



Food and Nutrition

3E'S OF HEALTHY LIVING

Education, Exercise and Eating Right

Child Care

CACFP

Eligibility Requirements

Chapter 3

Eligibility Requirements for Contracting Entities

Types of Contracting Entities

There are four types of CEs:

1. Independent CE – manages the CACFP at one site;
2. Sponsoring CE of affiliated sites;
3. Sponsoring CE of unaffiliated sites; and
4. Sponsoring CE of both affiliated and unaffiliated sites

Sponsoring CEs manage the CACFP at:

- One or more day care homes;
- Two or more child care centers, Emergency Shelters, Outside School Hours Care Centers, At-Risk Afterschool Care Centers or adult day care centers which is legally part of the sponsoring's organization (affiliated site);
- A child care center, Emergency Shelter, Outside School Hours Care Center, At-Risk Afterschool Care Center, or adult day care center which is a legally distinct separate entity from the Sponsoring Organization (unaffiliated site); and
- Any combination of childcare centers, Emergency Shelters, adult day care centers, day care homes, Outside School Hours Care Centers, At-Risk Afterschool Care Centers (both affiliated and unaffiliated sites).

The term affiliated refers to sites that are all legally part of a Sponsoring CE. The sites are related.

The term unaffiliated refers to sites that are not legally part of the Sponsoring CE. The sites are not related.

The term "Sponsoring Organization" also includes a **for-profit** center that is entirely responsible for administration of the Program in any combination of two or more child care centers, Outside School Hours Care Centers, At-Risk Afterschool Care Centers, or adult day care centers provided that the centers are part of the same legal entity (i.e., affiliated) as the sponsoring organization.

Non-profit Organizations may sponsor centers that are not part of their legal entity (unaffiliated sites), including **both** non-profit centers and for-profit centers.

For-profit organizations are limited to sponsoring centers that are **only** part of their legal entity (affiliated sites).



Contracting Entity's Responsibility

As a CACFP CE you must assume all **final administrative and financial responsibility** for sites in which you operate the CACFP.

CEs Eligibility Requirements

Non – Profit CEs in the CACFP must be

- A public institution (i.e. federal, city, county, military) or
- A private, non-profit tax-exempt organization.

For – Profit CEs may participate in the CACFP if

- 25% of the enrolled children or 25% of the licensed capacity (whichever is less) are eligible for free or reduced price meals benefits or receive Title XX benefits according to the Child Care Workforce Services (CCS) of the Texas Workforce Commission (TWC).

Performance Bond-Sponsors Only

Non-governmental organizations with fewer than three year's successful administrative and financial history applying as a new **sponsoring organization**, must submit a performance bond with their application to ensure against misuse of federal funding. The bond must be obtained from an approved surety company listed in the most recent publication of the U.S. Treasury Department's Circular 570.

At-Risk Afterschool Care Centers

Organizations may be eligible to participate in the CACFP at-risk afterschool care center component of the CACFP and claim eligible snacks and/or meals served to children up through age 18 (or 19 if the child turns 19 during the school year).

Organizations that may be eligible include:

- For-profit child care centers who meet all other eligibility requirements for the CACFP CCC, including, but not limited to, having 25% of the enrolled children or 25% of their licensed capacity (whichever is less) eligible for free or reduced-price meals or receiving Title XX benefits; and
- Non-profit organizations that have tax-exempt status under 501(c)(3) of the Internal Revenue Code.

In addition, each organization that wants to participate in the at-risk afterschool care center component of the CACFP must:

- Be organized primarily to provide care for children after school or on weekends, holidays or school vacations during the regular school year;
- Provide children with regularly scheduled activities in an organized, structured, and supervised environment;
- Include educational or enrichment activities; and
- Be located in a geographic area served by a school in which 50 percent or more of the children enrolled are eligible for free or reduced-price meals. Determinations of area eligibility are valid for five years, and are not required to be re-determined annually, unless TDA or the sponsor (for sponsored sites) obtains information indicating the At-Risk Afterschool Care Center is no longer area eligible.
- **Note:** A list of elementary, middle and high schools in the State in which at least one-half of the children enrolled are certified eligible for free or reduced-price meals is available on the TDA website at www.snptexas.org, on the application page.

Organizations participating in the At-Risk Afterschool Care Center component of the CACFP are not required to conduct eligibility determinations or collect enrollment information for children participating in the At-Risk Afterschool program. At-Risk Afterschool Care Centers may claim up to one meal and one snack served to each eligible child per day. Centers claiming at-risk snacks and/or meals must maintain Form H1535-AT, Daily Meal Count and Attendance Record (At-Risk) or other documentation of attendance and meal counts on a daily basis.

