

Section 4300

Counting, Claiming, and Reimbursement

Log of Section Updates

This table will reflect updates to the handbook implemented during the current Program Year. All substantive updates made since the last release will be highlighted in yellow within this section.

Date of Edit	Content/Purpose	Subsection(s)
March 2026	Consolidated content from all four previous handbooks.	General
	Reorganized, rewrote, and/or reformatted information throughout the section for clarity.	
	Updated FND-101 form to FND-135 form.	Throughout
	Content on calculating reimbursement for centers was moved from Section 3000 to this section (4321.1)	4321.1
	Added content related to administrative reimbursement for sponsors of day care home providers (also in Section 7000).	4322.2
	Added that sponsors submitting downward adjustments to claims after the submission deadline must also submit a written explanation for the circumstances that required the adjustment and why the submission occurred after the deadline.	4350
	Clarified that when sponsors notify sites of reimbursement received, it must include how claiming percentages based on participant eligibility were applied to the total meals claimed, if applicable.	4361
	Added guidance related to withholding actual operational expenses withheld from unaffiliated site reimbursement.	4361, 4361.2
	Content on returning food service payments was moved from Section 3000 to this section (4363)	4363

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4300

Counting, Claiming, and Reimbursement

Contracting entities (CEs) must ensure accurate meal counts and timely claim submission to ensure program compliance and adequate funding for food service operations. This section outlines the requirements for counting eligible meals and snacks, preparing claims for reimbursement, and managing the reimbursement process.

4310 Counting Meals and Snacks

Sites/providers must implement meal counting systems that accurately count reimbursable meals and snacks served to eligible participants.

For child care centers, adult day care centers, At-risk sites, emergency shelters, and outside-school-hours care centers, meal counts must be taken **at the point of service** (the exact time a participant receives a reimbursable meal).¹

NOTE: TDA recommends point-of-service counting for day care homes but does not require it.

A meal is reimbursable when a participant receives the correct quantities of all required components. Meal production records must demonstrate that the prepared amounts of each component meet the minimum requirements for the applicable meal pattern.

To be counted and claimed, meals and snacks must meet all meal planning, pattern, variation, and documentation requirements outlined in Section 4400 *Meal Service*. In addition, reimbursable meals and snacks must be:

- Served by site/provider that TDA has approved for participation in the CACFP.
- Served to eligible participants meeting CACFP age requirements for the applicable sub-program.
- Eaten at the site/provider location (i.e., congregate feeding).

EXCEPTION: At-risk centers may allow children to take one vegetable, fruit, or grain item off-site to eat later. This item must be from their own meal or a share table left by another child (see Section 4400 *Meal Service*).

- Procured by the CE or site.

EXCEPTION: Infant meals may be reimbursable if some components are provided by the parent/guardian (see Section 4400 *Meal Service*).

- Prepared by a TDA-approved source (self-prep or vended).
- Served at a time approved by TDA in the site application.

¹ If a site is serving children meals cafeteria style, a staff member must be stationed at the end of the serving line to count the meals as they are served. If a site serves meals family style, a staff member must count the meals when they are served.

4311 Meal Service Record

Every day, sites/providers must record meal counts using one of the following applicable forms (forms and instructions available on the CACFP Administration/Forms of SquareMeals.org):

- *Daily Meal Count and Attendance Record (H1535)* - for child care centers, adult day care centers, emergency shelters, and outside-school-hours care centers
- *Daily Meal Count, Attendance, and Meal Production Record (H1539)* – for day care home providers
- *Daily Meal Count and Attendance Record (H1535-AT)* – for At-Risk sites

Sites/providers must ensure all form items are completed in accordance with the instructions of applicable forms. Forms must capture the following general information:

- Date of food service
- Names of participants in attendance
- Participant ages (optional for adult day care participants)
- Meal counts, by meal type, for each participant
- Total participant meals, program staff meals, and non-program meals served

Sites/providers may use an alternate form or separate forms if the form(s) collect all information reflected on the applicable TDA forms. To avoid disallowances, sites/providers must retain all alternate documentation for review.

Sites/providers may complete meal count forms electronically if they:

- Complete the form(s) at the **point of service** (not applicable for day care home providers).
- Can securely capture the required site representative's signature and date of signature.
- Can print the form on demand to ensure compliance with the records availability requirements outlined in *Section 5000 Visits, Reviews, and Audits*.
 - **NOTE:** CEs and sites must have plans to address technical difficulties such as system failures.

