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**CHILD AND ADULT CARE FOOD PROGRAM**

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**State Project/Program: CHILD AND ADULT CARE FOOD PROGRAM**

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**U. S. DEPARTMENT OF AGRICULTURE**

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**Federal Authorization:** Section 17 of the National School Lunch Act as amended by P.L. 94-105.

**State Authorization:** N/A  
**N. C. Department of Health and Human Services**  
**Division of Child and Family Well-Being**

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**Address Confirmation Letters To:**

SFY **2023** audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by mid-October at the following web address: <https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports>

At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2022-2023).” Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2021-2023)”

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

**Auditors may request documentation of monitoring visits by the State Agencies.**

This compliance supplement must be used in conjunction with the OMB 2023 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

## **CHILD AND ADULT CARE FOOD PROGRAM**

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### **I. PROGRAM OBJECTIVES**

The objective of the Child and Adult Care Food Program (CACFP) is to integrate nutritious food service with organized day care for enrolled children and certain functionally impaired and elderly adults. Under Section 17 of the National School Lunch Act, the Secretary of Agriculture is authorized to provide cash reimbursement and commodity assistance (or cash paid in lieu of donated food), on a per meal basis, for lunches and suppers served to children in licensed/approved nonresidential childcare centers and licensed/approved family day care homes (FDCH). A provision of the Older Americans Act Amendments of 1987, Public Law (PL) 100-175, amended Section 17 to also provide CACFP benefits to eligible adults in adult day care centers. The Federal Government, through the United States Department of Agriculture (USDA), funds the CACFP. Funds are provided through grants to initiate, maintain, and expand nonprofit food service programs for children or adult participants in nonresidential institutions that provide care.

### **II. PROGRAM PROCEDURES**

#### **General Overview**

The CACFP is administered by the U. S. Department of Agriculture's Food and Nutrition Service (FNS). FNS administers the program through grants to State agencies. The Department of Health and Human Services (DHHS), Division of Child and Family Well-Being manages the CACFP program in North Carolina. DHHS enters into agreements with local institutions for the operation of the program. At the local level, the CACFP is operated by an eligible public, private non-profit or private for-profit institution. Private for-profit child care institutions and centers can participate in the CACFP if, during the preceding calendar month of initial application or reapplication, twenty-five percent of the children in care (enrolled or licensed capacity, whichever is less) are eligible for free or reduced-price meals; or twenty-five percent of the children in care (enrolled or licensed capacity, whichever is less) receive benefits from title XX of the Social Security Act and the center received compensation from amounts granted to the States under title XX. Additionally, for-profit adult day care institutions and centers can participate if, during the preceding calendar month of initial application or reapplication, the center received compensation from amounts granted to the States under title XIX or title XX and twenty-five percent of the adults enrolled in care are beneficiaries of title XIX, title XX, or a combination of titles XIX and XX of the Social Security Act. These institutions can enter into an agreement with the State to assume administrative and financial responsibility for CACFP operations.

#### **Program Funding**

Federal assistance to institutions takes the form of cash reimbursement for meals served, and donated commodities or cash in lieu of commodities. An institution's entitlement to cash reimbursement is generally computed by multiplying the number of meals served, by category and type, by prescribed per-unit payment rates called "reimbursement rates." For meals served in centers, "category" refers to the economic need of the household of the child or adult to whom a meal is served; such meals are categorized as free, reduced-price, or paid. Meals served in day care homes are categorized by the tiering structure (Tier I or II) described under "Participant Eligibility and Program Benefits" below. To help alleviate the continued challenges that child care businesses are still facing related to the COVID-19 pandemic, temporary additional funding for each meal and supplement served is being offered. This temporary increase, which is slated to last through June 30, 2023, is being offered through the Keep Kids Fed Act of 2022. This law provides a temporary additional reimbursement in the amount of 10 cents for each meal and supplement (reflected in the rates listed below) and

## **CHILD AND ADULT CARE FOOD PROGRAM**

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authorizes all Tier II family or group day care homes to be considered a Tier I family or group day care home for that time period. This means that all Tier II homes will receive the Tier I reimbursement rate through June 30, 2023. "Type" refers to the kind of meal service for which the institution seeks reimbursement (breakfast, lunch/supper, and/or snack). Under this formula, an institution's entitlement to funding from the State agency is a function for the categories and types of services provided. An institution establishes its entitlement to reimbursement payments by submitting monthly claims for reimbursement to the State agency.

