To: Child and Adult Care Food Program-Adult Day Care (CACFP-ADC) Contractors  
Subject: Clarification on Administrative Reimbursement for Sponsoring Organizations 

Date: December 1, 2008  
Reference: # CACFP ADC 2009-04  

Effective Date: Immediately

Purpose  
CLARIFY and SUPPLEMENT the requirements contained in Policy Alert CACFP ADC 2006-23, Limitation on Administrative Reimbursement for Sponsoring Organizations. It has come to the attention of the Texas Department of Agriculture (TDA) that there are sponsors requiring the facilities they sponsor to purchase software programs and/or use software programs that have a monthly fee, in addition to withholding the 15% for administrative costs from their monthly reimbursement.

Procedure  
Form H1653, Permanent Agreement Between Sponsoring Organization and Adult Day Care Facility, prohibits the sponsor from charging the facility for CACFP services (see page 1, Rights and Responsibilities of the Sponsor, Number 5).

A sponsoring organization may only withhold an amount not to exceed 15% of the CACFP reimbursement paid for each center as a source of income for paying actual allowable administrative costs incurred in supporting the operation of the nonprofit food service in its sponsored centers. The sponsor must maintain documentation to support the percentage of CACFP reimbursement withheld.

A sponsor requiring a facility to use software or services the sponsor provides must include the cost of the software or services in the allowable percentage of administrative reimbursement the sponsor can withhold each month, and cannot charge a separate amount in addition to the allowable percentage, regardless of whether the software or services are paid for out of CACFP funds or Non-CACFP funds.

In addition, a sponsor requiring a facility to use software or services provided by another source must reduce the allowable percentage of administrative reimbursement they can withhold each month by the amount paid by the facility to that third party, regardless of whether the software or services are paid for out of the CACFP funds or Non-CACFP funds by the facility.

This Policy Remains in Effect Until Further Notice
**Procedure continued**

| Sponsors charging a facility for software or services, or requiring a facility to purchase software or services from another source, in addition to withholding administrative reimbursement, exceeding the amount agreed upon between the sponsor and facility on Form H1651, *Application Between Contracting Organization and Adult Day Care Center* (see page 2, Section IV, Budget, number 2), will be required to reimburse the facility and may be placed in the serious deficiency process. |

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**Contact**

If you have any questions please contact your Food and Nutrition Field Operations Office.