



Food and
Nutrition
Service

DATE: February 27, 2017

Park Office
Center

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3101 Park
Center Drive
Alexandria
VA 22302

SUBJECT: Fiscal Year (FY) 2017 Reallocation of State Administrative Expense (SAE) Funds in Child Nutrition Programs

TO: Regional Directors
Special Nutrition Programs
All Regions

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

This memorandum and attachments provide the information needed to conduct the FY 2017 reallocation of SAE funds. Reallocation is a formal process by which State agencies can: (1) request additional SAE funds above their initial authorized funding level; or (2) return SAE funds they do not need.

At this time, all State agencies must also submit an *SAE Funds Reallocation Report* (FNS-525) to their respective USDA Food and Nutrition Service (FNS) Regional office, even if the State agency is neither requesting nor returning funds. Prior to submitting a FNS-525 which indicates a return of SAE funds, State Child Nutrition Program (CNP) staff, as applicable, must work together to ensure that all SAE needs have been met by all program areas. State agencies should discuss with their respective FNS Regional offices how to transfer any available excess SAE funds to other agencies within their State (e.g., to the State Food Distribution Program for CNPs), if applicable. Should a return of excess funds continue to be required, the State agency must indicate in its FNS-525 submission to the FNS Regional office, in the cover email, that there is no need for such funds for the State CNPs, including all applicable program areas.

State agencies may request SAE reallocation funds for any allowable expense associated with the administration of the CNPs including related Food Distribution Programs, as described under 7 CFR 235.6. Therefore, with justification, allowable expenses include general administrative expenses as well as special one-time only projects that will increase the integrity, effectiveness and/or efficiency of the administration of the CNPs. However, if funds are awarded for activities that will continue beyond the grant period, State agencies must provide a plan for how the activities will be funded after the grant period ends.

In FY 2017, FNS strongly encourages States to consider requesting funds for training and technical assistance on the new Child and Adult Care Food Program (CACFP) meal pattern. In order for the implementation of the CACFP meal pattern changes to be successful, additional technical

assistance for program operators will be required. FNS will give high priority to requests for funds for CACFP meal pattern training projects that are likely to lead to greater program integrity, efficiency and/or effectiveness. If applicable, States with multiple agencies administering Child Nutrition Programs must ensure SAE reallocation funds for CACFP meal pattern trainings are transferred to the appropriate administering agency.

FNS also continues to encourage State agencies to request funds for “State exchange” activities. The purpose of a State exchange is to facilitate the sharing of information and resources between States and encourage State agency peer-to-peer communication. Therefore, SAE reallocation funds may be used to facilitate short term exchange opportunities, such as site visits to other State Child Nutrition agencies, interstate meetings, or presentations between staff from two or more State agencies. The goal is to share administrative techniques and resources that improve program integrity, effectiveness, and compliance in response to the many changes brought about by the Healthy, Hunger Free Kids Act of 2010 as well as other CNP priorities.

State agencies must ensure that the *total* amount of SAE funds (initial allocation *plus* reallocation and transfers) carried over into FY 2018 does not exceed 20 percent of the FY 2017 initial SAE allocation. Additionally, the availability of SAE reallocation funds in future years cannot be guaranteed. Requests must focus on needed projects or activities that are not dependent on receiving future SAE reallocation funds.

The following Attachments A-D are included with this memorandum:

- Attachment A, *SAE Reallocation Guidelines*, provides details about calculating carryover, State exchange activities, and other major considerations.
- Attachment B, *Roles and Responsibilities*, explains the duties of State agencies, and FNS Regional and National offices for conducting the reallocation of SAE funds.
- Attachment C, *Guidance for ITS Procurement*, contains information to assist State agencies with determining their information technology and system needs and capacity so that they may prepare appropriate requests.
- Attachment D, *SAE Reallocation Request*, is to be filled out by the Regional office for each recommended request.

