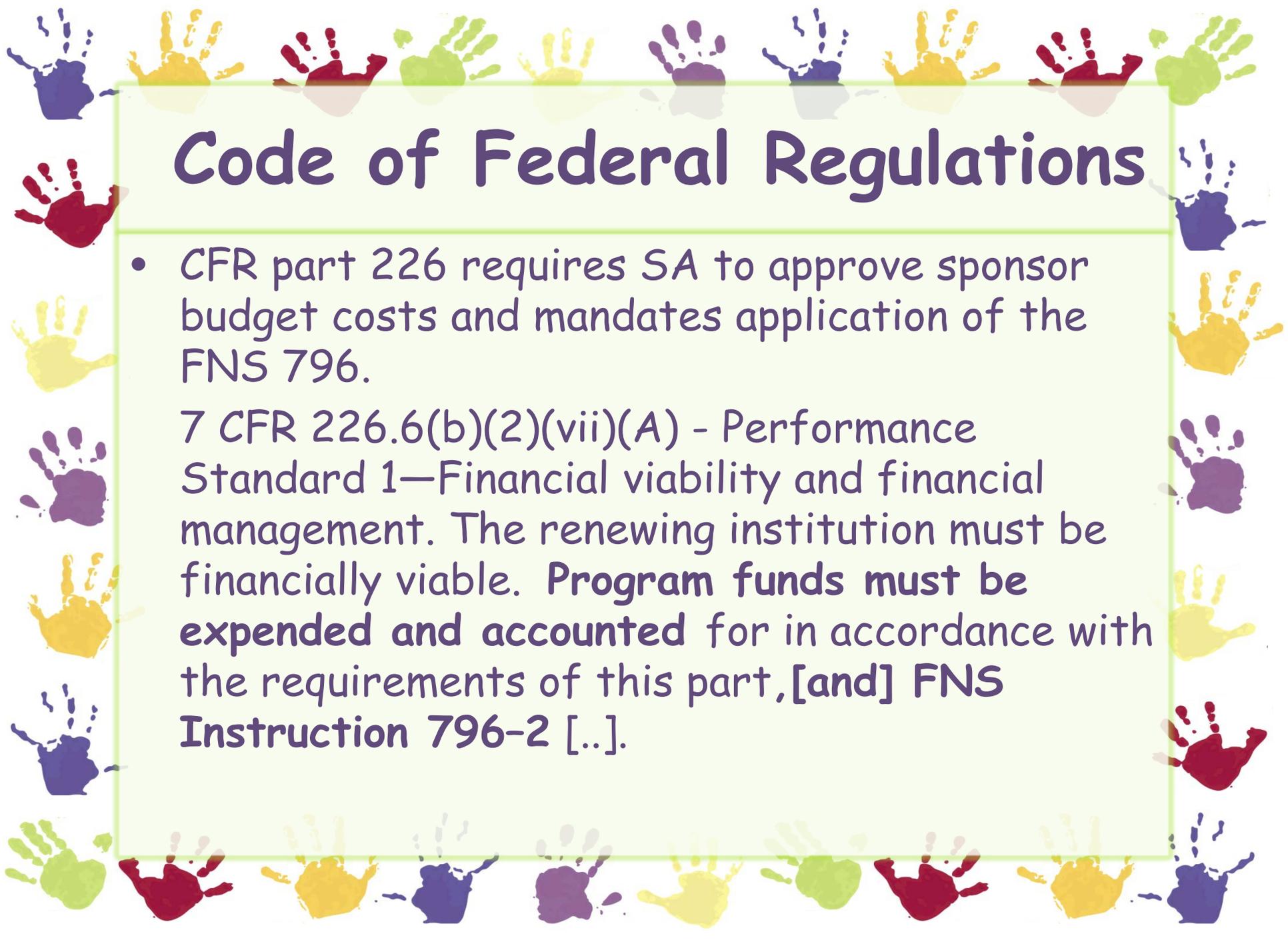
## 3. Code of Federal Regulation

- 7 CFR 226, 3015, 3016, 3017, 3018, 3019, and 3052

- <http://www.gpoaccess.gov/cfr/index.html>

## 4. ADE budget line item instructions

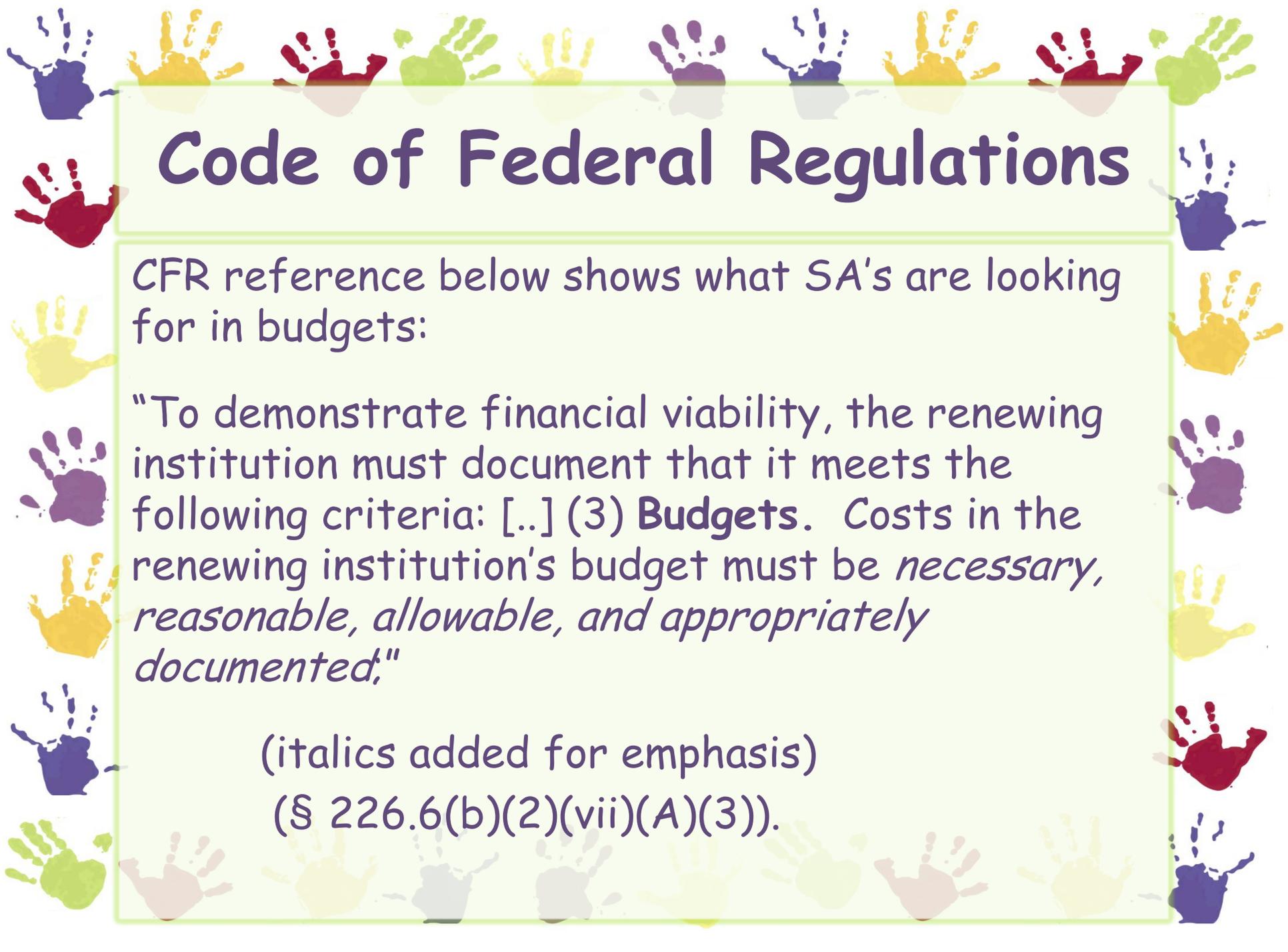
\*Please use and reference these documents when completing the budget.



# Code of Federal Regulations

- CFR part 226 requires SA to approve sponsor budget costs and mandates application of the FNS 796.

7 CFR 226.6(b)(2)(vii)(A) - Performance Standard 1—Financial viability and financial management. The renewing institution must be financially viable. Program funds must be expended and accounted for in accordance with the requirements of this part, [and] FNS Instruction 796-2 [..].



# Code of Federal Regulations

CFR reference below shows what SA's are looking for in budgets:

"To demonstrate financial viability, the renewing institution must document that it meets the following criteria: [...] (3) **Budgets**. Costs in the renewing institution's budget must be *necessary, reasonable, allowable, and appropriately documented*,"