Independent centers, sponsoring organizations of centers, and sponsoring organizations of day care homes may be approved to claim reimbursement for up to two reimbursable meals (breakfast, lunch, or supper) and one snack, or two snacks and one meal, each day per participant. The specific types of meals for which an institution may claim reimbursement payments are stated in its application with the State agency. At-risk afterschool care centers may claim one snack and one meal per child per day. Emergency shelters can claim up to three meals per day.

### **Documentation Requirements**

An institution operating the CACFP must have procedures in place to collect and maintain the documentation required at 7 CFR §226.15(e). Examples of such documentation include: the institution's application and supporting documents submitted to the State agency; records of enrollment for each participant at centers (except for outside-school-hours care centers, emergency shelters, and at-risk afterschool care centers) and day care homes; records supporting the free and reduced-price eligibility determinations for children and adults enrolled in centers and for providers' own children in day care homes; daily records indicating the number of participants in attendance and the daily meal counts; daily records indicating the number of meals, by type served to adults performing labor necessary to the food service; copies of invoices, receipts, and other records required by the State agency; copies of claims for reimbursement submitted to the State agency; dates and amounts of disbursements to facilities from sponsoring organizations; copies of menus; copies of reviews and corrective actions required; training information; documentation of nonprofit operation of food service; and for sponsoring organizations, records documenting the attendance at training of each staff member with monitoring responsibilities and monitoring records.

### **Participant Eligibility and Required Meal Components**

#### **Eligible Population**

7 CFR §226.2 defines adults and children as the population eligible for the CACFP meal benefits.

#### **Determining Eligibility for Free and Reduced-Price Meals – Centers**

While an independent center or sponsoring organization of centers receives Federal cash reimbursement for all meals served in centers, it receives higher levels of reimbursement for meals served to children and adults who meet income eligibility criteria for free or reduced-price meals stated at 7 CFR §226.23. Income eligibility information is published at <http://www.fns.usda.gov/school-meals/income-eligibility-guidelines>.

#### **Determining Eligibility – Day Care Homes**

## CHILD AND ADULT CARE FOOD PROGRAM

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Day care homes can participate in the CACFP only through an eligible sponsoring organization. To be eligible to participate, the sponsoring organization must be a public agency or a private nonprofit organization. Requirements for sponsoring organizations are contained in 7 CFR §226.15-16.

Income requirements for children in day care homes are contained in 7 CFR §226.15 (f).

### **Required Meal Components**

In order to be claimed for reimbursement, meals must meet the meal pattern requirements in 7 CFR §226.20. Meal patterns were updated by the USDA as required through the Healthy Hunger-Free Kids Act of 2010, Public Law 111-296 to ensure that meals and snacks served include a greater variety of vegetables and fruit, more whole grains, and less added sugar and saturated fat. Centers and day care homes participating in the Child and Adult Care Food Program (CACFP) were required to comply with the updated meal standards by October 1, 2017. USDA granted a one-year transition period to allow CACFP Institutions and facilities to adjust to the updated requirements in the first year of implementation without having fiscal actions imposed or being found seriously deficient. In the second year, USDA allowed State agencies to extend the transition period an additional year. North Carolina has adopted this State agency option. Meals must meet USDA meal pattern requirements, which include five food components in specified amounts: fluid milk, vegetables, fruits, grains, and meat/meat alternates. All breakfasts served must contain fluid milk, a vegetable or fruit, and a grain product. A meat/meat alternate may be provided in place of a grain at breakfast up to three times per week. Lunches and suppers must contain fluid milk, a meat or meat alternate, a vegetable, a fruit or second vegetable, and a grain product. Snacks must contain at least two of the five food components. Adult day care programs may substitute yogurt in place of milk once per day. Juice may not be served more than once per day and must be 100% full strength fruit or vegetable juice. At least one whole grain-rich grain must be served over the course of the day. Ready-to-eat cereal must not exceed sugar limits of 6 grams of sugar per dry ounce; yogurt must not exceed sugar limits of 23 grams of total sugars per 6 ounces.