By **March 28, 2017**, State agencies must submit requests for SAE reallocation funds to their respective FNS Regional office. Regional offices will evaluate the need for each request and recommend for approval, in ranking order, projects or activities that demonstrate that they will increase the integrity, efficiency, and/or effectiveness of the administration of the CNPs. Requests that have no other alternative funding source available (i.e., grants, CACFP Audit funds, HHFKA Section 201 funds, or other) should be given preference.

By **April 18, 2017**, FNS Regional offices must submit to the National office:

1. FNS-525s for all State agencies (forms that are not signed and dated and that do not have the accurate FY and authorized funding levels may delay reallocation);
2. Each State agency's SAE reallocation request recommended for approval; and
3. *FY 2017 SAE Reallocation Request* (Attachment D) for each recommended request.

After **April 18, 2017**, the National office will begin the review and approval process for awarding FY 2017 SAE reallocation funds. If requests are not received at the National office by this date, they may not be considered. Unless additional information is needed from the State agency or the Regional office, the National office will notify Regional offices of the SAE reallocation awards in **May 2017**.

Below is a table of key dates associated with the reallocation process.

March 28, 2017	State agencies submit SAE reallocation requests and FNS-525s to Regional offices.
April 18, 2017	Regional offices submit to National office: All FNS-525s; recommended SAE reallocation requests, and Attachment Ds.
May 2017	National office notifies Regional offices of SAE reallocation results.
Sept 30, 2017	End of first year of FY 2017 SAE funds grant period. State agencies are allowed to carry over an unobligated amount no greater than 20 percent of the initial FY 2017 SAE funds allocation into FY 2018.
Sept 30, 2018	End of FY 2017 SAE funds grant period. All FY 2017 SAE funds (initial allocation plus reallocation and transfers) must be obligated <u>and</u> expended.

Regional offices should send all forms and requests via e-mail to the CN State Systems mailbox at cnstatesystems@fns.usda.gov. Please be sure the subject line contains **“FY2017 SAE Reallocation – [add region and State(s) name].”**

State agencies with questions should contact the appropriate FNS Regional office.

Original Signed

Sarah E. Smith-Holmes
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs

Attachments

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

Purpose and Priorities

- In fiscal year (FY) 2017, State Administrative Expense (SAE) reallocation funds are intended to fund needed administrative activities or projects that will improve the integrity, efficiency, and/or effectiveness of the Child Nutrition Programs (CNPs), including child nutrition related Food Distribution Programs. Reallocation funds made available in FY 2017 are subject to carryover limitations and must be expended by the end of the grant period—September 30, 2018.
- States are strongly encouraged to consider participation in State exchange activities in their requests for these funds. The purpose of State exchange is to share information and resources between States and increase peer-to-peer communications to improve the integrity, effectiveness, and/or efficiency of the CNPs. The Food and Nutrition Service (FNS) will give high priority to requests for funds for State exchange activities that are likely to lead to such improvements.
- In keeping with FNS’s continuing efforts to improve the management of funds, all requests will be prioritized by those that have no alternative funding source and would likely lead to greater integrity, effectiveness and/or efficiency of the CNPs.
- The regional office and State agency justification accompanying each SAE reallocation request must adequately describe how the CNPs will be positively affected and what alternative funding sources were explored and proven not available, if applicable.
- If funds are requested for activities that continue beyond the grant period, State agencies must provide a plan for how the activities will be funded after the grant period ends.

SAE Plan and FNS-525

- The State’s SAE Plan must reflect the planned use of SAE funds through the end of FY 2017. An amendment to the SAE Plan must be made and approved by the regional office for any substantive changes in planned activities or planned expenditures on activities as a result of receiving SAE reallocation funds.
- The *SAE Funds Reallocation Report (FNS-525)* must reflect the current status of the SAE Plan, including all amendments to date. State agencies must specify on the FNS-525 the FY in which the initially allocated SAE funds and the SAE reallocation funds, if applicable, will be obligated.
- SAE reallocation funds that will be obligated in FY 2018 should not be made available to a State agency until the amendments to the SAE Plan, if applicable, are approved by the regional office, and not before October 1, 2017.
- **Note:** If SAE reallocation funds are used for Summer Food Service Program purposes, the associated management and administration plan (MAP) may also need to be amended accordingly [7 CFR 225.4].