Electronic completion at the point of service does not mean counting meals on paper and then disposing of the paper documentation once attendance and meal counts are entered into an electronic system. CEs and sites **must** maintain original documentation for the required retention period.

4312 Second Meals During One Meal Service

Every day, sites/providers must plan and prepare meals to serve *no more than one of each approved meal type* per participant per day.

If sites/providers must serve second meals for reason(s) outside of their control, they may claim the meal if:

- The CE or site/provider maintains/submits documentation to justify the second meal.
- TDA approves the justification for serving second meals and validates the reason(s) were beyond the CE or site/provider's control.
- The meals were served in the cafeteria, pre-plated, or unitized. Sites/providers may not claim second meals under any condition when the meals are served family style.
- The second meal complied with meal pattern requirements.
- The second meals were served to eligible program participants.

Meal production records, or other supplementary documentation, must demonstrate that second meals include adequate quantities of each prepared component.

EXAMPLE: Based on the number of participants eating breakfast, the cook prepared lunch for 100 participants. Inclement weather conditions caused 50 participants to leave before lunch. In this situation, weather (outside of the control of the site/provider) caused a fluctuation in attendance, resulting in *complete* second meals for the remaining 50 participants. If all the above requirements are met and TDA approves the submitted justification, the CE may claim those second meals served to the 50 participants remaining at the center.

CEs must email CACFP.BOps@TexasAgriculture.gov with all necessary information to receive approval from TDA before submitting their claim.

4313 Documenting Meals Served on Field Trips

Sites/providers may claim reimbursement for meals served during a field trip if the activity is directly related to the participant's care and if the meals meet the following requirements:

- Meet meal pattern requirements for the appropriate age group (see Section 4400 *Meal Service*)
- Served to eligible participants
- Meet all state and local health department standards

EXAMPLE: Proper temperatures for maintaining/holding food

- Are from the approved source(s) indicated in the site application (self-prep or vended)
 - If a food service management company (FSMC) supplies the meals, meals must meet the terms of the applicable *Invitation for Bid and Contract for Purchased Meals*.

Meals cannot be reimbursed if:

- Purchased from restaurants or "fast food" outlets unless the outlet can provide a Product Formulation Statement (PFS) from the food manufacturer, and the PFS' credibility can be verified by the site *before* serving the meals. The PFS must meet all requirements listed in the *Product Formulation Statements* of Section 4400.

- Served to participants in transit to the site/provider or their homes.

Sites/providers must meet the documentation requirements listed below for meals served on field trips:

- Maintain daily meal production records that include prepared amounts of food items.
- Document meal counts for meals served to eligible participants on the applicable *Daily Meal Count and Attendance Record* or acceptable alternative.
- Field trips must be documented in writing and include:
 - Trip date
 - Trip destination
 - Trip duration (departure and return times)
 - Meal types served on the field trip
 - A description of the meal service location
 - A description of the method used to ensure proper holding temperatures
 - A list of food(s) served on the field trip
 - A list of all field trip participants
 - A signed certification statement reading:
 - *"I certify that to the best of my knowledge, the information reported about this field trip is true and correct. I understand misrepresentation may result in prosecution under applicable state or federal statutes. I certify that meals were prepared, delivered, and served in accordance with all state and local health department standards."*

To document field trips, sites/providers may use the *Field Trip Food Service Documentation* sample form provided in Section 11000 *Resources* or an alternative form that records all required elements above.

CEs and sites/providers do not need prior approval from TDA to plan field trips. However, sponsor CEs may require their sites/providers to obtain the sponsor's approval for field trips *before* reimbursing off-site meals.

NOTE: Some field trips may include visiting a Summer Food Service Program (SFSP) site. If CACFP participants receive meals from an SFSP site, the CACFP site cannot claim reimbursement for those meals *nor* serve and claim the same meal type later in the day (e.g., a second lunch, when the SFSP site already served lunch).

4320 Determining Meal Reimbursement

The primary source of revenue for the site/provider is meal reimbursement for eligible meals served and claimed. A CE's claim is a participation report documenting the meals served at an independent center or at a sponsor's sites/providers. The money passed through to sites/providers based on these claims is used to reimburse them for costs associated with providing food service.

TDA reimburses meals based on USDA's annual reimbursement rates, reimbursable meal counts, and eligibility categories of participants and/or day care homes.

For child care centers, adult day cares, and day care homes that enroll participants, claims for reimbursement must include the eligibility categories of *all enrolled participants*, including those who:

- Will not be claimed.
- Do not attend the site full-time.
- Withdrew enrollment at any time during the claim month.

