TO: Child and Adult Care Food Program-Child Care Centers (CACFP-CCC) Contractors

SUBJECT: Viability, Capability, and Accountability (VCA) Standards

REFERENCE: # CACFP CCC 2008-2

DATE: October 15, 2007

This Policy Alert REPLACES Policy Alert CACFP CCC 2005-13, Viability, Capability, and Accountability (VCA) Standards. This Policy Alert clarifies that:

• A balance sheet contains actual data as of a specific date.
• An income statement contains projected data for the program year in which you are applying.

The VCA standards were implemented to address the problem of new and renewing contractors approved for Program participation that had very little chance of success. The new, renewal or update application now requires a contractor to provide documentation of their viability, capability, and accountability. The State will conduct an evaluation of the VCA documentation, budget, management plan, and other information required to determine if the new or renewing contractors can successfully administer the Program.

Implementation

Immediately.

Definitions

• Financially Viable - (V): the new or renewing contracting organization has the financial resources to meet all of the Program’s requirements.

• Administratively Capable - (C): the new or renewing contracting organization has documented it has the staffing and expertise to meet all of the Program’s requirements.

• Accountable - (A): the new or renewing contracting organization has in place internal controls to assure that Program funds for meals and administrative expenses are properly spent.

This Policy Remains in Effect Until Further Notice
VCA Documentation Procedure

Standard 1 - Financial Viability
To demonstrate financial viability, the new or renewing contractor must document the following:

1. It has adequate financial resources to operate the CACFP on a daily basis and has adequate sources of funds to withstand temporary interruptions in Program payments and/or fiscal claims against it. The new or renewing contractor may demonstrate this by providing:
   - An audit, or
   - An audited financial statement, or
   - A current balance sheet and projected income statement for the Program Year (PY) for which you are applying. New or renewing contractors must show that current assets exceed current liabilities, or that there is cash on hand to pay for current costs. Current costs include short-term debts as well as regular operating expenses.

2. Costs funded from Program reimbursements are necessary, reasonable, and allowable. This is demonstrated through the budget section of the application.

3. Funds will be spent and accounted for in accordance with Program regulations and instructions. If an administrative review is available, findings resulting from inadequate documentation of how Program funds were spent will be a part of determining financial viability.

Standard 2 - Administrative Capability
To demonstrate administrative capability, the new or renewing contractor must document that appropriate and effective management practices are in effect to ensure that the Program operates in accordance with regulations.

1. Sponsoring organizations must provide a detailed accounting of the staff resources they will devote to monitoring facilities, and must also have written personnel policies and procedures in place.

2. Independent centers are required to have an adequate number and type of qualified staff to ensure the operation of the Program and have written management practices in place to ensure Program responsibilities are met.

If an administrative review is available, it will be one of the resources used to help the Area Program Office determine a new or renewing contractor’s administrative capability. Having a “proven track record” is important for a new or renewing contractor to demonstrate this standard.

continued
Standard 3 Program Accountability

To demonstrate Program Accountability, the new or renewing contractor must track and monitor its own actions in two areas:

- Program funds – ensure that Program dollars are being spent for the purpose of providing meals that meet Program requirements.
- Meal service – ensure the quality of the meal service, and their compliance with Program requirements.

Documentation must be submitted as part of the application that demonstrates:

1. A nonprofit organization’s governing board of directors provides adequate oversight of the Program.

2. A new or renewing contractor has a financial system with management controls specified in writing, that accounts for:
   - All Program funds and property received, held, and disbursed;
   - All Program expenses incurred;
   - All program claims are processed accurately and timely; and
   - System safeguards that control, prevent, and detect improper financial activities by employees.

3. A new or renewing contractor maintains appropriate records to document compliance with Program requirements including, but not limited to:
   - Budgets,
   - Accounting records,
   - Approved budget amendments,
   - Training plan, and
   - Monitoring plan.

4. A new or renewing contractor maintains documentation that demonstrates:
   - Meals meet the CACFP meal patterns,
   - Civil Rights requirements are met,
   - Records, as specified in the Program handbook are complete and maintained on file, and
   - Claims are submitted only for eligible meals.

Sponsoring Organizations

As a sponsor you assume final administrative and financial responsibility for all facilities you sponsor. Though it is not a program requirement that a sponsor determine a facility’s Viability, Capability and Accountability prior to applying for the program, it would be prudent for the sponsor to evaluate whether the facility is capable of meeting program requirements.
### Technical Assistance

Assistance in writing policies and procedures may be found through various resources on the Internet. One suggestion is *Guidelines for Developing Policies and Procedures* located at [http://www.united-church.ca/files/exploring/camping/writingpolicies.pdf](http://www.united-church.ca/files/exploring/camping/writingpolicies.pdf)

### Adverse Action

A new or renewing contractor’s application that can’t demonstrate it meets the VCA requirements will not be approved. If an application is denied, the new or renewing contractor has the right to appeal the decision.

### Authority

Child and Adult Care Food Program: Improving Management and Program Integrity Rules.

### Contact

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