- **Returning Funds:** Prior to submitting an FNS-525 to the regional office which indicates a return of SAE funds, State CNP staff, as applicable, must work together to ensure that all SAE needs have been met by all program areas. State agencies should discuss with their respective regional offices how to transfer any available excess SAE funds to other agencies within their State (e.g., to the State Food Distribution Program for CNPs), if applicable. See “Use of Funds” below. Should a return of excess funds continue to be required, the State agency must indicate in its FNS-525 submission to the regional office, in the cover email, that there is no need for such funds for the State CNP, including all applicable program areas.

Use of Funds

- FY 2017 SAE reallocation requests may be used for any allowable expense associated with the administration of the CNPs as described under 7 CFR 235.6. Therefore, with justification, allowable expenses will include general administrative expenses as well as special projects that will increase the integrity, effectiveness, and/or efficiency of the administration of the CNPs.
- State agencies may use FY 2017 SAE reallocation funds to participate in State exchange activities. Such activities are exclusively for the purpose of interstate collaboration. Allowable expenses associated with State exchange include, but are not limited to: State-level activities for short term exchange opportunities, such as site visits to other State Child Nutrition agencies, interstate meetings, presentations between staff from two or more State agencies, or printed support materials to support such events.
- State agencies are encouraged to use SAE funds, to the maximum extent allowable and practicable, to minimize the charges imposed on school food authorities for the storage and distribution of USDA Foods and related administrative costs (see [SP57-2013](#), issued September 6, 2013 for more information).
- State agencies are encouraged to use SAE funds for allowable State-level administrative expenses associated with the coordination of farm to school activities in support of CNPs, such as supporting State-level farm to school and/or school garden coordinators (see [SP28-2015](#), issued March 13, 2015 for more information).
- The approval of the reallocation request is approval of the project or activities and approval of the expenditure of a specific amount of money on the project or activities by the end of the grant period. For example, if SAE reallocated funds are approved to develop training materials for the National School Lunch Program (NSLP), the materials would have to be developed by the end of the grant period and the amount of funds reallocated for the materials would have to be expended by the end of the grant period.
- Funding for a standalone phase of a multi-phase project will be considered. State agencies must provide a plan for completion of the multi-phase project with their request. Other phases of the project must not be dependent upon future SAE reallocation funds.

- SAE reallocation funds must not be used for, and requests will not be approved for, payment of the following:
 - obligations or expenditures incurred prior to request approval (retroactively); or
 - expenses currently funded by other Federal sources (as a replacement or substitution).

Carryover Limitation

- FY 2017 SAE funds (initial *plus* reallocation and transfers) that a State agency does not anticipate obligating by September 30, 2017, as reported on the FNS-525, are considered **carryover** funds and will be a factor in determining if a State agency will receive reallocation funds.
- The total amount of unobligated SAE funds that may be carried over for obligation and expenditure in FY 2018 is limited to 20% of the State agency's initial SAE allocation. FNS will not approve any request in which a State agency exceeds its carryover limit.
- The State agency must submit a description of how it intends to use any carryover funds in FY 2018. In this description, the State agency must show that all carryover funds are designated for specific activities or costs associated with the administration of the CNPs. The request for SAE reallocation funds must be reduced by any amount of initial SAE funds carried over that are not designated for specific activities.
- Funds received by a State agency in addition to the initial SAE allocation for FY 2017, including reallocation and transfer funds, do not increase the carryover limit (see Attachment B2 for an example). Only funds provided for CNP start-up costs are exempt from the carryover limit.

Alternative Funding Sources

In past years, significant funds have been provided by FNS to State agencies to fund information technology and systems (ITS) projects and associated activities to improve integrity and business functionality. Funding has been approved for computer hardware and software and for contracting programming services for website development and enhancements. Because FNS has made available alternative funding sources for many types of ITS projects and associated activities, approval of SAE reallocation funds for these projects may be a lower priority unless it can be demonstrated that those other sources have been fully explored and/or exhausted.