NOTE: Adult day cares cannot claim CACFP meals for individuals in residential institutions (e.g., nursing homes) who are in attendance at the center and should not list them in the enrollment mix

4321 Child Care Centers, Adult Day Cares, and Outside School Hours Care Centers

The maximum number of meals CEs and sites may claim per participant per day at traditional child care centers, adult day care centers, and outside school care hours centers is:

- Two meals and one snack *or*
- One meal and two snacks²

Each month, CEs must submit the claim for reimbursement to TDA in the online Claims system. CEs must separately report the total servings of each meal and/or snack type (e.g., breakfast, AM snack, lunch...) for the month.

Additionally, sponsors must also complete and retain each month the *Documentation of Meals Served* (H1540) found on the CACFP Administration/Forms page on SquareMeals.org.

CEs should maintain records of completed and submitted documentation with their Program files.

NOTE: For-profit centers/sites must not claim meals in any month in which they do not meet the enrollment criteria as detailed in Section 2000 of this handbook.

4321.1 Reimbursement to Center Sponsors

TDA will calculate the reimbursement due to each center using enrollment and meal count data submitted by the sponsor for each site and then send the total monthly reimbursement for all meals served at all sponsored sites to the sponsor.

² Two meals and one snack is the maximum number of meals that can be claimed per child per day by a single center. Therefore, if enrollees are receiving the maximum amount of CACFP meals during the day at the center, additional meals served on the same day to those same children in a separate At-risk program operated by the center cannot be claimed for reimbursement.

Meal reimbursement for each center is based on the number of meals served and the eligibility of the enrolled participants at the site. TDA establishes claiming percentages annually for each center based on the percentages of enrolled participants at each site qualified as free, reduced, or paid (see Section 4100 for more information on determining eligibility).

A claiming percentage is calculated by dividing the number of enrolled participants in each eligibility category (free, reduced, or paid) by the total number of enrolled participants at the site. Each month of the Program Year, the number of meals claimed for each meal type will be reimbursed according to the free, reduced, and paid claiming percentages as shown in the example below.

Example

1. TDA determines the **claiming percentage** for each eligibility category annually (free, reduced-price, paid) based on enrollment information provided by the sponsor.

EXAMPLE: A center has 100 enrolled participants. 20 are eligible for free meals, 60 for reduced-price meals, and 20 for paid meals. The claiming percentages would be:

- **Free:** $20 \div 100 = 20\%$ free
- **Reduced-Price:** $60 \div 100 = 60\%$ reduced-price
- **Paid:** $20 \div 100 = 20\%$ paid

2. TDA calculates the **number of meals to be reimbursed in each eligibility category**, using claiming percentages.

EXAMPLE: The center serves 1000 breakfasts, 1500 lunches, and 1600 snacks.

	Breakfast	Lunch	Snack
Free	$1000 \times .20 = 200$	$1500 \times .20 = 300$	$1600 \times .20 = 320$
Reduced-Price	$1000 \times .60 = 600$	$1500 \times .60 = 900$	$1600 \times .60 = 960$
Paid	$1000 \times .20 = 200$	$1500 \times .20 = 300$	$1600 \times .20 = 320$

3. Multiply:
 - a. The number of meals per category by current USDA reimbursement rates, **and**
 - b. Cash-in-lieu of commodities (i.e., USDA foods) rate by the number of lunches and, if applicable, suppers

EXAMPLE:

	Breakfast	Lunch	Snack
Free	200 x \$2.46 = \$492.00	300 x \$4.60 = \$1,380.00	320 x \$1.26 = \$403.20
Reduced-Price	600 x \$2.16 = \$1,296.00	900 x \$4.20 = \$3,780.00	960 x \$0.63 = \$604.80
Paid	200 x \$0.40 = \$80.00	300 x \$0.44 = \$132.00	320 x \$0.11 = \$35.20
Totals	\$1868.00	\$5,292.00	\$1,043.20
Cash-in-lieu of commodities		1500 x \$0.3050 = \$457.50	

4. **The estimated total reimbursement rate** is the sum of all values, including cash-in-lieu of commodities.

EXAMPLE:

$$\$1,868.00 \text{ (breakfasts)} + \$5,292.00 \text{ (lunches)} + \$1,043.20 \text{ (snacks)} + \$457.50 \text{ (CIL)} = \$8,660.70$$

4322 Day Care Home Providers

The maximum number of meals CEs and day care home providers may claim per child per day is:

- Two meals and one snack *or*
- One meal and two snacks

Reimbursement rates based on Tier category are published on SquareMeals annually here: <https://squaremeals.org/Programs/Child-and-Adult-Care-Food-Program/Reimbursement-Rates>.

