



**United States
Department of
Agriculture**

Food and
Nutrition
Service

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DATE: March 5, 2009

SUBJECT: Fiscal Year (FY) 2009 Reallocation of State Administrative Expense (SAE) Funds

TO: Regional Directors
Special Nutrition Programs
All Regions

State Agencies	State Agencies
Child Nutrition Programs	Food Distribution Programs
All States	All States

This memorandum and attachments provide the information needed to conduct the FY 2009 reallocation of SAE funds. Reallocation is a formal process by which State agencies (SAs) can: (1) request additional SAE funds above their initial authorized funding level; or (2) return SAE funds they do not need.

This year's SAE Reallocation will be dedicated to funding Web Based Supply Chain Management (WBSCM) related proposals as submitted by State Agencies that receive SAE to assist in the administration of Food Distribution for Child Nutrition programs. FNS' intent this year is to utilize the full SAE reallocation towards WBSCM. Because States must implement WBSCM by the end of the year, we encourage them to be expeditious in submitting their requests. While we are not prohibiting SAs from submitting requests outside of WBSCM, we do not anticipate that funding will be available for such requests. State agencies should pay careful consideration to other funding options, i.e., the Administrative Review Grants to fund activities related to administrative reviews and the Direct Certification and Verification Grants to fund activities to implement direct certification and verification systems. Information technology projects that have an impact on CACFP audit review activities may be funded or receive further consideration under CACFP audit fund reallocation process.

We ask that all requesting agencies complete and submit Attachment C, the Compatibility and Deployment Fund Request document, in connection with their WBSCM related proposals, to their respective Regional Office in addition to the other documents that accompany reallocation requests (as explained in the accompanying guidance).

Regional Directors

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Attachments A and B provide a detailed description of the reallocation process. Attachment A discusses the major considerations and guidelines for conducting the reallocation of SAE funds. Attachment B describes the specific roles and responsibilities of the SAs, ROs, and headquarters in conducting reallocation of SAE funds.

SAs are asked to submit their WBSCM related requests for reallocation to their respective RO by **March 26, 2009**, to facilitate the reallocation process. Due to this year's focus on WBSCM related projects, ROs should submit WBSCM requests directly to FNS Headquarters upon receipt but no later than **March 27, 2009**. FNS Headquarters will be responsible for the review and prioritization of all WBSCM related SAE reallocation requests. For all non-WBSCM related requests, we ask that ROs review and make recommendations prior to forwarding. All non-WBSCM SAE reallocation requests are due to the ROs on **March 26, 2009**.

The SAE Funds Reallocation Report (FNS-525) form will be transmitted to each RO and may be returned to Food and Nutrition Service (FNS) Headquarters, Child Nutrition Division (CND) via e-mail. SAs should contact their RO with any questions. ROs should contact Lynn Rodgers-Kuperman at **Lynn.Rodgers@fns.usda.gov**.

Original Signed

CYNTHIA LONG

Director

Child Nutrition Division

Attachments

**MAJOR CONSIDERATIONS AND GUIDELINES FOR CONDUCTING
REALLOCATION OF SAE FUNDS**

- 1) The reallocation request should be based on the current planned use of State Administrative Expense (SAE) funds. The SAE Plan should reflect the planned use of SAE funds through the end of fiscal year (FY) 2009. The SAE Funds Reallocation Report (FNS-525) should reflect the current status of the SAE Plan, i.e., including all amendments to date.
- 2) Funds that an SA does not anticipate obligating by September 30, 2009, will be a factor in determining if an SA will receive reallocation funds. An SA must submit a description of how it intends to use these funds in FY 2010. In this description, the SA must show that all carryover funds are planned to be used for one-time only activities which are essential to the administration of the Child Nutrition Programs (CNPs) and the Food Distribution Program related to CNPs. The request for reallocation funds must be reduced by the amount of carryover funds that are not planned to be used for one-time only activities.

Any request indicating that an SA, by deferring obligation of part or all of its reallocation funds until the following fiscal year, will exceed the carryover limit will not be approved. Carryover will be limited to 20 percent of the initial FY 2009 SAE formula allocation for each SA. Funds received by an SA in addition to the initial allocation for FY 2009, including reallocation and transfer funds, do not increase the carryover limit. Only funds provided for program start-up costs are exempt from the carryover limit.