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Eligible meals include breakfast, snack, lunch and supper. The following requirements apply:

- Breakfast meals may only be claimed during school holidays or weekends during the school year. Breakfast meal service may be no more than two hours in duration;
- Lunch meals may only be claimed during school holidays or weekends during the school year, **except that** lunch meals may be claimed for those children who only attend school half-day, such as pre-school. Lunch meal service may be no more than two hours in duration;
- Supper meals may be claimed while school is in session, during school holidays and weekends during the school year and must begin no earlier than the end of the normal school day. Supper meal service may be no more than two hours in duration;
- Snack service may be no more than one hour in duration and two hours must elapse between the beginning of a meal service and the beginning of a snack service; and
- Snack/meal counts must be taken at the point of service. The point of service is where you observe that a creditable snack/meal is served to a program participant.

Child Care Licensing Requirements

Each site (**for – profit and non – profit**) must have a current Texas Department of Family and Protective Services (DFPS) child care license, or if military or an Indian Reservation, certification of each center's compliance with alternate licensing standards. Copies of the license/certification are required at the time of application.

Additionally you must provide documentation of any changes in licensing status, i.e., selling a business, moving, closing or a change of ownership.

At-Risk Afterschool Care Centers, Outside School Hours Care Centers and Emergency Shelters may be exempt from licensing requirements.

The following conditions, as defined by DFPS regulations, determine whether an organization is exempt and if they must obtain a written exemption from DFPS:

- Sites operating for less than 2 hours per day, regardless of the number of days service is provided, are not subject to licensing regulation and do not require a written exemption from DFPS;
- Sites operating for more than 2 hours per day, but less than 3 days per week, are not subject to licensing regulation and do not require a written exemption from DFPS; and
- Sites operating more than 2 hours per day and 3 days per week or more, require a license or written exemption from DFPS.

NOTE: “Less than 2 hours” applies to the Normal Hours of Child Care Operations, as indicated on the site application and not the meal service duration.

Tax Exemption

As part of the CACFP application process **private, non-profit organizations** (and each of the nonprofit centers if a sponsor) must be tax-exempt under **501(c)(3)** of the Internal Revenue Code and just maintain the tax-exempt status. The 501(c)(3) must have the name and address of the organization applying for the CACFP. Non-profit CEs must provide proof of tax-exemption at the time they submit an application to participate in the CACFP.

NOTE: Sponsors must obtain, retain and make available the same information for each non-profit site they sponsor.

Viability, Capability and Accountability (VCA)

Applicants *must* demonstrate through their application that they are viable, administratively capable and have program accountability procedures to ensure proper and compliant administration of the program.

Viability:

- Documentation of financial viability based on the organization's financial records and the financial resources to meet all of the program requirements;
- Budget reflecting that reimbursement funds will be used only for program costs that are necessary, reasonable and allowable; and
- Funds are spent and accounted for in accordance with program regulations and instruction.

Capability:

- Written procedures of *staff resources* to be used for the *CACFP responsibilities* to include but not limited to skills and knowledge to perform a particular job; and
- Written standard operating procedures (SOP) for *personnel policies and procedures* to document expertise to meet program requirements.

Accountability:

- Written procedures to track and monitor actions in two areas:
 1. Accountability for funds; and
 2. Accountability for the meal service.
- Documented internal controls that assure program funds for meals and administrative expenses are properly spent.

Refer to the *CACFP Child Care Centers Program Handbook* for additional information and instructions on CE viability, capability and accountability standards.

Operational Requirements

As a CACFP CE you must:

- Prepare CACFP Child Care Center Application Documents;
- Submit monthly reimbursement claims. Sponsors submit site level claims from all their sites;
- Provide organized, non-residential child care (except for Emergency Shelters);
- Accept final administrative and financial responsibility for the program;
- Attend all required TDA training;
- Operate a non-profit food service;
- Personally manage CACFP operations, i.e., may not subcontract for the management of the CACFP operations;
- Provide adequate supervisory and operational personnel to effectively manage and monitor CACFP operations; and
- Restrict your employees from securing additional employment that interferes with their CACFP responsibilities and duties, e.g., scheduling or conflict of interest issues.

Subcontracting

A CE may subcontract any CACFP activities with the exception of:

- Management of monitoring;
- Corrective action; and
- Preparation of application materials.

CEs may NOT contract responsibility of the function; it is acceptable to contract for services in support of that function i.e., retain responsibility for the monitoring function however; the CE may contract for the performance of monitor reviews.