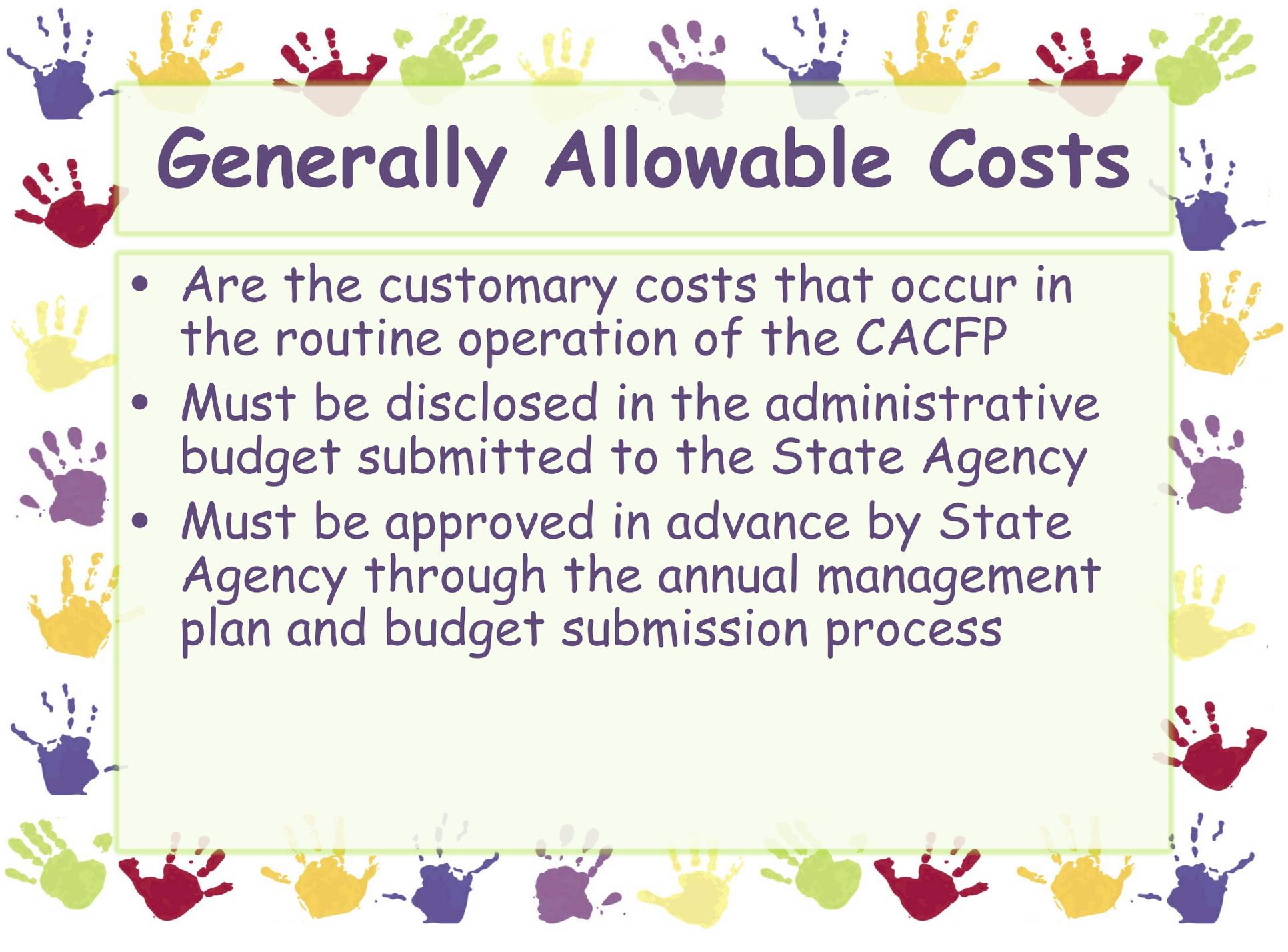
(italics added for emphasis)

(§ 226.6(b)(2)(vii)(A)(3)).

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# Categories of Cost

- Generally Allowable Costs
- Prior Approval
- Specific Prior Written Approval
- Unallowable Costs



# Generally Allowable Costs

- Are the customary costs that occur in the routine operation of the CACFP
- Must be disclosed in the administrative budget submitted to the State Agency
- Must be approved in advance by State Agency through the annual management plan and budget submission process



# Generally Allowable Costs

- Accounting Systems
- Advertising
- Audits
- Bonding
- Phone, Fax
- Postage
- Materials & Supplies
- Insurance Required by SA Program agreement
- Labor Costs (documentation required)
- Memberships & Subscriptions
- Records Retention
- Rental Costs



# At the SA's Discretion

- Generally Allowable
  - Communications - cell phones & pagers
    - Prior Approval or Specific Prior Written Approval - 8 a (1)
  - Durable Supplies
    - Specific Prior Written Approval - 27 c (2)



# Costs Requiring Prior Approval

- Costs that must be specifically identified by item and amount
- Request during the budget submission process or as a separate request
- Including the item as part of a larger entry on a line item in the budget is not sufficient
- When properly disclosed, approval of the budget meets the requirement for prior approval unless State Agency specifically disallows in writing