For each meal served at a Tier I provider, TDA will reimburse all meals at the Tier I rate for the applicable meal type.

For meals served at Tier II providers, all meals are either reimbursed at the Tier II rate or based on the Tier determination of each enrolled child. Meals served to children classified as Tier II High are reimbursed at the Tier I rate for the applicable meal type, and meals served to children classified as Tier II Low will be reimbursed at the Tier II rate for the applicable meal type. Refer to Section 4200 for more information on how Tier classification is determined for providers and participants.

Each month, Tier II providers must submit to the CE the number and type of daily meals served to each enrolled child. The provider must provide the enrolled children's names, as only the sponsor will know the Tier determination for each enrolled child.

4322.1 Reimbursement to Day Care Home Sponsors

When submitting the claim for Tier II day care homes, CEs will report for each provider the number and types of meals as follows:

- Tier II High column: By meal type, meals served to children eligible for Tier I reimbursement
- Tier II Low column: By meal type...
 - Meals served to children ineligible for Tier I reimbursement
 - Meals served to children whose providers chose not to have the sponsor determine individual participant eligibility

TDA reimburses day care home sponsors based on actual meal counts, by type and Tier, for each provider as entered by the sponsor on its claim.

Each month, sponsors must complete and retain the *Documentation of Meals Served* (H1534) found on www.SquareMeals.org. Sponsors should maintain records of completed and submitted documentation with their Program files.

4322.2 Additional Administrative Reimbursement for Day Care Home Sponsors

In addition to meal reimbursements, sponsors of day care homes will receive administrative reimbursement for allowable expenses incurred while sponsoring their providers' CACFP activities. Sponsors must report all administrative expenses with the claim each month.

USDA determines administrative reimbursement by annually adjusting the following base administrative rates, applied per provider per month, outlined in 7 CFR 226 as follows:

- Initial 50 day care homes, \$42
- Next 150 day care homes, \$32
- Next 800 day care homes, \$25
- Additional day care homes, \$22

Annual adjusted rates for each range listed above can be found on the SquareMeals CACFP Reimbursement Rates page located at: <https://squaremeals.org/Programs/Child-and-Adult-Care-Food-Program/Reimbursement-Rates>.

For more information on administrative reimbursement for day care homes and carry-over requirements, see Section 7000, *Financial Management*.

4323 At-Risk Sites

TDA reimburses CEs for all meals served at At-risk sites at the **free rate** designated for each allowable meal type. The maximum number of meals CEs and sites may claim per child per day is:

- One meal and one snack *or*
- Two snacks, with TDA approval

At-risk sites may claim reimbursement for:

- Children 18 years old or younger
- Children who turn 19 years old during the school year
- Children with disabilities, regardless of age
- Suppers and snacks served to children on school days, weekends, and school holidays during the school year
- Breakfast **only** during school holidays or weekends during the school year
- Lunch **only** during school holidays or weekends during the school year
 - **EXCEPTION:** CEs and sites may claim reimbursement for lunches for children attending school for half the day (e.g., pre-kindergarten).

The maximum number of meals that can be claimed per child per day in CACFP is two meals and one snack. Therefore, if enrollees at a child care center also operating an At-risk site are receiving the maximum amount of CACFP meals during the day at the center, additional meals served on the same day to those same children in the At-risk program cannot be claimed for reimbursement.

NOTE: A school participating in the National School Lunch Program (NSLP) and School Breakfast Program (SBP) can claim lunch and breakfast under those programs in addition to the At-risk meals and snacks as outlined above. However, a school participating in both the NSLP Afterschool Care Program (ASCP) and CACFP At-risk can only claim a supper meal in CACFP if already providing a snack via ASCP.

Each month, CEs must submit the claims for reimbursement to TDA in the online Claims system. CEs must separately report the total servings of each meal and/or snack type for the month.

Each month, sponsor CEs must also complete and retain the *Documentation of Meals Served* (H1540-AT) found on www.SquareMeals.org.

Sponsors and sites should maintain records of completed and submitted documentation with their Program files.

4324 Emergency Shelters

TDA reimburses CEs for all meals served at emergency shelters at the free rate designated for each allowable meal type. Allowable participants include children through age 18 years, and children with disabilities without regard to age. The maximum number of meals CEs and sites may claim per participant per day at emergency shelters is:

- Three meals; or
- Two meals and one snack

Each month, CEs must submit the claim for reimbursement to TDA in the online Claims system. CEs must separately report the total servings of each meal and/or snack type (e.g., breakfast, AM snack, lunch...) for the month.