Foods served must be approved as creditable in the North Carolina CACFP as outlined in the *Crediting Handbook for the Child and Adult Care Food Program* and the *Food Buying Guide for Child Nutrition Programs*, available online and at the State office. The amounts required to be served are outlined in the CACFP Meal Patterns found on the Community Nutrition Services Section website <https://www.ncdhhs.gov/divisions/child-and-family-well-being/community-nutrition-services-section/child-and-adult-care-food-program-cacfp/meal-patterns-and-nutrition-resources> and at the State office. Meals that do not follow all of these requirements cannot be reimbursed.

The Healthy, Hunger-Free Kids Act of 2010, Public Law 111-296 included specific requirements for fluid milk and fluid milk substitutions in the CACFP. Milk served must be consistent with the most recent version of the Dietary Guidelines for Americans. The Dietary Guidelines for Americans, 2020-2025 recommend that persons over two years of age and older consume fat-free (skim) or low-fat (1%) milk. Therefore, fluid milk served in CACFP to participants two years of age and older must be fat-free or low-fat, fat-free or low-fat lactose-reduced milk, fat-free or low-fat lactose-free milk, fat-free or low-fat buttermilk, or fat-free or low-fat acidified milk. Milk served must be pasteurized fluid milk that meets State and local standards. Children ages 12 months to 23 months must be served whole milk. Flavored, fat-free milk may be served to participants 6 years of age and older.

## CHILD AND ADULT CARE FOOD PROGRAM

Participants who cannot consume fluid cow's milk due to medical or other special dietary needs may be served non-dairy beverages in lieu of cow's milk. Non-dairy beverages must be nutritionally equivalent to cow's milk and meet the nutritional standards for fortification of calcium, protein, vitamin A, vitamin D, and other nutrients to levels found in cow's milk, as outlined in the National School Lunch Program (NSLP) regulations at 7 CFR §210.10 (m)(3).

Parents or guardians may request in writing non-dairy milk substitutions, as described above, without providing a medical statement. The written statement must identify the medical or other special dietary need that restricts the diet of the child. Participants who have a ~~documented medical condition or disability~~ any physical or mental impairment which restricts the diet, and who submit a medical statement signed by a licensed medical provider, may be served non-dairy beverages that are not nutritionally equivalent to cow's milk. The CACFP meal pattern allows parents to provide one component of the meal, provided it meets meal pattern requirements.

Breastfeeding is encouraged in the Child and Adult Care Food program; the meal patterns allow programs to be reimbursed for infant meals when the mother breastfeeds her child onsite or for mothers who provide expressed human milk. The requirements related to milk or food substitutions for a participant who has a medical condition or disability who submits a medical statement signed by a licensed medical provider remain unchanged.

### III. COMPLIANCE REQUIREMENTS

Below on the matrix are the types of compliance requirements are applicable to the federal program, noted as "Y," as determined by the federal granting agency if the federal program is listed in Part 2 of the OMB 2023 Compliance Supplement. A State agency may have added a Type. If the program is not listed in Part 2, the State Agency has determined the applicable Types. If a Type, applicable by OMB, does not apply at the local level or if the State has modified the federal requirements at the local level, this should be explained in the supplement under the Type. A Type that is not applicable at the local level is noted by "N."

If a particular Type is noted as "Y," the auditor must determine if the Type has a direct and material effect on the federal program for the auditee. For each Type of compliance requirement, the auditor must use the OMB 2023 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y

## **CHILD AND ADULT CARE FOOD PROGRAM**

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### **A. Activities Allowed or Unallowed**

#### **1. REIMBURSEMENT FOR MEALS**

Four types of meal services are authorized in the program: breakfast, lunch, snack, and supper. The center's application specifies which of these meals the center will serve. Subject to the agreement, an institution may receive reimbursement payments for any two of the three principal meal services (breakfast, lunch, or supper) plus one snack, or two snacks and one principal meal service, for each participant in attendance each day of operation, if the participant received the meals. All meals that an institution reports to the State agency for reimbursement must (1) be approved by the State agency, (2) contain the food components prescribed by program regulations, (3) be supported by accurate meal counts and records, and (4) be served to eligible persons (7 CFR §226.2, §226.15(e), §226.20(a)).