Examples of alternative funding sources include, but are not limited to:

- ITS projects that have an impact on CACFP audit review activities may be funded or receive further consideration under the CACFP Audit fund reallocation process.
- ITS projects and associated activities (such as technology improvements, training and monitoring) related to direct certification initiatives or administrative review and training may be considered under the Direct Certification Improvement grant process or the Administrative Review and Training (ART) grant process, respectively.

- Administrative funds made available through Section 201 of the Healthy, Hunger-Free Kids Act of 2010 may be used for activities related to the State-level implementation of the new meal pattern and nutrition standards, including ITS.

First In, First Out and Recovery

- State agencies should use SAE reallocated and carryover funds on a **first-in first-out (FIFO)** basis. For example, if other allowable SAE costs are incurred before the costs for the approved reallocation activities, such as development of NSLP training materials in the second year, the State agency should use the carryover and reallocated funds to pay other allowable SAE costs which are incurred first, i.e., FIFO.
- However, FNS will **recover** SAE funds from any State agency that fails to expend the approved amount of the SAE reallocation funds on the approved project or activities by the end of the grant period. The recovery will be the difference between the amount of the reallocated funds approved minus the approved project or activity expenditures.
- Therefore, if the NSLP training materials in the example above 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.

Quarterly Reporting: FNS-777 SAE

- Regional offices will provide guidance to State agencies on the proper reporting of obligations and expenditures on the FNS-777, *SAE Financial Status Report*.
- State agencies are required to report costs and maintain financial management systems, which include documentation to support information reported in accordance with the current guidance from the Office of Management and Budget for cost principles and administrative requirements for Federal agencies and non-Federal entities (states, local governments, Indian tribes, institutions of higher education, and nonprofit organizations) that receive Federal awards as a recipient or subrecipient, and their auditors.

Please Note: If submitted requests exceed the amount of funds available, the FNS national office will prioritize the requests based on regional office recommendations and follow-up discussions as necessary.

STATE AGENCY ROLES AND RESPONSIBILITIES FOR CONDUCTING REALLOCATION OF SAE FUNDS

SAE PLAN ASSESSMENT AND FNS-525 SUBMITTAL

- 1) All State agencies, **whether or not they are returning or requesting SAE funds**, must complete and return an *SAE Funds Reallocation Report* (FNS-525) no later than **March 28, 2017** to their respective FNS regional office. The regional office may request that the State agency submit the FNS-525s to them in hardcopy, email or fax.
- 2) State agencies must assess their accomplishments at mid-year and evaluate the status of these accomplishments in relation to the SAE Plan activities to be achieved. This assessment will allow the State agency to determine if the SAE Plan is a reasonable projection of actual expenditures and, thus, accurately complete their FNS-525. As in the past, State agencies 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.
- 3) State agencies must assess their projected funding use for the current FY and make any necessary amendments to their currently approved SAE Plan to reflect the use of all funds it does not intend to carry over into FY 2018. Before a request for additional funds will be considered for approval, any anticipated carryover funds must be designated for specific administrative activities that improve the integrity, efficiency, and/or effectiveness of the Child Nutrition Programs (CNPs).
- 4) State agencies must submit for approval an amended management and analysis plan (MAP) if SAE funds are being requested for use in the Summer Food Service Program.

Returning SAE Funds

- 1) Prior to submitting an FNS-525 to the regional office which indicates a return of SAE funds, State CNP staff, as applicable, must work together to ensure that all SAE needs have been met by all program areas (see Attachment A, "Use of Funds" for more information). State agencies should discuss with their respective regional offices how to transfer any available excess SAE funds to other agencies within their State (e.g., to the State Food Distribution Program for CNPs), if applicable.
- 2) Should a return of excess funds continue to be required, the State agency must indicate in its FNS-525 submission to the regional office, in the cover email, that there is no need for such funds for the State CNPs, including all applicable program areas.
- 3) State agencies returning funds must record the amount of funds to be returned on the FNS-525, and amend its currently approved SAE Plan, if applicable.