Additionally, sponsors must also complete and retain each month the *Documentation of Meals Served* (H1540) found on the CACFP Administration/Forms page on SquareMeals.org. CEs should maintain records of completed and submitted documentation with their Program files.

4330 Submitting Claims to TDA

CEs and sites/providers should ensure they submit (i.e., file) claims by the submittal deadline and according to the guidelines detailed in this section.

Claims should be submitted in TDA's online Claims system. If a technological barrier prevents electronic submittal, please notify TDA immediately for instructions on submitting a paper claim form.

TDA will calculate reimbursement for each site/provider based on the federal reimbursement rates, site/provider type, eligibility of the participants, provider eligibility, and number of meals submitted for claim. TDA may take up to 45 days to process valid claims.

4331 Accessing TX-UNPS for Claim Submission

To process a CE's claims, TDA must have an approved **Security Authority for User Access Manager (FND-135)** for the CE staff member submitting claims via TX-UNPS.

Each authorized representative will receive an email with a user ID and temporary password. Once logged in, the user will be prompted to change the password.

Additional information about TX-UNPS can be found here:

<https://txunps1.texasagriculture.gov/txunps/Splash.aspx>.

NOTE: Purchasing a computer and Internet Service Provider (ISP) support in order to access TX-UNPS or operate any aspect of the Program is an allowable cost. However, if a CE or site uses the automation equipment and ISP for any activity other than operating their nonprofit food service, the CE or site must prorate the cost. Only the portion used for operating the CE's nonprofit food service is allowable. Refer to Section 7000 for more information on allowable and unallowable costs.

4332 Confirming Submitted Claims

A confirmation number will appear if a CE successfully submits a claim, and the claim status will be "accepted." CEs should reference this confirmation number when calling to confirm or ask questions about the claim.

TDA office hours are 8:00 a.m. to 5:00 p.m. Central Standard Time (CST).

4333 Deadline for Submittal

Claims must be received no later than the 60th day after the last day of the claim month.³

³ See *Late Claims* below for more information on claims submitted after the 60th day.

- If the 60th day is on a weekend or a Federal holiday, the claim must be received no later than midnight on the following workday.
- If a CE receives advance payments, it should submit the claim *as early as possible* after the last day of the claim month to ensure timely payments.
- TDA recommends CEs designate a backup person to submit claims to reduce the risks of late claim submission and payment denials.

If TX-UNPS is unavailable on the last day of the filing deadline (i.e., “the system is down”):

- CEs may submit a paper claim via mail or personal delivery to the TDA office in the Stephen F. Austin Building in Austin.
- The claim must be **postmarked** or received by TDA before the close of business on the 60th day, or it will be considered a late claim.
- CEs must attach a cover letter explaining why they could not submit their claim electronically via TX-UNPS.

If a CE waits until the 60th day to submit a claim electronically but is unable to do so due to any problem **other than** the TX-UNPS system being down (e.g., lack of internet connection at their program site), the CE must:

- Access TX-UNPS from a different site and submit the claim before the deadline, or
- Submit a paper claim as a late claim (see *Late Claims*).

4334 Inaccurate Claims

When submitting a claim for reimbursement, CEs must certify that the claim is accurate and is supported by documentation that they have maintained. CEs submitting an inaccurate claim will be required to submit corrective action and may be required to repay funds.

Inaccurate claims include:

- Overclaiming:
 - Claiming more meals than the number served
 - Claiming meals that did not meet meal pattern requirements
 - Claiming meals for ineligible participants
- Under claiming:
 - Claiming fewer meals than the number served

4340 Late Claims

TDA will deny late claims payments unless the CE requests a one-time exception or the claim is eligible for a good cause exception. A claim is late if it is postmarked or received electronically after the 60th day following the last day of the claim month and will be processed as described in this section.

4341 One-Time Exception

TDA may grant CEs a one-time exception payment provision for one claim month, at the CE's request, within 36 months for each USDA Child Nutrition Program (CNP)⁴ in which the CE participates.

EXAMPLE: If TDA grants a CE a one-time exception for a late CACFP claim submission, they may still be given a one-time exception for a late claim submission for another program, such as the Summer Food Service Program.

If TDA has...	The CE may ...
Not granted the CE a one-time exception in the past 36 months,	<ul style="list-style-type: none">• Request TDA to grant the one-time exception payment <i>or</i>• Choose to receive no payment for the late claim(s) <p>If the CE submits late claims for more than one month at once, then the CE may choose the claim month for which TDA grants the exception.</p>
Already granted the one-time exception within the past 36 months,	Request a good cause exception.