- 3) An SA must specify the fiscal year in which the SAE funds will be obligated. An amendment to the base year FY 1997 SAE Plan may be needed for reallocation funds that will be obligated by September 30, 2009, and/or an amendment may be needed for reallocation funds that will be obligated by September 30, 2010. Reallocation funds that will be obligated in FY 2010 should not be made available to an SA until the amendments to the SAE Plan, if applicable, are approved, and not before October 1, 2009.
- 4) The reallocation is intended to fund one-time only activities that are essential to the administration of the CNPs. It is not intended to sustain the routine operations of an SA. Under ordinary circumstances, an SA is expected to operate within its allocation level. Requests funded in successive years may indicate that an SA is not attempting to limit its SAE funding use to its SAE allocation level.
- 5) The approval of the reallocation request is approval of the project and approval of the expenditure of a specific amount of money on the project activities by the end of the grant period. For example, if reallocated funds are approved to develop training materials for the National School Lunch Program, the materials would have to be developed by the end of the grant period and the amount of funds reallocated for the training materials would have to be expended by the end of the grant period.

- 6) SAs should use reallocated and carryover funds on a first-in first-out (FIFO) basis; however, FNS will recover SAE funds from any SA that fails to expend the approved amount of the reallocation request on the approved project activities by the end of the grant period. For example, if other allowable SAE costs are incurred before the costs for the development of the training materials in the second year, the SA should use the carryover and reallocated funds to pay other allowable SAE costs which are incurred first, i.e., FIFO. However, if the training materials are not completed by the end of the grant period and the amount of SAE funds expended for the materials at the end of the grant period is less than the amount of reallocated funds received to develop the materials, the remainder will be recovered from the current year SAE funds. The recovery will be the difference between the amount of the reallocated funds approved minus the approved project expenditures. The amount of reallocated funds is tied to the specific purpose for which it was reallocated. It is important that the SAs specify the fiscal year in which the reallocated funds will be obligated and request only the amount of funds that will be expended by the end of the grant period.
- 7) Projects or activities that were started prior to the request for reallocated funds will not be funded. In addition, requests for reallocation for projects that have already obligated or expended funds will not be approved.
- 8) ROs should provide guidance to SAs on the proper reporting of obligations and expenditures on the SF-269. SAs are required to report costs in accordance with OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, and maintain financial managements systems, which include documentation to support information reported in accordance with 7 CFR Part 3016, Department of Agriculture Uniform Federal Assistance Regulations.

STATE AGENCY (SA) RESPONSIBILITIES
FOR CONDUCTING REALLOCATION OF SAE FUNDS

- 1) All SAs must complete and return a SAE Funds Reallocation Report (FNS-525) whether or not they are returning or requesting SAE funds. The RO may request that FNS-525's be submitted to them in hardcopy or electronically from the SAs.

- 2) An SA requesting SAE reallocation funds must:
 - request funds only if other funding sources are not available; highest priority will be given to fund WBSCM related requests;
 - request only funds that will be obligated and the amount of the request expended on the approved project by September 30, 2010;
 - submit only requests which are within the 20 percent carryover limitation;
 - submit only requests which, if not funded, would adversely affect the Child Nutrition Programs (CNPs) and the Food Distribution Program activities related to CNPs;
 - submit only requests which are for one-time only activities;
 - prorate requests that may include both CNP and non-CNP activities (e.g., Food Distribution Program) to include only the share of those funds that are for CNP related activities. Include a description of how the proration for the CNP's share was determined;
 - provide a justification statement for each funding request as described in the instructions to the FNS-525;
 - specify the fiscal year (FY) the requested funds will be obligated; and
 - assess its projected funding use for the current FY and make any necessary amendments to its base year FY 1997 SAE Plan to reflect the use of all funds it does not intend to carry over into FY 2010. Before a request for additional funds will be considered for approval, any anticipated carryover funds must be planned to be used for one-time only activities that are essential to the administration of the CNPs.

- 3) An SA returning funds should note the amount returned on the FNS-525, and amend its base year FY 1997 SAE Plan as necessary.