#### **2. Reimbursement for Sponsoring Organization's Administrative Cost**

##### **a. Sponsoring Organization of Day Care Homes**

Sponsoring organizations of day care homes receive reimbursement for administrative costs of planning, organizing, and managing the food served under the CACFP (7 CFR §226.2).

Section 334 of The Healthy, Hunger-Free Kids Act of 2010 (the Act), Public Law 111-296, amends section 17(f)(3) of the Richard B. Russell National School Lunch Act (42 U.S.C. 1766(f)) to eliminate the "lesser of" cost and budget comparisons for calculating administrative payments to DCH sponsoring organizations. Instead, effective October 1, 2010, administrative reimbursements are determined only by multiplying the number of family and group day care homes submitting a claim for reimbursement during the month by the appropriate annually adjusted administrative reimbursement rate.

##### **b. Sponsoring Organizations of Centers**

There is no provision for sponsoring organization of centers to receive separate reimbursement for administrative cost. However, sponsoring organizations of centers may retain the lesser of actual costs or up to 15% of the center's meal reimbursement payment for administrative costs as authorized by its administering agency under 7 CFR §226.6(f)(1)(iv) when the center's annual budget is approved. The State agency has authority to reduce the amount of administrative cost retained by the sponsoring organization of centers. If a sponsoring organization wishes to retain more than the allowed 15%, a waiver must be submitted to and approved by FNS per 7 CFR §226.7(g).

#### **3. Use of Reimbursements**

The sponsor must operate a nonprofit food service. Reimbursements shall be used solely for the conduct of the food service operation or to improve such food service operations, principally for the benefit of the enrolled participants (7 CFR §226.15(e)(13)).

### **B. Allowable Costs/Cost Principles**

All grantees that expend State funds (including Federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

To be allowed, costs must meet the following criteria:

## **CHILD AND ADULT CARE FOOD PROGRAM**

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1. Cost must be a bona fide operating or administrative expense incurred in conducting the program. The costs may be reported on an accrual basis, cash basis, or a modified accrual basis of accounting; however, the institution's accounting system must treat all costs consistently.
2. The cost must be allowable, necessary, and reasonable for proper and efficient administration and operation of the program.
3. Cost must be authorized or not prohibited under State or local laws, or regulations.
4. Cost must conform to any limitation or exclusions set forth in Federal laws, or in the governing regulation of generally accepted accounting principles.
5. Costs are not assignable or included as a cost to any other Federal financed program in either the current or prior periods.
6. Costs are net of all applicable credits.
7. Costs are properly allocated.
8. Costs are adequately documented.

### **Allocation of Cost**

Some costs benefit both allowable and unallowable activities. These costs must be allocated so that only the portion of the cost related to allowable activities is assigned to the program. Allowable cost may require allocation between operating and administrative activities.

### **Operating and Administrative Cost**

Operating costs are allowable expenses incurred by an institution in serving meals to eligible participants. Specific examples of operating costs are food, food service labor, and non-food supplies.

Administrative costs are expenses incurred by the institution for planning, organizing, and managing a program. Examples of administrative cost are reviewing and approving free and reduced-price applications (income eligibility applications or IEAs), providing nutrition education to food service staff, and conducting CACFP monitoring visits to sponsored facilities.

### **C. Cash Management**

A sponsoring organization must disburse meal reimbursement payments to centers and day care homes under its sponsorship within five working days of their receipt from the State agency (7 CFR §226.16(g) and (h)).

### **E. Eligibility**

The Child and Adult Care Food Program (CACFP) is authorized at Section 17 of the National School Lunch Act (42 U.S.C. 1766), as amended. Program regulations are issued by the U.S. Department of Agriculture (USDA) and codified at 7 CFR §226. Organizations eligible to administer the CACFP are defined in 7 CFR §226.2. At the local level, an eligible institution that has entered into an agreement with the State Agency (SA) to assume administrative and financial responsibility for CACFP operations operates the CACFP. To be eligible for Federal reimbursement, meals must be served to enrolled children or adults, and must be supported by accurate meal counts and records indicating the number of meals served by category and type. Requirements for meal reimbursement payments are contained in 7 CFR §226.11 and §226.13.