Note that submission of a late claim is considered program noncompliance; therefore, before approving a one-time exception, CEs must submit an approvable corrective action plan (CAP) that includes:

- Reason for submitting a late claim.
- Actions that will be taken to avoid the stated reason for late submission in the future.
- Actions that will be taken to avoid late submission generally.
- Signature of an authorized representative designated to act on the organization's behalf per the *Security Authority for User Access Manager (FND-135)*.

After a CE submits an approval CAP, TDA will determine whether they are eligible for the one-time exception payment provision.

4342 Good Cause Exception

TDA may grant exceptions as needed for late claims on a case-by-case basis if the CE can demonstrate that the noncompliance was due to circumstances outside its control (i.e., a good cause).

⁴ The CACFP is one Child Nutrition Program (CNP), regardless of whether the CE sponsors multiple site types (for example, child care centers and day care home providers).

If a CE requests a good cause exception and TDA approves the request, TDA will forward the request to USDA for final approval. If TDA denies the request, it will also deny payment of the late claim.

Examples of a good cause beyond a CE's control may include:

- A catastrophic incident such as a tornado, flood, or fire; or
- A life-threatening injury or illness to the person responsible for submitting the claim.

NOTE: TDA **will not** automatically grant a good cause exception because a CE justifies noncompliance was due to a reason outside of its control. The CE **must also** clearly demonstrate how that reason made it unreasonable or impossible to submit the claim within the 60-day window.

Examples of circumstances that TDA does not consider a good cause include:

- Personnel absence on the 60th day after the end of the claim month, for reasons other than life-threatening injury or illness
- TX-UNPS is down or inaccessible for electronic filing (see *Deadline for Submittal* above)
- Power or equipment malfunction at the CE's facility
- Failure to postmark mail by the deadline

4350 Adjusted Claims

CEs may need to submit an adjusted claim if they find an error in their records (their own or a sponsored site's/provider's) after submitting the claim or if an audit of the CE results in an overpayment finding or exception.

CEs may adjust submitted claims by following the instructions in the TX-UNPS user manual located at: <https://squaremeals.org/FandN-Resources/TX-UNPS-Program-Resources/TX-UNPS-Resources-and-Training>.

Sometimes, TDA will require adjusted claims due to disallowances during administrative reviews or claim validations. If this occurs, TDA will notify the CE in writing and provide appeal rights. See Section 8000 for more information on appeals.

Downward Adjustments:

- Downward adjustments result in CEs owing money to TDA.
- After the adjusted claim is processed, TDA will provide notice of overpayments (i.e., debts owed to TDA) that CEs must repay and instructions to do so. Normally, TDA will deduct the amount from the CE's following claim(s) until all funds are repaid.
- While downward adjustments can be submitted and processed at any time, even after the 60-day deadline, organizations submitting a downward adjustment after the deadline must provide a written explanation describing the events and circumstances that prevented compliance with claim submission requirements.

Upward Adjustments:

- Upward adjustments result in TDA owing money to the CE.
- TDA will include the amount in the CE's next reimbursement payment.
- If TDA receives an upward adjustment postmarked or delivered later than the 60th day after the last day of the adjusted claim month, CEs must submit a corrective action plan as described in *Late Claims* above.

4360 Disbursing Reimbursement to Sites/Providers

4361 Site/Center Reimbursement

Once a sponsor of centers receives its reimbursement from TDA, within five business days, it must:

- Calculate the total amount of reimbursement due to each site based on the number of meals served and, as applicable, the claiming percentages established based on the eligibility of enrolled participants (see *Reimbursement to Center Sponsors* above).
- Deduct the appropriate portion of the reimbursement for administrative expenses (see *Administrative Withholding* below).
- **Deduct any amounts for operational expenses (for example, food costs) paid for by the sponsor on behalf of the site (see *Sponsor Operational Costs* below).**
- Calculate the cash-in-lieu amounts to be added to each lunch claimed.

- Document reimbursement/withholding information for all sponsored sites in the *Sponsoring Organization Disbursement Record* (H4503) or alternative.

NOTE: Sponsors of affiliated sites that are not distributing money to sites are not required to fill out Section 3 of the H4503 form but must document the amount withheld for Administrative expenses in Section 2.

- Distribute the remaining reimbursement to each site.

Note that any advances must also be distributed within five business days (See Section 2000 for more information on advances).

