POLICY ALERT

Date: August 31, 2006
Reference: # CACFP CCC 2006-27
To: Child and Adult Care Food Program-Child Care Centers (CACFP-CCC) Contractors
Subject: Limitation on Administrative Reimbursement for Sponsoring Organizations
Effective Date: September 1, 2006

Purpose

This Policy Alert REPLACES Policy Alert CACFP-CCC 2002-6, Limitation on Administrative Reimbursement for Sponsoring Organizations.

Definitions

Affiliated – Part of the same legal entity as the sponsoring organization. For-profit organizations may only sponsor affiliated facilities.

Sponsoring Organization – A public or nonprofit private organization which is entirely responsible for the administration of the food program in:
(a) One or more day care homes;
(b) A child care center, outside-school-hours care center, at-risk afterschool snack program care center, or adult day care center which is a legally distinct entity from the sponsoring organization;
(c) Two or more child care centers, outside-school-hours care centers, at-risk afterschool snack program care centers, or adult day care centers; or
(d) Any combination of child care centers, adult day care centers, day care homes, outside-school-hours care centers and at-risk afterschool snack program care centers.

The term “Sponsoring Organization” also includes a for-profit center which is entirely responsible for administration of the Program in any combination of two or more child care centers, outside-school-hours care centers, at-risk afterschool snack program care centers or adult day care centers provided that the centers are part of the same legal entity as the Sponsoring Organization.

Unaffiliated – A legally distinct entity from the sponsoring organization. Only nonprofit organizations may sponsor unaffiliated facilities. A nonprofit organization may sponsor both affiliated and unaffiliated facilities simultaneously.

Procedure

A sponsoring organization may only withhold an amount not to exceed 15% of the CACFP reimbursement paid for each facility as a source of income for paying actual allowable administrative costs incurred in supporting the operation of the nonprofit food service in its sponsored facilities.

continued

This Policy Remains in Effect Until Further Notice
Procedure continued

Each claim month, sponsored child care facilities submit their food service participation information to the sponsoring organization who then consolidates the information and prepares Form H1532, Special Nutrition Programs Claim for Reimbursement, for submittal. Upon receiving the reimbursement for a claim month, sponsors must determine each facility’s individual reimbursement and deduct from each facility the amount the sponsor withholds for administrative costs in an amount not to exceed 15%.

Sponsors may not include the cash-in-lieu amount into their administrative costs (this change has been incorporated into the Form H4503, Sponsoring Organization Disbursement Record and Instructions), and sponsors must also have back-up documents to support the percentage of reimbursement withheld each month. The percentage withheld cannot exceed the actual amount spent for administrative costs associated with the individual center. Therefore the percentage withheld from each center may fluctuate each month – not to exceed the percentage agreed upon by the sponsor and center in Form H1538, Application Between Contracting Organization and Child Care Center. Sponsors must use the attached Form H4503 to prepare this information and to document their compliance with this requirement.

Sponsors must also use Form H4503 for any financial transaction in which the sponsor receives CACFP funds from the Texas Health and Human Services Commission (HHSC), including reimbursements related to advance payments, initial claim payments and amended claim payments.

Sponsors of Affiliated Facilities

A sponsor of affiliated facilities must only withhold an amount not to exceed 15% of each month’s total CACFP reimbursement for each facility to pay for actual allowable administrative costs. The sponsor must use the remaining amount of each month’s CACFP reimbursement to enhance the quality of the food service operation.

The sponsor must indicate on Form H4503 the total amount of the CACFP reimbursement it received for the corresponding claim month and the amount the sponsor withheld to apply to its actual allowable administrative costs. A sponsor of affiliated facilities only completes Section 2 of Form H4503.

Sponsors of Unaffiliated Facilities

A sponsor of unaffiliated facilities must only withhold an amount not to exceed 15% of each month’s total CACFP reimbursement for each facility to pay for actual allowable administrative costs. Sponsors of unaffiliated facilities must disburse reimbursements to its facilities within 5 days of receipt of payment from HHSC. A sponsor of unaffiliated facilities must complete all sections of Form H4503.

continued
**Procedure continued**

**Sponsors of Affiliated and Unaffiliated Facilities**

A sponsor of affiliated and unaffiliated facilities must only withhold an amount not to exceed 15% of each month’s total CACFP reimbursement for each facility to pay for actual allowable administrative costs. A sponsor of affiliated and unaffiliated facilities must:

a. Indicate in Section 2 of Form H4503 the total amount of the CACFP reimbursement it received for the corresponding claim month and the amount the sponsor withheld to apply to its actual allowable administrative costs for affiliated and unaffiliated facilities.
b. Complete Section 3, Items A - G, of Form H4503 for unaffiliated facilities only.
c. Disburse reimbursements to its unaffiliated facilities within 5 days of receipt of payment from HHSC.

**Administrative Cost Reimbursement:** The sponsor must apply the following criteria:

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<th>If the actual reimbursement paid for the claim month is...</th>
<th>Then the sponsor...</th>
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<tr>
<td>Lower than the amount needed to pay each facility their full reimbursement and withhold an amount not to exceed 15% for actual allowable administrative costs incurred</td>
<td>Must pay each facility their full reimbursement and withhold the lesser amount for administrative costs.</td>
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| More than the amount needed to pay each facility their full reimbursement and withhold an amount not to exceed 15% for actual allowable administrative costs incurred | May retain the additional funds to:  
  - Apply towards shortages (if any) in previous months reimbursement in which they were unable to retain their full administrative costs; or  
  - Disburse the overage equally among their facilities; or  
  - Keep the money until the end of the program year and disburse the funds to their facilities or apply toward shortages in administrative costs. |

The sponsor must have an internal accounting system in place to show how much and where the funds including overages, were applied and must ensure the funds are used to enhance and support the nonprofit food program.

**Adverse Action**

Failure to comply with the requirements in this Policy Alert may result in placement in the serious deficiency process. Refer to Policy Alert CACFP-CCC 2003-9, *Serious Deficiency Process for Participating Contractors*, for detailed information.

continued
Authority

Contact
If you have any questions please contact your Area Program Office.

ATTACHMENT