



California
Department of
Health Services

SANDRA SHEWRY
Director

State of California—Health and Human Services Agency
Department of Health Services



ARNOLD SCHWARZENEGGER
Governor

May 3, 2007

ATTACHMENT #1

TO: *California Nutrition Network (Network)* Project Coordinators and Fiscal Representatives

SUBJECT: PROGRAM LETTER (PL) #07-05
FFY 2006 ADMINISTRATIVE REVIEW

The United States Department of Agriculture (USDA) issued a response to the plan of correction prepared by the California Department of Social Services (CDSS) and the California Department of Health Services (CDHS), Cancer Prevention and Nutrition Section (CPNS) regarding the June, 2006 Administrative Review. USDA found the State's response sufficient, aside from a few pending matters with individual *Network* Contractors. USDA has requested that CPNS again clarify some of the program review findings. These pertain to unallowable practices for methods of keeping time records, the use of Food Stamp Nutrition Education (FSNE) funds to purchase food, and the procedure to report changes in intervention sites that were not previously indicated in the USDA plan.

Please review the clarifications from USDA contained in this letter. Should any of the following practices be identified in future reviews, USDA has advised that payment will be withheld retroactive to the date of their letter clarifying policies, which was April 17, 2007.

1) Pre-filled time records

The use of pre-filled time records without an approved waiver is not allowed. Only approved methodologies such as weekly time logs or time study are allowed. USDA has cautioned that any future review finding of pre-filled time records will result in a disallowance of funding, retroactive to April 17, 2007. CPNS will provide technical assistance on proposed alternative methods for contractors wishing to pursue a waiver.

2) Time record methodology not approved in the USDA Plan

PL #06-03, dated August 8, 2006, explained the policy on time study methodology as follows: The use of alternative time study methodology requires prior USDA approval. Contractors should submit requests for alternative time study methodology to their assigned Contract Manager (CM) for processing during the annual Funding Application Packet (FAP) process. Requests for alternative time study methodology should include a justification as to why an alternative methodology is needed and how it will accurately reflect staff time for their particular project. Requests must be submitted in the annual State Plan to be reviewed and approved by

USDA. Again, USDA has indicated that any future review finding of alternative time methodology that was not submitted with the USDA Plan and approved by USDA will result in a disallowance of funding, retroactive to April 17, 2007. CMs are able to provide assistance with any questions as you prepare next year's FAP.

3) Use of Payroll Records

Weekly time and effort reporting is required for any staff paid through State and Federal Share Budgets. Signed semi-annual certificates are required for all staff dedicating 100 percent time to FSNE. Weekly time logs or approved time studies for all staff dedicating less than 100% to FSNE must be maintained to document claims for State reimbursement. Upon future USDA reviews, if the only documentation provided is payroll records, this will be deemed inadequate and will result in immediate disallowance of those expenditures, retroactive to April 17, 2007. The semi-annual certification documents can be found in the LIA Guidelines Manual on our website at <http://www.dhs.ca.gov/ps/cdic/cpns/network/FiscalGM.htm>.

4) Food Purchases

Food purchases in quantities suitable for meal service rather than nutrition education demonstrations are unallowable. The following are allowable FSNE expenditures for the purchase of food:

- Cost of food for recipe/taste testing purposes that promotes healthy food (especially fruits and vegetables). Cost of kitchen equipment and dishes necessary for food storage, preparation, and demonstration purposes.
- Equipment costs must be prorated to reflect the FSNE portion only if other programs or projects use the equipment.
- Cost for food samples associated with a nutrition education lesson.
- Staff time to prepare, transport, serve and clean-up food for demonstration and/or taste testing purposes.

The following are unallowable FSNE expenditures for the purchase of food:

- Food may be donated, but the actual cost may not be leveraged or claimed on any FSNE budget.
- Ongoing snack or food service.
- Meal size portions or complete meal service, including "training table meals". (Portion sizes must be limited to taste test sample sizes, and cannot be snacks, partial meals, or complete meal service).
- Cost of food provided as groceries or supplemental food.
- Distributing or providing meals or snacks to low-income participants for attending nutrition education classes.
- Snacks, meals, or food/fruit for decoration or display purposes
- Use of staff time to prepare or serve meals or develop food or produce displays.

5) Change in Intervention Sites

As per USDA, all contractors targeting FSNE eligibles at 185 percent of Federal Poverty Level (FPL) and receiving FSNE funding must submit targeting data for each intervention site as part of the annual Funding Application Packet (FAP). These policies were outlined in PL #06-03 of August 8, 2006. (Exception: Contractors working under the location-specific proxy criteria which include persons at food banks, food pantries, soup kitchens, public housing, and FSP/TANF job readiness programs). If contractor sites are added or locations changed from the original FAP submission, contractors are required to notify their *Network* Program Manager (PM) and provide new site targeting data. Any sites or locations for which required targeting data and data sources are not submitted in the annual USDA Plan or in subsequent plan amendments are ineligible to receive FSNE services and in future USDA reviews would result in a disallowance of funding for the contractor. Please see process below for submitting changes in intervention sites.

- Contact your CPNS PM in writing when requesting changes in intervention sites prior to starting at the new sites.
- Obtain appropriate income targeting information and add to the existing approved Project Summary, along with any other information e.g. demographics, narrative.
- Submit a revised Project Summary including the new date of submission to CPNS PM.
- CPNS PM will notify the contractor in writing of approval of new intervention sites.
- Contact your CPNS PM if the Scope of Work needs revision because of changes in intervention sites.
- Changes in intervention sites also must be noted in semi-annual, annual and final progress reports.

As per USDA, any future review finding of projects not adhering to these policies will result in disallowances of funding, retroactive to April 17, 2007. Please contact your assigned CM or PM if you have any questions regarding the above USDA clarifications. Please be assured that we are committed to working with you and with USDA to find ways of simplifying and streamlining the reporting requirements. Our common goal is to reduce administration and provide excellent FSNE services to California families.



Rosanne K. Stephenson, MPA
Cancer Prevention and Nutrition Section