Each month, along with the reimbursement, sponsors of unaffiliated sites must provide written documentation to each site/provider that details its monthly reimbursement. Documentation must include:

- Name of the site
- Total meals/snacks claimed, by type, by the site for the month
- Total meals/snacks disallowed, by type, including the reason(s) for the disallowances, for the month, if applicable
- Total meals/snacks submitted for reimbursement (minus disallowances, if applicable)
- Total reimbursement for meals/snacks claimed and submitted for reimbursement for the month (minus cash-in-lieu); **at sites that are reimbursed based on eligibility of enrollees (child care centers, adult day cares, and outside-school-hours care centers), the**

reimbursement amounts should reflect how claiming percentages based on participant eligibility were applied to the total meals claimed.

- Total cash-in-lieu for the month, if applicable
- Total withheld for allowable administrative expenses for the month
- Total reimbursement paid to the site for the claim month

The site-provided *Claim for Reimbursement Worksheet-Meals* (H4502) or alternative, the *Sponsoring Organization Disbursement Record* (H4503) or alternative, and the claim summary in the online Claims system can support sponsors in preparing this documentation for each site.

4361.1 Administrative Withholding

The Permanent Agreement prohibits sponsors from *charging* sites for CACFP administrative services. Instead, federal regulation allows sponsors of both unaffiliated and affiliated sites to withhold a portion of the site reimbursement to account for allowable and actual net administrative costs necessary to plan, organize, and manage the program (see Section 7000, *Financial Management*, for more information on allowable administrative expenses).

The amount a sponsor can withhold from a site's reimbursement each month must align with **actual, documented** administrative expenses, but **must not exceed 15% of the site's monthly meal reimbursement** unless approved for a higher percentage by TDA (see *Waiver of 15% Administrative Withholding* below).

The withholding percentage must be stipulated in the Permanent Agreement between sponsors and sites/providers and must align with the percentage written in their TDA-approved management plan. The amount withheld must never exceed the percentage stipulated in the Permanent Agreement and management plan, even if the percentage stipulated is less than 15%.

NOTE: The percentage withheld must be applied only to the actual meal reimbursement and not the total reimbursement that includes additional cash-in-lieu amounts. For example, a sponsor is withholding 12% of a site's reimbursement monthly for administrative expenses. It receives \$2,000 in total monthly reimbursement for the site, which includes \$150 cash-in-lieu. The sponsor must subtract that \$150 before applying an administrative withholding percentage. $(\$2000 - \$150) \times 12\% = \$222$ Administrative withholding.

Sponsors must maintain an internal accounting system and documentation of actual administrative expenses to support withheld reimbursements for each month. Note that administrative expenses paid less frequently than monthly must still be documented as monthly expenses (for example, if paying \$3,000 quarterly for an allowable administrative service, documentation must list \$1,000 spent monthly on that service).

If the sponsor ultimately does not expend the amount withheld on actual, allowable administrative expenses by the end of the Program Year, it must properly allocate and disburse the remaining funds back to the sponsored sites. If sponsors are routinely spending less than the amount withheld, they are expected to adjust agreed-to withholding amounts in their Permanent Agreements and management plan to better align with actual expenses.

Waiver of 15% Administrative Withholding

Sponsor CEs may request TDA approval to withhold a percentage of reimbursement *exceeding 15%* for allowable administrative costs if the CE:

- Does not have any outstanding debt to TDA.
- Is not currently in the serious deficiency process.
- Is in good standing with the Comptroller of Public Accounts.

To request a waiver, CEs must:

- Complete and submit the *Contracting Entity Request for Waiver of 15% Limit for Allowable Administrative Costs*.⁵
- Submit required documentation (listed on form) for review before approval.
- Revise the Contracting Entity Budget Detail screen in the online Application system.
- In the Application system, mark the Administrative Waiver Documentation Checklist item and indicate the date the waiver form was submitted. Select the red “Submit for Approval” button to transmit your request.

If TDA approves the waiver request:

- The approval is effective no earlier than two full months from the approval date.
EXAMPLE: If TDA approves a sponsor’s request on November 20, 2025, it could begin withholding the higher percentage in February 2026.
- Sponsors must obtain a signed *Acknowledgement By Sponsored Child Care Facility and Amendment #1* for the Agreement from each currently participating unaffiliated site and each new unaffiliated site with which they sign an agreement.

Unaffiliated sites under sponsor CEs who receive waiver approval have the following options:

- Execute the amendment and agree to allow the CE to retain more than 15%.
- Terminate its agreement with the CE and apply to participate directly with TDA.
- Request a “good cause” transfer from TDA to transfer to another CE during the current program year.
- Terminate its agreement with the sponsor and apply with another sponsor during the open enrollment period of June 1 through September 30.