HOW TO REQUEST SAE REALLOCATION FUNDS

- 1) **To request reallocation funds**, State agencies must submit a request in writing (via email or regular mail) to their respective FNS regional office by **March 28, 2017**.
- 2) The request must contain the following:
 - a description of how the funds will be used including a timeline and itemized budget estimate for the activities or items for which funding is requested;
 - a justification statement explaining how the requested activities or items will help improve the administrative integrity, effectiveness, and/or efficiency of the CNPs. The justification must include documentation of the SAE Plan assessment described in paragraph 2) of the **SAE PLAN ASSESSMENT** section above; an explanation of how it was determined that other funding sources are not available;
 - the FY in which the requested funds will be obligated; and
 - if the activities in the request will continue beyond the grant period, an explanation of how they will be funded after the grant period ends.
- 3) Request only funds that will be obligated and the amount of the request expended on the approved project or activities by September 30, 2018.
- 4) Submit only requests which are within the 20 percent carryover limitation.
- 5) Prorate requests that may include both CNP and non-CNP activities (e.g., The Emergency Food Assistance 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.

FNS REGIONAL OFFICE ROLES AND RESPONSIBILITIES FOR CONDUCTING REALLOCATION OF SAE FUNDS

- 1) Ensure that each State agency, including alternate agencies, responsible for administering the National School Lunch, School Breakfast, Special Milk, Child and Adult Care Food, Commodity school programs, as well as Food Distribution Program in schools, submits its own *SAE Funds Reallocation Report* (FNS-525).
- 2) Review with State agencies any alternate funding sources other than reallocation funds available to meet their needs. Alternate sources include grant opportunities and transfer of excess SAE funds from one administering agency to another administering agency within the same State.
- 3) Send a recommendation to the national office for approval of requests which:
 - Are for any allowable administrative expenses under 7 CFR 235.6 that increase the integrity, efficiency, and/or effectiveness of the Child Nutrition Programs (CNPs). When determining if the need for additional reallocation funds is acceptable, consider how a State agency plans to use all available funds, including requested reallocation funds. SAE reallocation funds may only be approved if funds which a State agency intends to carry over into FY 2018 (carryover funds) are designated to be used for administrative activities that increase the integrity, efficiency, and/or effectiveness of the administration of the CNPs, this includes participation in State exchange activities;
 - Are for activities, projects or phases of projects that can be completed by the State agency by September 30, 2018. State agencies must obligate and expend the reallocation funds on the project or activities by the end of the grant period (September 30, 2018); and
 - Fall within the 20 percent carryover limitation. Work with State agencies to assure that the estimated funds usage and subsequent carryover are realistic. In analyzing current year carryover data reported on the FNS-525, regional offices should use historical levels as indicated by the fourth-quarter FNS-777 SAE 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 a State agency through the reallocation process.

Carryover Limitation Example: If a State agency's initial SAE allocation for FY 2017 was \$1 million, the maximum amount of unobligated FY 2017 SAE funds that the State agency could retain for obligation and expenditure during FY 2018 would be \$200,000 (20 percent of the initial allocation, or \$1,000,000 x 0.20).

If the State agency subsequently receives \$100,000 in FY 2017 SAE reallocation funds, its total SAE grant for FY 2017 would equal \$1.1 million, but its maximum carryover level would remain at \$200,000 (based on the initial allocation of \$1 million). If, as of September 30, 2017, the State agency had \$250,000 in unobligated FY 2017 SAE funds, (including any FY 2017 reallocation funds), \$50,000 must be returned to FNS.

Carryover with Transfer Example: If funds are transferred between State agencies in the same State, the receiving State agency must ensure that the total amount of unobligated SAE funds (initial allocation *plus* reallocation and transfers) carried over into the next FY does not exceed 20 percent of the initial SAE allocation to that State agency.

Therefore, a State Distribution Agency (SDA) receiving \$300,000 as its initial SAE allocation in FY 2017 is eligible to carry over \$60,000 into FY 2017 ($\$300,000 \times 0.20$). This carryover limit remains the same even if the SDA receives a transfer of \$50,000 from the State agency (and/or receives SAE reallocation funds) during FY 2017. Any funds over the \$60,000 carryover limit that remain unobligated by September 30, 2017 must be returned to FNS.

