The United States Department of Agriculture (USDA) has issued the following guidance in response to questions concerning when the Special Nutrition Programs (SNP) can require a contractor to devote a specific amount or percentage of the contractor’s CACFP funds to pay for food or other costs. The SNP will apply this guidance in conducting its budget approval process and administrative reviews beginning with CACFP Program Year 2004 (October 1, 2003).

**Issue No. 1**

A sponsoring organization now has a “cap” or 15 percent limitation on how much of its CACFP reimbursement the sponsor can budget for allowable administrative costs. Can the SNP require the sponsor to budget a specific percentage of the CACFP reimbursement for food?

Response:

Generally no. However, there are three exceptions:

- If the SNP determines that the lack of adequate food expenditures are the cause or a contributing factor in a center’s failure to meet meal pattern requirements, the SNP can require the sponsor to increase its food expenditures as part of the corrective action to remedy the meal pattern deficiencies.
- If the SNP determines that the center’s meals need improvement that can be accomplished by increasing food expenditures, the SNP can require the sponsor to increase its food expenditures.
- If SNP determines that a contractor (sponsor or independent center) continues to earn CACFP reimbursement in excess of its expenditures, the SNP can require the contractor to increase its expenditures for food or other operational costs, such as acquiring food service equipment, to prevent an excess nonprofit food service account balance from developing.

**Issue No. 2**

Why must SNP first determine that inadequate food expenditures are a contributing factor to meal pattern deficiencies before requiring the contractor to devote more money to food expenditures?

Response:

Not all meal pattern deficiencies result from inadequate food expenditures. Examples of meal pattern deficiencies that are unrelated to food expenditures include:

"continued"

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This Policy Remains in Effect Until Further Notice
Improper crediting of foods
Incorrect serving sizes
Incorrectly computing the amount of a food item to purchase in order to provide the correct number of servings
Subdividing a meal into a series of smaller distinct meals in order to maximize food consumption
Untrained or poorly trained cooks and other food service staff

Issue No. 3

The SNP has determined that the contractor must increase its food expenditures. The contractor submits a budget amendment to reflect the increase as directed. How does SNP verify that a contractor has actually complied with the requirement to devote a specified amount or percent of CACFP funds on food expenditures?

Response:

SNP will continue to review a contractor’s actual food expenditures as part of its management and oversight of the contractor’s operation of the CACFP. SNP will also continue its current process for monitoring and assessing a contractor’s compliance with any required corrective action.

Issue No. 4

Can the SNP require a contractor to spend more CACFP funds on the food service equipment or conduct more nutrition education?

Response:

Yes. If SNP determines that improvements must be made to the contractor’s food service equipment or nutrition education activities, the SNP can require the contractor to designate more CACFP funds to pay for those improvements.

Issue No. 5

SNP determines that the contractor’s failure to hire qualified, competent staff is a contributing factor to a serious deficiency identified in the contractor’s operation of the CACFP. Can the SNP require the contractor to spend more CACFP reimbursement on labor to increase the competency of the contractor’s staff?

Response:

The SNP can require a contractor to take any action identified as appropriate to correct a serious deficiency in the contractor’s operation of the CACFP, including simply requiring a contractor to hire employees that meet certain competency levels without regard to any specific increase in level of expenditures.