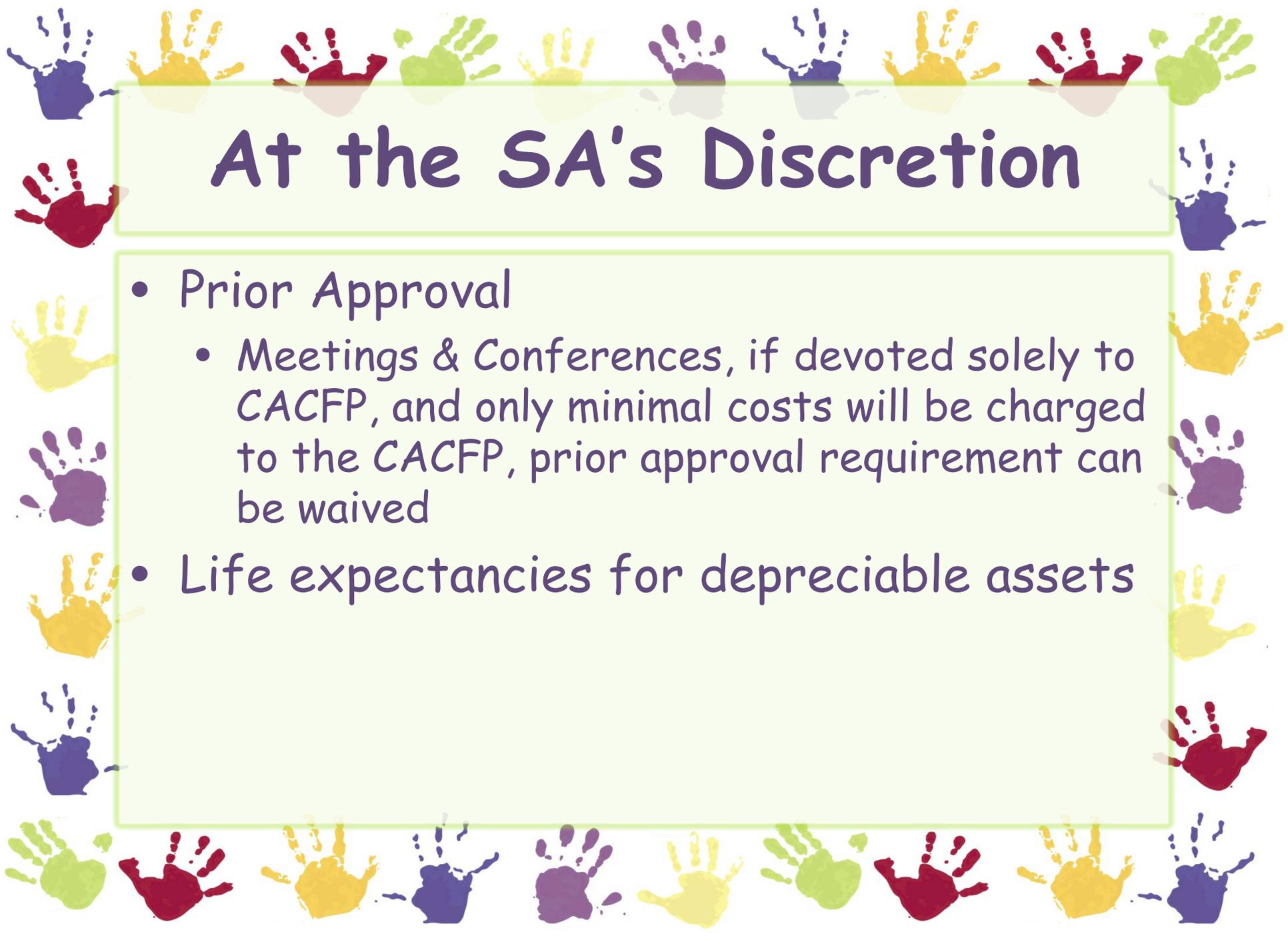
# Costs Requiring Prior Approval

- Public Relations Costs - 3 a (2)
- Publications, Printing & Reproduction Costs - 33
- Purchased Services - 34 -
  - Equipment Maintenance/Repair
  - Utilities, Janitorial Service
- Travel - 39



# Costs Requiring Prior Approval

- Participant Training and Other Participant Support Costs
  - Training - admin costs - space rental, speaker fees, child care, participant meal costs, materials
  - Facility appeal costs - Sponsor's admin costs



# At the SA's Discretion

- Prior Approval
  - Meetings & Conferences, if devoted solely to CACFP, and only minimal costs will be charged to the CACFP, prior approval requirement can be waived
- Life expectancies for depreciable assets



# Costs Requiring Specific Prior Written Approval

- Institution must identify AND SA must give specific written approval of both the cost and the amount of the cost before incurred
- Can be done during annual budget approval process BUT
  - Inclusion in Budget not sufficient
  - SA decision can accompany budget approval notice



# Costs Requiring Specific Prior Written Approval

- Contributions & Donations - costs required to make contributed goods & services usable for the program - 10 a
- Day Care Home Licensing Standards Costs (up to \$300/home; available to each home only once) -
  - Supplies - fire extinguishers, smoke detectors, thermometers
  - minor alterations
  - fire/safety inspections & licensing fees - 12 a



