Purpose

This Policy Alert is to inform potential/renewing Sponsors that the Texas Health and Human Services Commission (HHSC) has revised the requirements for documenting financial viability, administrative capability and internal controls for accountability in the new and renewal application. These three standards are commonly referred to as the VCA.

Only potential/renewing Sponsors that satisfactorily document that they meet the criteria for all three standards, in addition to meeting the other requirements of their application, will be approved for participation in the CACFP.

Background

The VCA standards were implemented to address the problem of potential/renewing Sponsors approved for Program participation that had very little chance of success. The new and renewal application now requires a potential/renewing Sponsor 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 require to determine if the potential/renewing Sponsor can successfully administer the Program.

Implementation

Program Year 2006.

Definitions

- Financially viable - (V): the potential or renewing Sponsor has the financial resources to meet all of the Program’s requirements.

- Administratively capable - (C): the potential or renewing Sponsor has the staffing and expertise to meet all of the Program’s requirements.

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

continued

This Policy Remains in Effect Until Further Notice
Standard 1 - Financial Viability

To demonstrate financial viability, the potential/renewing Sponsor 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 potential/renewing Sponsor may demonstrate this by providing:
   - a comprehensive financial statement, or performance bond.
   - if you are unable to submit a comprehensive financial statement refer to Policy Alert CACFP DCH 2005-5, Performance Bond and Comprehensive Financial Statements, and CACFP DCH Handbook Section 2141, Performance Bond, concerning the specific requirements for providing a Comprehensive Financial Statement or submitting a Performance Bond.

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 cited 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 potential/renewing Sponsor must document that appropriate and effective management practices are in effect to ensure that the Program operates in accordance with regulations.

- 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.

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

continued
Standard 3 Program Accountability

Accountability refers to a potential/renewing Sponsor’s ability to track and monitor its own actions in two areas:

- Program funds, and
- Meal service.

Accountability means ensuring that Program dollars are being spent for the purpose of providing meals that meet Program requirements. It refers also to the ability to ensure the quality of the meal service, and its 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 potential/renewing Sponsor 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;
   - Accurately and timely claims processing; and
   - A system of safeguards and controls to prevent and detect improper financial activities by employees.

3. 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. 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.

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/camping/pdf/writingpolicies.pdf.
<table>
<thead>
<tr>
<th><strong>Adverse Action</strong></th>
<th>A potential or renewing Sponsor’s application that can’t demonstrate it meets the VCA requirements will not be approved. If an application is denied, the potential or renewing Sponsor has the right to appeal the decision.</th>
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</thead>
<tbody>
<tr>
<td><strong>Authority</strong></td>
<td>Child and Adult Care Food Program: Improving Management and Program Integrity Rules.</td>
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<tr>
<td><strong>Contact</strong></td>
<td>If you have any questions regarding this Policy Alert please contact your Area Program Office.</td>
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