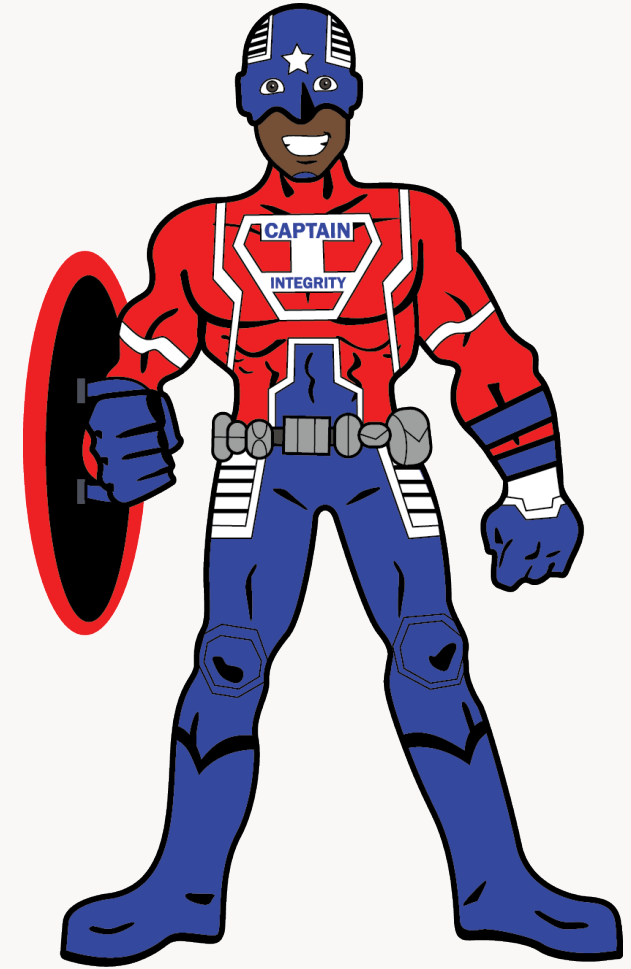


Program Integrity Initiatives in CACFP

David Dierksen
Manager for Policy



TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER





Acknowledgement Statement

You understand and acknowledge that:

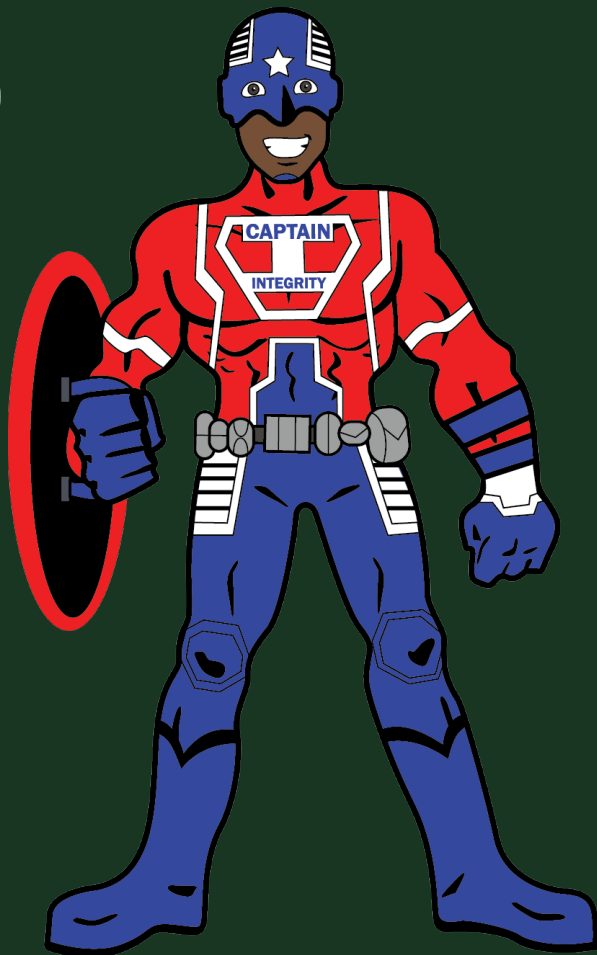
- The training you are about to take does not cover the entire scope of the program; and that
- You are responsible for knowing and understanding all handbooks, manuals, alerts, notices, and guidance, as well as any other forms of communication that provide further guidance, clarification, or instruction on operating the program.



Questions

Please:

- Save all questions until the end of the presentation.
- Keep questions related to the policy topics covered in this presentation.



Current Landscape (The “why”):

- Recent USDA Program Integrity initiatives and guidance
- Common non-compliances in Texas

Major TDA-initiated CACFP Program Integrity initiatives (The “what” and “when”):

- Consequences for failure to meet Performance Standards
- Updated Site/Provider Review Responsibilities
- Updated At-Risk Site Eligibility Requirements

Future Landscape

- Handbook and form updates
- Predictive release model
- Updated Training
- Operator feedback



The Current Landscape



Program Integrity Rule (August 23, 2023)

State agencies must:

- Annually conduct reviews of bank account activity for all sponsoring organizations
- Annually review actual expenditures and meal reimbursement funds retained from unaffiliated centers for administrative costs

Purpose: To uncover payments made for unallowable costs and further prevent the misuse of CACFP funds.