- 4) SAs should be assessing their accomplishments at midyear and evaluating the status of these accomplishments in relation to the SAE Plan activities to be achieved. This evaluation will allow the SA to determine if the SAE Plan is a reasonable projection of actual expenditures and, thus, accurately complete the FNS-525. As in the past, SAs that request additional funds at reallocation must conduct such an assessment and provide written documentation of this assessment as part of the required written justification to receive additional funds. All SAs, both those requesting reallocation and those that are not requesting such funds, must submit an FNS-525 no later than **March 26, 2009**.

REGIONAL OFFICE (RO) ROLES AND RESPONSIBILITIES
FOR CONDUCTING REALLOCATION OF SAE FUNDS

- 1) Each SA, including alternate agencies, responsible for administering the Food Distribution Program in schools, as well as the National School Lunch, School Breakfast, Special Milk, Child and Adult Care Food and Commodity School Programs should receive its own SAE Funds Reallocation Report (FNS-525).
- 2) Review with SAs any alternate funding sources, other than reallocation funds, available to meet their needs. Alternate sources may include transfer of excess SAE funds from one administering agency to another administering agency within the same State.
- 3) If recommending for approval a non-WBSC M related request, , please note the following:
 - If the activity is not funded, would it adversely affect an SA's ability to administer the Child Nutrition Programs (CNPs). ROs should assist the SAs in identifying essential requests. When determining if the need for additional reallocation funds is essential, consider how an SA plans to use all available funds including reallocation funds requested. Reallocation funds may only be approved if funds which an SA intends to carry over into fiscal year (FY) 2010 (carryover funds) are planned to be used for one-time only activities which are essential to the administration of the CNPs;
 - are for projects or phases of projects that can be completed by the SA by September 30, 2010. SAs must obligate and expend the amount of the reallocation funds on the project activities by the end of the grant period (September 30, 2010); and
 - fall within the 20 percent carryover limitation. Determine whether an SA's planned use of funds for the current fiscal year is realistic. Work with SAs to assure that the estimated funds usage and subsequent carryover are realistic. In analyzing current year carryover data reported on the FNS-525, ROs should use historical levels as indicated by the fourth-quarter SF-269s and anticipated carryover levels as reported on the approved SAE Plans. The carryover limit does not change as a result of funds received by or recovered from an SA through reallocation. For example, if the SA's allocation for FY 2009 was \$1 million, the maximum amount of unobligated FY 2009 SAE funds that the SA could retain for obligation and expenditure during FY 2010 would be \$200,000 (20 percent of the formula allocation).

- If the SA subsequently receives \$100,000 in reallocation funds in FY 2009, its total SAE grant would increase to \$1,100,000, but its maximum carryover level would remain at \$200,000. If, as of September 30, 2009, the SA had \$250,000 in unobligated FY 2009 SAE funds, including funds received through FY 2009 reallocation, \$50,000 would be recovered.
 - All other requests, even if they represent legitimate uses of SAE funds, should not be recommended for approval. Any funds in excess of the carryover limitation, including reallocation and transfer funds, will be recovered.
- 4) Encourage SAs to return any funds in excess of their actual needs. Current year funds returned during reallocation will be used for the current year reallocation or reapportioned for future reallocations.
 - 5) Obtain additional justification from SAs, as warranted, to substantiate the need for reallocation funds.
 - 6) At the end of the fiscal year, ROs are to evaluate the positions of SAs that were provided additional funds at reallocation to determine if the SAs' situations changed since the midyear assessment on which the reallocation was based. If the actual amount of funds carried over by an SA is greater than the amount projected and justified at the time of the reallocation, the SA will be given the opportunity to justify the need for the reallocated funds given the increase in the carryover. Any of these funds that the SA is unable to justify, up to the amount of the reallocated funds provided, must be returned to FNS. Regardless, any amount of carryover funds exceeding 20 percent of the initial SAE allocation must be returned to FNS.
 - 7) **ROs should forward to headquarters:**
 - all FNS-525s. The FNS-525 may be submitted in hardcopy, along with any requests for reallocated SAE funds, or transmitted as attachments via email to Lynn Rodgers-Kuperman.;
 - all WBSCM related requests must be submitted upon receipt from the SA but no later than March 27, 2009.
 - All non-WBSCM related requests should include the RO's review and recommendation.