Sponsors must notify current and potential unaffiliated sites of waiver approvals and explain the waiver’s impact on site reimbursements before signing agreements and amendments. If noncompliant, sponsors may face adverse action, serious deficiency process placement.

4361.2 Sponsor Operational Costs

Sponsors of unaffiliated centers **may** incur operating expenses on behalf of some or all of their sites. Such expenses must adhere to the following:

⁵ Available on the CACFP Administration/Forms page of SquareMeals.org:
<https://squaremeals.org/Programs/Child-and-Adult-Care-Food-Program/Administration-Forms>

- Must be documented in the Budget Detail as operational costs.
- Must be tracked and withheld separately from the reimbursement withheld for administrative expenses.
- Additional reimbursement withheld from the site must align with actual operational expenses, and the site must agree in writing to the actual expenses for which reimbursement was withheld.

Sponsors of affiliated sites typically account for operational costs incurred at the site level and, therefore, may not necessarily distribute reimbursements. Still, sponsors of affiliated sites must not withhold more than 15% of each month's CACFP reimbursement to pay for actual allowable administrative costs. After paying for actual administrative costs, sponsors of affiliated sites must use any remaining administrative reimbursement on operational costs to enhance the quality of the food service operation.

4362 Provider Reimbursement

Sponsors will reimburse all eligible meals claimed at a Tier I providers at the higher Tier I rate. For Tier II providers, if the provider has agreed to be reimbursed based on the eligibility of individual enrollees, the sponsor must calculate the provider's reimbursement based on one of the three following methods:

Actual meal counts:

- Sponsors reimburse providers for actual meals served by type and tier determination. In this case, providers submit to the sponsor the number and *type* of daily meals for each enrolled child. Enrolled children must be listed by name, as the sponsor will need this information to determine the reimbursement rate for the meal served.

Claiming percentages:

- Sponsors reimburse providers based on percentages of Tier II High and Tier II Low children.
- Claiming percentages are based on the percentages of Tier II High and Tier II Low meals served in the *first month* of a Tier II provider's CACFP participation. Providers will receive reimbursement based on those percentages over the next six months, at which time the claiming percentages must be recalculated. Claiming percentages must be recalculated every six months thereafter.

Blended rates:

- Sponsors reimburse providers at a single "blended rate" for each meal type that is based on percentages of Tier II High and Tier II Low children. The rate is calculated as follows:

$$\begin{aligned} & (\text{Percentage of Tier II High meals served} \times \text{Tier I reimbursement rate}) + \\ & (\text{Percentage of Tier II Low meals served} \times \text{Tier II reimbursement rate}) = \text{Blended} \\ & \text{Rate reimbursed for all meals of a specific meal type} \end{aligned}$$

- Percentages of income and non-income eligible children and blended rates for each meal type are calculated from the *first month* of a Tier II provider's CACFP participation. They are recalculated at least every 6 months thereafter.

When using claiming percentages or blended rates, these percentages can be recalculated more frequently than six months if the recalculation frequency applies to all sponsored providers and the policy is documented in written procedures. **Recalculations must not be implemented only when the claiming percentages will increase for providers.**

EXAMPLE: A written policy of recalculating percentages for every provider every three months is acceptable because the policy does not account for the negative or positive impacts on reimbursement. However, the sponsor cannot then abstain from recalculating every three months if the recalculation will have a largely negative impact on its providers. Similarly, if the written policy is to recalculate every three months, the sponsor cannot recalculate for some or all of its providers after two months because doing so will positively impact reimbursement for those providers.

Monthly, day care home sponsors must document the amount paid to each provider on the *Documentation of Meals Served* (H1534)

4363 Returning Food Service Payments

Sponsor CEs may receive food service payments from TDA that they cannot disburse. For example, sponsors may need to return overpayments if sites/providers have moved or closed, or if sites/providers fail to deposit checks before expiration.

To do so, CEs must submit a letter including:

- Fund amount being returned
- Name and ID of site/provider for whom funds were intended
- Reason the sponsor was unable to disburse funds
- Claim month and year in which the funds apply
- CE ID number

CEs must send this letter and funds (*not in cash*) to TDA at the address:

Texas Department of Agriculture
 Food and Nutrition
 Attn: Director for Business Operations
 P.O. Box 12847
 Austin, Texas 78711

CEs should retain a copy of the letter and supporting documentation for their records.