Implemented a 2-year review cycle for:

- Institutions that conduct activities other than those expressly related to the administration and delivery of CACFP.
- Institutions that had prior reviews that detected serious management problems.
- Institutions that are at risk of serious management problems.



Increased volume in guidance pertaining to Program Integrity

Secretary Rollins' Guiding Principles:

- Minimize fraud, waste, and abuse
- Protect participants and taxpayers

Letter to State Agencies: *Promoting Stronger Program Integrity and Oversight in the Child and Adult Care Food Program (CACFP)*

- Use the onboarding process to help prevent bad actors from participating in CACFP
- Monitoring, investigation, and corrective action are crucial for managing institutions.
- States must use the serious deficiency and suspension process as required.
- Carefully review reimbursement claims for signs of program abuse.

Online webinars:

- Serious Deficiency in the CACFP (January 8, 2026)
- Suspension Process in the CACFP (March 26, 2026)





CACFP in the News

- Dozens Charged in \$250 Million COVID Fraud Scheme (Minnesota)
- Nonprofit Exec Sentenced to 16 Years in Prison for the Largest Public Assistance Fraud in Missouri History

Program Integrity Issues in Texas at the Site Level:

- Failure to maintain a nonprofit food service
- Unallowable expenses
- Falsified documentation, including receipts/invoices
- Ghost sites!





Sponsors are a necessary extension of TDA's monitoring arm.



7 CFR 226.16(c):

Each sponsoring organization shall accept **final administrative and financial responsibility for food service operations in all facilities under its jurisdiction.**



TDA Program Integrity Initiatives





Failure to Meet Performance Standards





Ongoing Financial Viability

New and existing sponsors must have access to non-program funds in order to participate.

7 CFR 226.6(b)(1)(xviii)(A)(2)

A new institution must demonstrate that it has adequate financial resources to operate the CACFP on a daily basis, **has adequate sources of funds to continue to pay employees and suppliers during periods of temporary interruptions in Program payments and/or to pay debts when fiscal claims have been assessed against the institution.**



Ongoing Financial Viability

New sponsors must provide:

- Three years of comprehensive financial statements (or whatever they have if operating less than 3 years)
- 12 months of bank statements demonstrating business income and expenses on a monthly basis (loans and/or lines of credit are not assets)



Ongoing Financial Viability

Existing sponsors must:

- Continue to maintain a source of non-program funds to meet Performance Standards

For sponsors approved to operate before TDA implemented these standards:

- Organization will be placed in the Serious Deficiency (SD) process **if unallowable expenses are identified.**
- Acceptable corrective action includes repayment in full within 90 days of SD notification and establishment of a reliable source of non-Program funds.



Program Capability at Application

- Organizations in the SD process at time of renewal will be denied.
- Serious management problems or serious deficiencies in other Child Nutrition Programs will lead to denial of a new or renewal application based on failure of capability.

7 CFR 226.6(c)(2)(i)

If a renewing institution's application does not meet all of the requirements in [paragraph \(b\)](#)* of this section and in [§§ 226.15\(b\)](#) and [226.16\(b\)](#), the State agency must deny the application.

* Includes compliance with performance standards



Updated Sponsor Review Requirements





Sponsor Review Requirements

7 CFR 226.16(d)(4)(i)

Reviews must:

- Determine whether a facility has corrected problems noted on prior reviews (if any)
- Include a reconciliation of the facility's meal counts with enrollment and attendance records for a five-day period
- Assess the facility's compliance with Program requirements related to:
 - Program meal patterns
 - Licensing or approval
 - Attendance at annual training
 - Meal counts
 - Menu and meal record and the annual updating and content of enrollment forms (if the facility is required to have enrollment forms on file)

What's missing?



Regulatory Training Requirements for Sites/Providers

7 CFR 226.16(d)(2)

At a minimum, training must include instruction appropriate to the level of staff experience and duties on:

- Program meal patterns
- Meal counts
- Claims submission
- Review procedures
- Recordkeeping requirements
- Reimbursement system

What's missing?

Also missing...

- Serious Deficiency process for unaffiliated centers
- Specific parameters for At-risk enrichment.
- No explicit list of documentation required at the site level.





Required Documentation

7 CFR 226.15(e)

Each institution shall establish procedures to collect and maintain all program records required under this part, **as well as any records required by the State agency.**

7 CFR 226.17(c)

Each child care center shall comply with the recordkeeping requirements established in ... this section and, **if applicable, in § 226.15(e)**. Failure to maintain such records shall be grounds for the denial of reimbursement.