HEADQUARTERS' ROLES AND RESPONSIBILITIES
FOR CONDUCTING REALLOCATION OF SAE FUNDS

- 1) Review all reallocation requests recommended for approval, consulting regional offices (ROs) as necessary to obtain additional information.
- 2) To ensure that funds are not reallocated unnecessarily, FNS headquarters will evaluate the historical carryover levels and the reasons for carryover for those SAs requesting reallocated funds. Reallocation funds will be approved only to the extent that anticipated carryover funds are insufficient to cover essential one-time only activities.
- 3) Make final funding determinations based on the availability of funds and the merits of the individual requests.
- 4) Issue allowances to ROs with reallocation adjustments.
- 5) Notify RO program and financial management directors of the results of the reallocation.

**SAE Fund Re-allocation
Web Based Supply Chain Management (WBSCM)
System Compatibility and Deployment Fund Request**

Description

Complete this document to justify the request for SAE fund reallocation in support of deployment activities for the WBSCM program. Deployment activities include computer system changes to existing systems to satisfy WBSCM data sharing requirements, data cleansing and conversion tasks and training expenses. Information provided will be used to assess the reasonableness of the fund request and, in the event qualified requests exceed available funds, provide a mechanism to prioritize allocations. If desired, additional information may be provided to further document the request or present special circumstances for consideration.

REQUESTING AGENCY:

TOTAL FUNDING REQUEST:

Computer Systems

Is your current system commercial software developed and maintained by a third party or custom developed? If this is a commercial software package identify product by name and vendor. If custom developed please identify the system name and acronym if applicable.

Is your current system integrated with other organization systems such as financial, inventory or distribution systems? If integrated with other systems describe the types of systems and summarize the integration (i.e., data shared, frequency of updates)

Do you currently have ECOS rolled out to Recipient Agencies? If so, provide the number of Recipient Agencies and users.

Do you currently use the import/export, upload/download features of ECOS or use CSV report file formats? If so, please describe the features used and types of data shared (i.e., orders, entitlement, product information).

Provide any additional information related to this computer system to justify the fund request.

Identify the activities that will be supported by the requested funds along with the costs for each activity. If the activity doesn't apply please insert N/A for clarity. Additional activities can be included if necessary.

Computer System Modifications		
Activity	Level of Effort (Identify Unit of Measure) (i.e., staff hours, duration, trips, documentation)	Cost
Project Management		
System Analysis		
System Design		
System Development		
System Testing		
WBSCM Compatibility/Interface Testing		
Documentation		
OTHER ITEMS		
TOTAL COST		

Data Conversion & Cleansing

Will you convert and cleanse existing system data in order to migrate to WBSCM? If no, the remainder of this section may be skipped.

How many data fields require conversion?

How many data records, database table rows, will be cleansed?

Will data be cleansed in place or will this require a new data load and re-establishment of data relationships for other systems?

Will you use WBSM provided cross-reference tables to resolve data conversion translations?

Identify the activities that will be supported by the requested funds along with the costs for each activity. If the activity doesn't apply please insert N/A for clarity. Additional activities can be included if necessary.

Data Conversion and Cleansing		
Activity	Level of Effort (Identify Unit of Measure) (i.e., staff hours, duration, trips, documentation)	Cost
Project Management		
Data Analysis		
Data Conversion Strategy & Plan		
Data Conversion & Cleansing		
Data Validation / Testing		
WBSM Compatibility/Interface Testing		
Documentation		
OTHER ITEMS		
TOTAL COST		

Training

Will you be training Recipient Agency WBSM Users? If no, the remainder of this section may be skipped.

How many users will you be training?

How many training sessions will you be conducting?

What will be the length of each training session?

How many weeks or months do you anticipate the training will span?

USDA will provide help cards, training scenarios, eLearning modules in support of customer training. Will you be using USDA-provided training environment or online training resources for your training?

Identify the activities that will be supported by the requested funds along with the costs for each activity. If the activity doesn't apply please insert N/A for clarity. Additional activities can be included if necessary.

Training		
Activity	Level of Effort (Identify Unit of Measure) (i.e., staff hours, duration, trip days, documentation, etc.)	Cost
Training preparation		
Training documentation		
Training facilities		
Training equipment		
Training travel		
OTHER ITEMS		
TOTAL COST		