# Costs Requiring Specific Prior Written Approval

- Employee Morale, Health, & Welfare Costs - 14
- Expensing Equipment and Other Property - 16a - Nonexpendable personal property with useful life of > 1 year & acquisition cost of \$5000 (or lower if defined by institution)



# Costs Requiring Specific Prior Written Approval

- Insurance - 21-
  - Other Insurance Not Required by SA & Identified in Program Agreement but Standard
  - Contributions to Self Insurance Reserve
  - Insurance or Contributions to Self Insurance Reserve for Fed Property



# Costs Requiring Specific Prior Written Approval

- Interest, Fund Raising & Other Financial Costs
  - Stop Payment Charges - 22 a (1) (a) i
  - Program Account Reconciliation & Analysis Fees - 22 a (1) (a) ii
  - Interest on Debt Used to Acquire or Replace Allowable Equip/Property or Make Allowable Improvements - 22 a (2)



# Costs Requiring Specific Prior Written Approval

- Labor Costs - 23 d
  - Compensation to members of nonprofit institutions, trustees, directors, associates, officers, or the immediate families thereof
  - Meeting stipends for board members
  - Changes to compensation policy resulting in substantial increase in compensation to one or more employees



# COLA

- Cost of Living Adjustment is 0.0% (Source: [www.socialsecurity.gov](http://www.socialsecurity.gov))
- Need prior approval if COLA is increased in your budget
- Compensation must be reasonable for the services provided by the individual and conform to the institution's written compensation policy
- Not allowable - The cost of goods and services for personal use of the organization's officers, employees, and directors



# Written Compensation Policy

- Your written compensation policy must be submitted to ADE for approval. This was added to the management plan and the policy must include:
  - Rates of pay;
  - Hours of work, including breaks and meal periods; and
  - The institution's policy and payment schedule for regular compensation, overtime, compensatory time, holiday pay, benefits, awards, severance pay, and payroll tax withholding.
  - The compensation policy must also reflect the requirements of the US Dept. of Labor's FLSA for all FLSA nonexempt employees



# Costs Requiring Specific Prior Written Approval

- Labor Costs, cont.
  - Overtime, Holiday Pay & Compensatory Leave - each instance, except
    - Intermittent, brief periods of OT to meet regularly occurring workload fluctuations can be approved during budget approval process
    - Emergencies - approve within 2 working days



# Costs Requiring Specific Prior Written Approval

- Labor Costs, cont.
  - Incentive Pay and Awards (unless of minimal value as set by SA) - 23 I
  - Severance Pay, if not excessive and is required by law, written employer/employee agreement, written policies of institution or the terms of a negotiated written labor relations agreement - 23 j (1)
  - Deferred Compensation Plans - 23 k



# Costs Requiring Specific Prior Written Approval

- Legal & Other Professional Services Not Performed by Officers or Employees- 24 -
  - Sponsoring organization's reasonable costs to recover funds from sponsored facilities
  - Institution's reasonable costs for services required to administer the program



# Costs Requiring Specific Prior Written Approval

- Management Studies - directly related to the program, performed by entity other than the institution - 26
- Meetings & Conferences - prorated share of travel & registration fees when CACFP is only a portion of a larger child & adult care related agenda - 28 2 (2)



# Costs Requiring Specific Prior Written Approval

- Proposal Costs - on potential FNS Child Nutrition Program grants - 32
- Purchased Services - Other - All less-than-arms-length transactions, service contracts on program equipment & all other purchased services needed for program operations - 34 a (2)



# Costs Requiring Specific Prior Written Approval

- Special Lease Arrangements - capital leases, sale-with-lease-back leases, less-than-arms-length transactions and lease with option-to-purchase agreements - 36 d
- Termination Costs - necessary and reasonable costs to cease CACFP operations - 38 a