## CHILD AND ADULT CARE FOOD PROGRAM

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Children and adults who may be eligible to receive meals under the program are identified in 7 CFR §226.2 as: (a) any person who has not reached his/her 13<sup>th</sup> birthday; (b) any dependent of a migrant worker who has not reached his/her 16<sup>th</sup> birthday; or (c) a person with a physical or mental disability (as defined by the State) of any age, who is enrolled in an eligible child care facility where the majority of persons are 18 years of age or under, (d) for at-risk afterschool centers, a child who has not reached his/her 19<sup>th</sup> birthday or became 19 years of age during the current school year. In addition to children, the CACFP serves adults enrolled in eligible adult day care institutions: (a) adults 60 years of age or older, and (b) functionally impaired adults over 18 years of age.

Public and private nonprofit organizations, which are licensed or approved to provide nonresidential day care services, are eligible to receive CACFP benefits. Private nonprofit organizations must have tax-exempt status under the Internal Revenue Code of 1986 (Internal Revenue Code Section 501(c)(3)): The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

Private for-profit, nonresidential day care institutions, which receive compensation under Title XIX or Title XX of the Social Security Act, may also qualify to participate in CACFP. To be eligible for the program, for-profit adult day care centers are eligible if, during the preceding calendar month of initial application or reapplication, the center received compensation from amounts granted to the States under title XIX or title XX and twenty-five percent of the adults enrolled in care are beneficiaries of title XIX, title XX, or a combination of titles XIX and XX of the Social Security Act. For-profit child care centers are eligible if, during the preceding calendar month of initial application or reapplication, twenty-five percent of the children in care (enrolled or licensed capacity, whichever is less) are eligible for free or reduced-price meals; or twenty-five percent of the children in care (enrolled or licensed capacity, whichever is less) receive benefits from title XX of the Social Security Act and the center received compensation from amounts granted to the States under title XX.

The State agency may disburse program funds only to public and nonprofit private child care and adult care centers and day care home sponsors, and to proprietary Title XX child care centers and proprietary Title XIX adult day care centers. The State agency must make the program available to any such institution that applies and meets program criteria (7 CFR §226.2, §226.4, §226.6, §226.15-19).

To qualify a person for meals served free or at reduced price under the program, the person's family must submit an income eligibility application to the institution. The application must be reviewed, appropriately classified, and maintained on file. The application establishes that the person's family income and family size place him/her within income eligibility standards issued by the State agency in accordance with guidelines published by FNS. In family day care homes, the provisions of 7 CFR §226 with respect to Tier I and Tier II classifications must be followed.

### F. Equipment and Real Property Management

Equipment purchased with program funds must be accounted for in accordance with the equipment management requirements at 2 CFR 200 (Property).



## **CHILD AND ADULT CARE FOOD PROGRAM**

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### **H. Period of Performance**

The grant-funding period for the CACFP is October 1 through September 30. Funds are made available to Institutions for expenses incurred and obligated for this period only.

### **I. Procurement and Suspension and Debarment**

Institutions that procure food from a food service management company (FSMC) or commercial vendor should be aware and adhere to the procurement provisions governing the Child and Adult Care Food Program in regulation 2 CFR 200 (Procurement Standards) All procurements exceeding \$250,000 must be formally advertised for a contract. This procurement also includes an Invitation to Bid from a minimum of three (3) suppliers. The Invitation to Bid must specify the exact purpose of the contract. Institutions are also subject to local laws that may require formal procurement on purchases under \$250,000. The auditor should determine if there are local requirements that are below the Federal threshold.

Non-federal entities are subject to the non-procurement debarments and suspension regulations, restricting awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from ineligible for participation in Federal assistance programs or activities (2 CFR 200.313). The auditor should determine if subawards, contracts, etc. were provided during a time of debarment and suspension.

### **L. Reporting**

Subrecipients are required to accurately report cash receipts and disbursements to the State and to submit a monthly claim for reimbursement.

### **M. Subrecipient Monitoring**

One third of all CACFP institutions including sponsoring organizations are reviewed annually by DHHS Child and Adult Care Food Program staff. Sponsoring organizations with more than 100 facilities must be reviewed at least once every two years. Sponsoring organizations of day care centers and family day care homes are responsible for the monitoring of facilities under their sponsorship. The auditor should follow the guidance found in 2 CFR 200 when reviewing the subrecipient monitoring.

