POLICY ALERT

Date: July 30, 2002   Reference #: CACFP DCH 2002-09
To: Child and Adult Care Food Program-Day Care Homes (CACFP-DCH) Sponsors
Subject: Conflict of Interest
Effective: August 1, 2002

Financial Management Provisions - Notification #3

This Policy Alert revises CACFP-DCH Handbook Section 7100, CONFLICTS OF INTEREST

The revised FNS Instruction 796-2, Financial Management in the CACFP, allows you to claim costs for certain transactions when the relationship between the parties is fully disclosed. Organizations participating in the CACFP are required to disclose and identify related party transactions, less-than-arms-length transactions, ownership interest in equipment, supplies, vehicles and facilities, or disclose any other information that inhibits us from making an informed assessment of the allowability of a particular cost.

A less-than-arms-length transaction is one under which one party to the transaction is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to, those between divisions of an organization; organizations under common control through common officers, directors or members; and an organization and a director, trustee, officer, key employee of the institution or immediate family, either directly or through corporations, trusts or similar arrangements in which a controlling interest is held.

A related party transaction is a transaction between the institution and its parent corporation, corporate divisions, subsidiaries, an employee(s), officer(s), agent(s), of the institution or members of their immediate family either directly or indirectly through corporations, trusts or similar arrangements in which they hold a controlling interest, no matter how represented. All related party transactions are less-than-arms-length transactions.

To comply with these new disclosure policies transactions your DCH handbook Section 7100, CONFLICTS OF INTEREST, has been revised to read:

CONFLICTS OF INTEREST You can not allow a conflict of interest or potential conflicts of interest when procuring goods and services. You must establish and maintain a written code of standards of conduct. No officer, agent, consultant, contractor, volunteer, or other employee of your organization may engage in any activity which causes or could cause a conflict of interest in the operation of the CACFP, including but not limited to

- renting or leasing from a firm in which any officer, agent, consultant, or employee (or relative) has an interest and this related party transaction has not been fully disclosed;
- soliciting or accepting gratuities, favors, or anything of monetary value from contractors, potential contractors, providers or other subcontractors;
- participating as a provider while actively engaged in the day-to-day operations of your sponsorship (board members are not considered "actively" engaged in the day-to-day operations);
- soliciting donations or fees from providers; or
- asking providers to engage in any kind of business on your behalf.
Please ensure that any written policy on Conflicts of Interest that your organization maintains is updated accordingly.

If you have any concern or questions regarding the appropriateness of a procurement transaction, contact your Area Program Office for guidance prior to completing the transaction.