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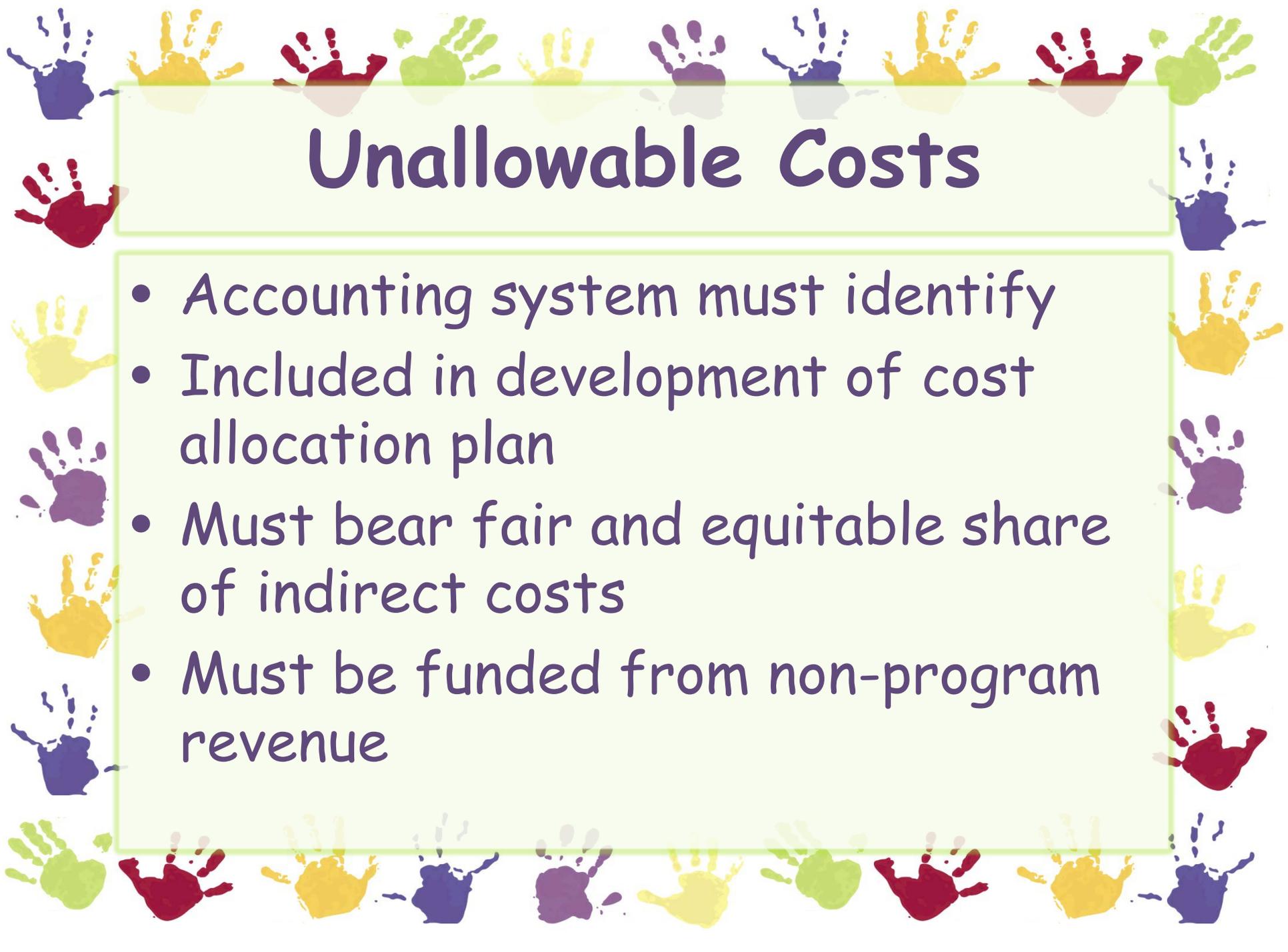
# Costs Requiring Specific Prior Written Approval

- Building depreciation expense
- Equipment depreciation expense
- Equipment improvement costs that are directly expensed for shared costs (i.e. costs that are for both allowable and unallowable activities)



# Costs Requiring Specific Prior Written Approval

- If ADE conducts a review and determines that a cost (requiring prior written approval or specific prior written approval) has been claimed for reimbursement but was not previously approved by ADE, those cost(s) will be disallowed.
  - All costs must be approved by ADE before the cost is incurred



# Unallowable Costs

- Accounting system must identify
- Included in development of cost allocation plan
- Must bear fair and equitable share of indirect costs
- Must be funded from non-program revenue