7 CFR 226.15(e)(13)

Documentation of nonprofit food service to ensure that all Program reimbursement funds are used:

- (i) Solely for the conduct of the food service operation; or
- (ii) to improve such food service operations, principally for the benefit of the enrolled participants.



Financial Reviews

From FNS Instruction 796-2:

While day care homes are exempt from maintaining a nonprofit food service, **sponsors of centers need to ensure their centers maintain a non-profit food service.**



Financial Reviews

In a perfect world –

- Allowable site expenses will always exceed reimbursement each month.
- Sites wouldn't falsify documentation or share receipts.



Financial Reviews

Review period:

- Test month = first month prior to the review that complete financial and claims data is available
- Expand test month if:
 - Reimbursements exceed expenses for the review period
 - Site is submitting unallowable expenses
 - Non-compliance or unusual activity



Financial Reviews

Review steps:

1. Obtain all expense documentation
2. Validate submitted expenses vs. reimbursement received
3. Expand the test month, if applicable.
4. Validate non-profit food service account and allowable transactions by looking at bank statements.



Financial Reviews

Why review bank statements?

- Ensures federal reimbursement is properly tracked and documented.
- For each allowable transaction, is there a corresponding debit or payment from the account where reimbursement is received
- Ensures that any excess reimbursement is accounted for.



Best Practices

- Train! Train! Train!
- Encourage a dedicated CACFP account.
 - Encourage only transactions that are applicable and allocable to the Program.
- If a commingled account is used, for cash expenses, encourage cash withdrawals dedicated only to Program expenses accompanied by a separate general ledger documenting how cash payments were applied to the Program.
- Pay attention to excess administrative expenses withheld will affect sites when redistributed.



Observed Attendance

If observed participation is less than 80% of the five-day average attendance **for that meal service**, monitors must request additional information, identify the source of discrepancy, and determine necessary corrective/adverse action.



At-Risk Site Eligibility





Enrichment Program Requirements

Sponsors must ensure BEFORE approval and at ONSITE reviews that enrichment program

- Has established hours (includes activities and meal service)
- Adult supervision
- Structured, scheduled activities
- Adequate space
- Meets all requirements for a legitimate At-risk program

Both the pre-approval and onsite review prototype forms have been updated.





Site Organization Eligibility

Effective Program Year 2027, all **unaffiliated** At-risk sites must meet the following criteria to be eligible for participation:

- Organization signing a permanent agreement with a sponsor **must** be legally affiliated with the business or organization located at the service site.
- Site organization must be accountable for food service **and** enrichment:
 - Site organization can procure a vendor to provide meals and/or enrichment but must have a contract/MOU with that vendor.
- Before approval, sponsor must provide TDA information about the enrichment program to ensure it is valid
- All other existing criteria remain in place (area eligibility, non-profit status)



Site Organization Eligibility

Examples:

- **Unallowable** – Non-profit signs a site agreement with a sponsor and operates a comprehensive At-risk program at a church, community center, or apartment complex with which they are not legally affiliated.
- **Allowable** – A church or community center representative signs a site agreement with a sponsor and signs separate contracts with a non-profit to come in and offer an enrichment program and a caterer to provide food.

IMPORTANT: Costs for procuring enrichment **must** come from non-Program funds unless the enrichment directly benefits the food service (for example, gardening club that grows food served in reimbursable meals).

- **Allowable** – A private non-profit signs a site agreement to operate an At-risk program at a building/space they are leasing.



Site Organization Eligibility

Options for current sites not meeting eligibility criteria:

- Site organization operating the At-risk program can apply to be a sponsor with TDA and operate an affiliated or unaffiliated site at that location.
- Business/organization at the location of service signs a Permanent Agreement with the sponsor and:
 - Contracts separately with the previous non-profit organization (or other organization) to operate the enrichment program and/or food service onsite (**costs for procuring enrichment must come from non-Program funds**), or
 - Establishes its own enrichment and/or food service programs.
- Business/organization at the location of service applies directly with TDA as an independent center.
- Sponsor operates an affiliated site at the location – all staff and food provided by the sponsoring organization.



At-risk Site Eligibility

- Sponsors of unaffiliated centers must submit a copy of the Permanent Agreement
- Affiliated sites must have MOU if not affiliated with location of service.

Signature



The Future Landscape



7 CFR 226.15(n)

Each institution must comply with all regulations, instructions, and handbooks issued by the State agency that are consistent with the provisions established in Program regulations.



The Future Landscape



- Handbooks and forms updated March 6
- Associated webinars coming soon!
 - Handbook Update Walk-through Webinar
 - Sponsor/Site Review Updated Guidance and Review Forms
 - Determining Eligibility and Notification to Parents
- Predictive release model
 - Annual handbook and updated training release
 - Interim guidance communicated as necessary throughout the Program year
 - Implementation runways (**October 1 implementation for latest update**).
- Establish mechanisms for providing feedback.

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The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

1. mail:
U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

2. fax:
(833) 256-1665 or (202) 690-7442; or

3. email:
program.intake@usda.gov

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