Financial Management



Non-profit Food Service

In order to participate in the CACFP, all organizations must operate a **non-profit food service** principally for the benefit of the enrolled participants, and maintain records documenting the operation of that food service.

An organization is not required to open a new bank account for the Non-Profit Food Service Account. However, keep separate records monthly that capture reimbursement income, expenses, CACFP credits and account balance.

Non-profit food service status is determined through deducting allowable net expenses from the food service revenue. Food Service Revenue includes:

- CACFP reimbursement;
- Income to the program which is earned from activities supported by food service; and
- All other funds used or restricted for use in the non-profit food service, such as Head Start funds and donations.

The non-profit food service account funds are restricted and can only be used for allowable non-profit food service costs.

In addition, *organizations that sponsor centers* must ensure that all centers under their sponsorship maintain a non-profit food service. This requirement applies to sponsors of affiliated centers (those centers that are of the same legal entity as the sponsor) and unaffiliated centers (those centers that are not part of the same legal entity as the sponsor.) A sponsor is only allowed to retain up to 15% of each site's portion of reimbursement each month for administrative costs. This percentage is to be used for allowable administrative costs incurred in supporting the operation of the non-profit food service in all the sites sponsored, i.e., monitoring and training. A sponsor must reimburse 100% of the cash-in-lieu monies to centers.

Any excess funds in the non-profit food service account must be retained and used in the non-profit food service. An organization must maintain no more than three (3) month's net cash resources (income minus expenditures) in the non-profit food service account. To spend the excess, CEs must have preapproved costs.

Costs

Allowable costs must be *reasonable and necessary* for the operation of a non-profit food service. Some allowable costs must be *prorated* in order to determine the appropriate program share to be charged to the non-profit food service account. Organizations are *required* to receive prior approval and *disclose and identify* related party transactions, less than arms-length transactions, ownership interests in equipment, supplies, vehicles and facilities or disclose any other information about a cost that would inhibit F&N from making an informed assessment about the allowable cost. In addition, *documentation* must be maintained on each cost approved in the budget. CEs must follow the guidance in FNS Instruction 796-2, Rev 3, Financial Management – Child and Adult Care Food Program, when preparing their budgets. These instructions are located on the TDA website at www.snptexas.org under Program Resources.

Organizations are responsible for:

- The accountability of costs through the consistent use of generally accepted accounting principals (GAAP); and
- Maintaining records to demonstrate that costs claimed as paid are allowable to the program and comply with financial management requirements.

Costs in the non-profit food service fall into two (2) categories:

1. Operating costs; and
2. Administrative costs.

Operating Costs

Allowable expenses used for serving meals to enrolled children in eligible centers. Examples include food; food service labor; nonfood supplies; and food service equipment.

Administrative Costs

Allowable expenses used for planning, organizing, and managing a non-profit food service. Examples include salaries; wages; and fringe benefits for staff that approve eligibility forms, prepare claim forms, maintain accounting records, provide training, and monitor sites.

Cost categories

Labor, food, facilities and space, supplies and equipment, purchased services, financial costs, media costs, organization costs, other costs, and unaffiliated center costs.

Budget

As part of the application/management plan, the organization will develop an *annual* budget. The organization will list all costs for operation and administrative costs for food service. They will also list the costs for the non-profit food service account. The restricted funds in the non-profit food service account are maintained separately in the organization's bookkeeping or accounting system. The budget will:

- Project the amount of revenue in the non-profit food service account; and
- Indicate the allowable cost items and projected expenses.

All budgets are pre-approved by F&N.

Time Distribution Reports

Employees who have part of their salaries charged to the non-profit food service account must complete *daily* time distribution reports in order to establish the portion of costs that may be claimed as food service labor. Those employees must complete the reports for their **entire** work day, not just time spent on CACFP functions.

Employees, for example the cook, who spend 100% of their time in food service labor, have a square to check for alternative certification. In this example, the time distribution report is completed once per month, not daily.

In completing your budget, only allocate or charge the non-profit food service the portion of the employee's salary relating to time spent on CACFP functions.



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Time distribution reports must be:

- Completed on a *daily* basis;
- Completed by all employees whose salary or a portion of their salary, is charged to the non-profit food service account and account for the total activity for which each employee is compensated not just the activity related to CACFP functions);
- Completed separately by each employee;
- The *actual* activity time of each employee (cannot be completed ahead of time); and
- In intervals of no less than 15 minutes.

A copy of the *Time Distribution Report* to document staff time is located on the next page and a copy is in the Resources section of your program handbook.