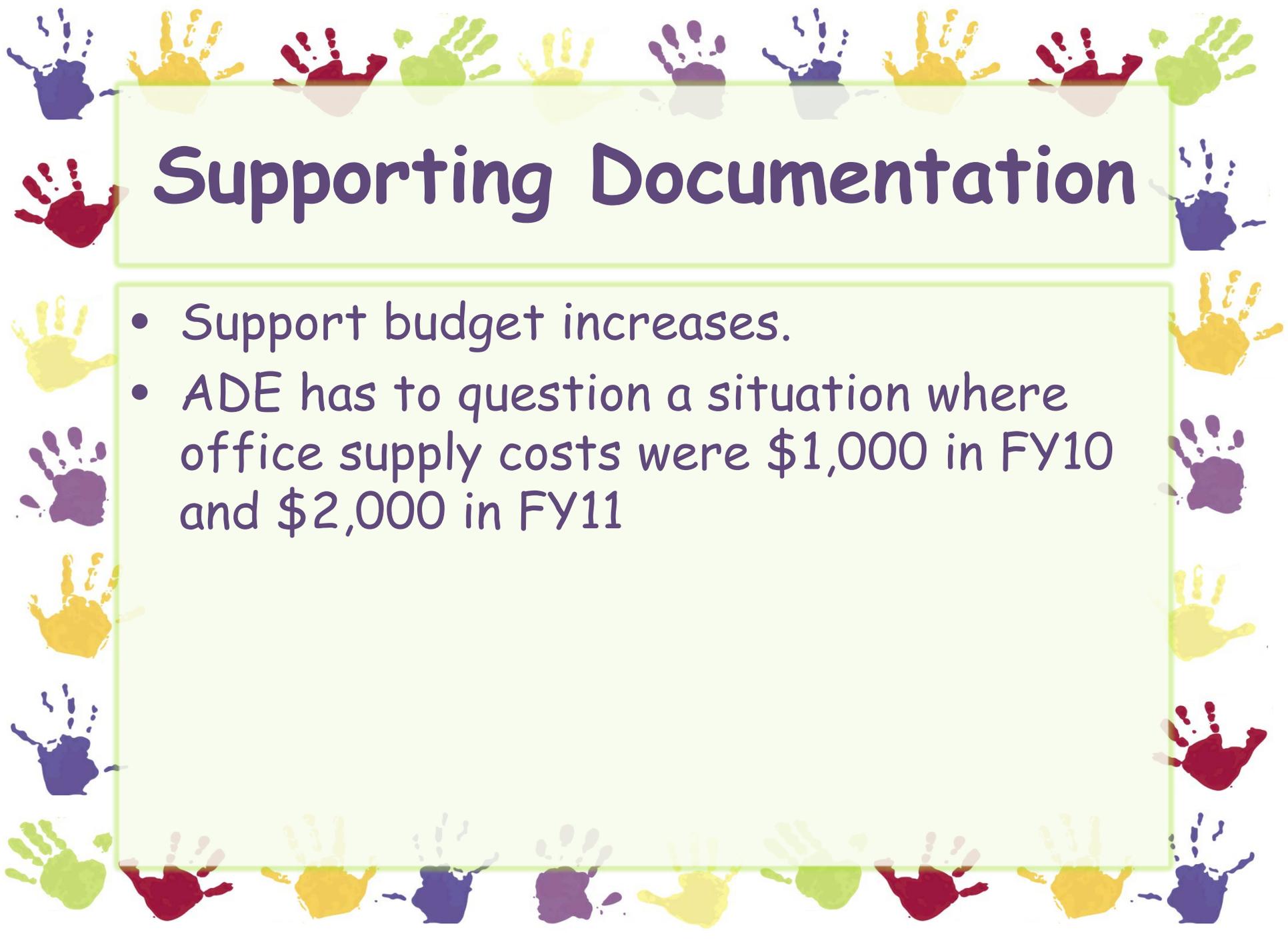
# Unallowable Costs

- Collateral
- Contingencies
- Donations
- Entertainment/  
Social Functions
- Fines & Penalties
- Credit Card  
Interest, ISF  
Charges
- General Business  
Expenses (e.g.,  
annual stockholders  
meetings, filing  
income tax forms)
- Political Costs



# BUDGET

Supporting Documentation  
Examples

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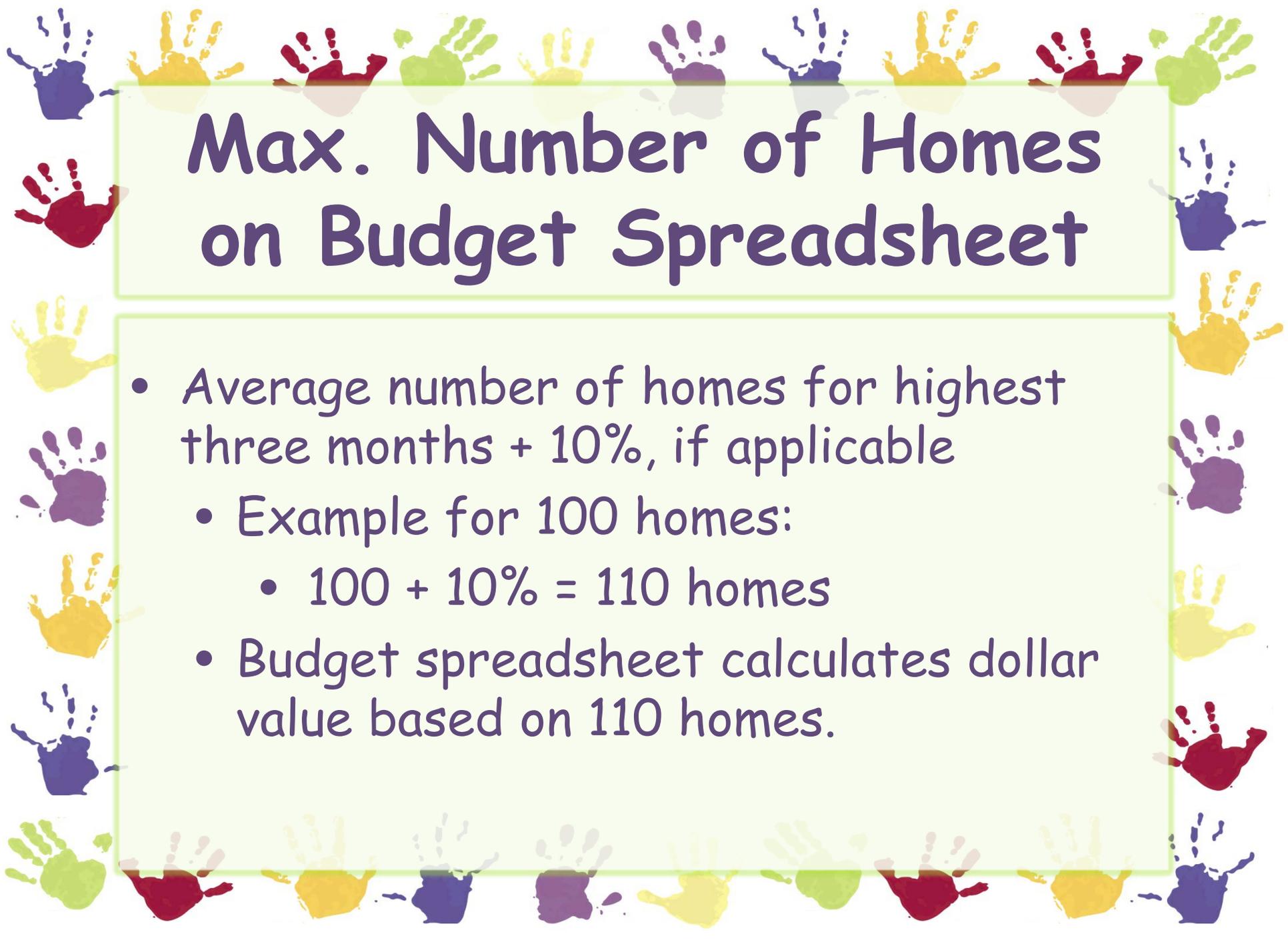
# Supporting Documentation