A sponsoring organization of day care homes must document that, to perform monitoring, it will employ the equivalent of one full-time staff person for each 50 to 150 daycare homes it sponsors. A sponsoring organization of centers must document that, to perform monitoring, it will employ the equivalent of one full-time staff person for each 25 to 150 centers it sponsors.

Per 7 CFR §226.16(d)(4)(iii) Sponsoring organizations must review each sponsored facility three times each year, except when the averaging provision discussed in 7 CFR §226.16 (d)(4)(iv) is used. In addition:

- i. At least two of the three reviews must be unannounced;
- ii. At least one unannounced review must include observation of a meal service;
- iii. At least one review must be made during each new facility's first four weeks of Program operations; and
- iv. Not more than six months may elapse between reviews.

### **N. Special Tests and Provisions**

#### **1. Compliance Requirement**

Accurate and complete records must be maintained with respect to the receipt, distribution, and use of CACFP funds. Failure to maintain records and comply with

the applicable procedures as contained in 7 CFR §226.6(d) shall be considered prima facie evidence of improper use of funding.

### **Audit Objective**

THE OBJECTIVES OF THE AUDIT ARE: (1) TO DETERMINE THAT DOCUMENTATION ON FILE IS SUFFICIENT TO SUPPORT THE CLAIMS FOR REIMBURSEMENT, (2) TO DETERMINE THE INTEGRITY OF THE PROGRAM AND PARTICIPATION DATA REPORTED BY THE INSTITUTION ON WHICH CLAIMS FOR REIMBURSEMENT ARE BASED, AND (3) TO TEST IF THE INSTITUTION IS IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS.

### **SUGGESTED AUDIT PROCEDURES**

- Verify documentation to support claim reimbursements.
- Verify that program and participation data reported by the institution is accurate and based on valid documentation.
- Verify that institution is in licensing compliance with 7 CFR §226.6(d).

## **2. Compliance Requirements**

### **Conflict of Interest and Reporting Requirements**

All non-State entities (except those entities subject to the audit and other reporting requirements of the Local Government Commission) that receive, use, or expend State funds (including Federal funds passed through the NCDHHS) are subject to the financial reporting requirements of G. S. 143C-6-23 and 09 NCAC03M for fiscal years beginning on or after July 1, 2007. Audit Reporting Level 1: Each institution receiving at least \$1 but less than \$25,000 in State and/or Federal funds must submit the Audit Reporting Level 1 Report within 6 months of the institution's fiscal year end. The reports must be submitted to the [financialmanagementteam@dhhs.nc.gov](mailto:financialmanagementteam@dhhs.nc.gov). Audit Reporting Level 2: Each institution receiving greater than \$25,000 but less than \$500,000 in State and/or Federal funds should complete the Audit Reporting Level 2 Report within 6 months of the institution's fiscal year end. The reports must be submitted to [financialmanagementteam@dhhs.nc.gov](mailto:financialmanagementteam@dhhs.nc.gov). Audit Reporting Level 3: Each institution receiving \$500,000 or more in State and/or Federal funds must complete a single audit after the end of the fiscal year as required by law. The single audit report must be submitted within 9 months of the institution's fiscal year end. The Institution is required to submit a copy of their audit report to NCDHHS, Office of the Internal Auditor (OIA) Risk Mitigation and Audit Monitoring (RMAM) team via email at [NCGrantsReporting@dhhs.nc.gov](mailto:NCGrantsReporting@dhhs.nc.gov). Audits governed by Report Submission (2CFR200.512) must be posted to the Federal Audit Clearinghouse (FAC) (<https://harvester.census.gov/facweb/Default.aspx>) within 30 days of single audit completion. The Conflict of Interest will be accepted by a certification statement online. All private nonprofit sponsors who desire to participate in the North Carolina CACFP are required to submit the Conflict of Interest Statement online at the time of initial application, prior to execution of the permanent agreement. All non-State entities that provide State funding to a non-State entity (except any non-State entity subject to the audit and other reporting requirements of the Local Government Commission) must hold the sub-grantee accountable for the legal and appropriate expenditure of those State grant funds.