- Support budget increases.
- ADE has to question a situation where office supply costs were \$1,000 in FY10 and \$2,000 in FY11



# 2011 Budget Spreadsheet

- Schedule A - Labor and Benefits
- Schedule B - Supplies
- Schedule C - Office Expense
- Schedule D - Travel
- Schedule E - Training
- Schedule F - Administrative Services



# Max. Number of Homes on Budget Spreadsheet

- Average number of homes for highest three months + 10%, if applicable
  - Example for 100 homes:
    - $100 + 10\% = 110$  homes
  - Budget spreadsheet calculates dollar value based on 110 homes.



# Administrative Costs

- Supported by documentation - All direct costs must be supported by current source documents (i.e. cost of printing CACFP brochures, mileage driven for CACFP monitoring, etc.)
- Supported by government resources we discussed

## Shared costs

- When the cost of an item or salary benefits both *allowable and unallowable* activities (i.e. a shared cost), determine amount used for CACFP only.



# Supporting Documentation

- Wage, Salary increases (no COLA this year)
- Employee benefits
- Equipment under \$5,000
- Equipment over \$5,000
  - Include depreciation schedule

- Office Supplies
  - SA may request invoices/receipts
- Educational Supplies
  - Invoices/Receipts
- Printing
  - Invoices/Receipts
- Postage
  - Postage Meter count
  - Receipts



# Supporting Documentation

- Insurance
  - Invoice
  - Current Policy/Binder
- Office space/rent
  - Current lease agreement
- Contracted Services
  - Current contracts
- Equipment Rental/Lease
  - Current contracts



# Liability Insurance

- Review the ADOA Risk Management website and ensure
  - Your agency has appropriate coverage
    - Include working with children or disabled persons
  - Your contract has required language
  - ADE must be included in the "Additional Interest" section of the policy

[http://risk.az.gov/agency\\_information/insurance/Prof%20Srv%20Child%20Disable.asp](http://risk.az.gov/agency_information/insurance/Prof%20Srv%20Child%20Disable.asp)



# Supporting Documentation

- Advertising
  - Copy of advertisement and invoice
- Dues, Memberships, Subscriptions
  - Invoice/Receipt
  - Institutional/Professional Memberships
  - CACFP related



# Supporting Documentation

- Travel
  - Mileage logs
  - Receipts/Invoices
    - Leased/owned vehicles
    - Hotels
    - Airfare
    - Registration Fees
    - Shuttles/Taxis/etc.
    - Out of State if CACFP related



# Supporting Documentation

- Training Supplies
  - Actual Receipts/invoices
  - Receipt for rental of training facility and hiring of guest speakers, if applicable
- New in FY 11: ADE will no longer be accepting balance sheets.
  - Submit last three (3) months of bank statements
    - Gives ADE better picture of financial viability



**Renewal Application  
Due Date:  
September 1, 2010**

**\*Specialist reassignments will be made at that time**