### **Certification of No Overdue Tax Debts**

Every grantee shall file with the State agency or department disbursing funds to the grantee a written statement completed by that grantee's board of directors or other governing body stating that the grantee does not have any overdue tax debts, as defined by G. S. 105-243.1, at the Federal, State, or local level. The written statement shall be made under oath and shall be filed before the disbursing State agency or department may disburse the grant funds. A person who makes a false statement in violation of this subsection is guilty of a criminal offense punishable as provided by G. S. 143C-10-1. This statement is provided to NCDHHS during the application process. Each year, the grantee certifies that the statement is still current. If the statement is not current, the grantee is required to submit a current statement.

### **Tax Exemption – Nonprofit Organizations**

All private nonprofit sponsors who desire to participate in the North Carolina CACFP are required to submit documentation of tax-exempt status under the Internal Revenue Code of 1986 to the State Agency and retain on file documentation of tax-exempt status.

### **Contractor Certifications Required by North Carolina Law**

Pursuant to G. S. 143-59.1(b), the sponsor must certify that they are not an "Ineligible Vendor" as set forth in G. S. 143-59.1(a). G. S. 143-59.1(a) identifies ineligible vendors as those who either have refused to collect the use tax levied under Article 5 of Chapter 105 of the General Statutes on its sales delivered to North Carolina when the sales met one or more of the conditions of G. S. 105-164.8(b); and/or has incorporated or reincorporated in a tax haven country as set forth in G. S. 143-59.1(c)(2) after December 31, 2001, when the United States is the principal market for the public trading of the stock of the corporation incorporated in the tax haven country.

### **Unique Entity Identifier (UEI)**

Congress passed the Federal Funding Accountability and Transparency Act (FFATA) in 2006 with the objective to promote open government by enhancing the Federal Government's accountability for its stewardship of public resources. Therefore, all institutions participating in the CACFP were required to obtain a Dun & Bradstreet Data Universal Numbering System (DUNS) number. In April 2022 agencies transitioned from use of the DUNS number to the Unique Entity Identifier (UEI). Child Nutrition Program Operators are required to have the UEI to receive payments from State agencies who administer the Child Nutrition programs on behalf of the Federal government. The transition from DUNS number to UEI numbers allows the government to streamline the entity identification and validation process, making it easier and less burdensome for entities to do business with the federal government. This UEI number must be obtained in order to do business with the NCDHHS under Federal assistance programs. No institution or sponsor can receive a subgrant from the NCDHHS unless that institution or sponsor has furnished a UEI number, and the NCDHHS is prohibited from awarding a sub grant to any institution or sponsor that has failed to furnish a UEI number (2 CFR Part 25, Appendix A, Section I.B.) Additionally, institutions or sponsors that have obtained a UEI must register annually in the System for Award Management (SAM).

### **Suggested Audit Procedures**

- Review the grantee's tax-exempt status documentation.

- Ascertain that the grantee has a written conflict of interest policy.
- Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds.
- Request copies of filed reports from [DHHS Office of Internal Audit](#).

### 3. **Compliance Requirements**

**Sponsoring Organization Administrative Funds:** These requirements apply only to sponsoring organizations of day care homes and/or day care centers.

- a. Sponsoring Organizations of Day Care Homes – Administrative cost reimbursement to sponsoring organizations of day care homes is paid based on the appropriate monthly rates per home, multiplied by the number of operating homes in each month. In addition, day care homes may carry over up to ten percent (10%) of their administrative reimbursement for the next year.
- b. Sponsoring Organizations of Centers – There is no provision for sponsoring organizations of centers to receive a separate reimbursement for administrative costs. However, sponsors may retain the lesser of actual costs or up to fifteen percent (15%) from a center's reimbursement for its administrative expenses. State agencies may waive this limit if conditions are met per 7 CFR §226.7 (g).

### **Suggested Audit Procedures**

- Ascertain Sponsoring organizations of Day Care Homes administrative cost reimbursement to sponsoring organizations of day care homes is paid based on the appropriate monthly rates per home, multiplied by the number of operating homes each month.
- Ascertain the Sponsoring Organizations of Centers approved administrative cost percentage.
  - Sponsors may retain the lesser of actual costs or up to 15% from a center's reimbursement for administrative expenses, unless an exception has been approved in writing by the State Agency.