- 4) Review and evaluate the method the State agency used to prorate requests that may include both CNP and non-CNP activities (such as those for The Emergency Food Assistance Program) to include only the share of funds that are for CNP related activities. In the justification, include a description of how the proration for the CNP's share was determined.
- 5) Encourage State agencies to return to FNS, or to transfer to another State agency in need within their State, any funds in excess of their actual needs. Funds returned during reallocation will be used for current year reallocation or reapportioned for future reallocations.
- 6) Obtain additional justification from State agencies, as warranted, to substantiate the need for reallocation funds.
- 7) At the end of the FY, regional offices must determine if State agencies' circumstances have changed since the midyear assessment on which their reallocation funding approvals were based. If the actual amount of funds carried over by a State agency is greater than the amount projected and justified at the time of the reallocation, the State agency will be given the opportunity to justify the need for the reallocated funds, given the increase in the carryover. Any funds that the State agency 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.
- 8) **By April 18, 2017, FNS regional offices must forward to the national office:**
 - The FNS-525s from all State agencies. The regional office is responsible for ensuring that the FNS-525 is complete and accurate, whether or not the State agency is requesting or returning funds.

- The FNS-525 may be submitted along with any requests for reallocated funds and additional information regarding any returned funds (see Attachment A. page 2 “Returning Funds”), in hardcopy or sent as attachments to an email to the CN State Systems mailbox at cnstatesystems@fns.usda.gov. Please be sure the subject line contains “**FY2017 SAE Reallocation – [add region and State(s) name]**”;
- State agencies’ reallocation requests recommended for approval by the regional office and the complete justification for those State agencies’ requests. The justification for reallocation funds must: (1) describe what activity will be performed and how the activity will increase the integrity, efficiency, and/or effectiveness of the CNPs, (2) describe how requests including non-CNP activities were prorated to reflect only the CNP's share, and (3) specify the FY in which the funds will be obligated;
- The regional office’s justification for recommending approval of the requests. The regional office must analyze the requests and provide the national office with sufficient information on why it recommends approval;
- A ranking of each State agency’s request recommended for approval, from high to low priority, based on the regional office's perceived needs of State agencies and discussions with each State agency. A discussion of the reasons for each ranking should also be included. When ranking requests of equal merit, State agencies that have not received reallocation funds on a regular basis should be given priority over those that have received funds regularly;
- A completed Attachment D: *FY 2017 SAE Reallocation Request*; and
- A brief description of all State agency requests denied (include the State agency name, nature of the request, dollar amount, and reason for not recommending the request).

Please note: Incomplete documentation (for example, a lack of signatures on the FNS-525 or failure to justify requests) will delay the SAE reallocation process.

**FNS NATIONAL OFFICE ROLES AND RESPONSIBILITIES
FOR CONDUCTING REALLOCATION OF SAE FUNDS**

The FNS national office will:

- 1) Review all requests recommended for approval by the regional office and consult as necessary to obtain additional information.
- 2) To ensure that funds are not reallocated unnecessarily, evaluate the historical carryover levels and the reasons for carryover for those State agencies requesting reallocated funds. Reallocation funds will be approved only to the extent that anticipated carryover funds are insufficient to cover proposed projects or activities.
- 3) Evaluate past FY requests to ensure that unnecessary replication in purchasing is not occurring. Attachment D: *FY 2017 SAE Reallocation Request*, submitted by the regional office is designed to facilitate this process.
- 4) Make final funding determinations based on the availability of funds and the merits of the individual requests.
- 5) Notify regional office Program and Financial Management directors of the results of the SAE reallocation.
- 6) Issue allowances to the regional offices with reallocation adjustments.

Guidance for Information Technology and Systems (ITS) Procurements

The purpose of this abbreviated guidance is to assist State agencies with accurately estimating costs and managing ITS¹ requests. Any alternative funding sources for ITS procurements should be thoroughly explored before submitting requests for reallocation funds for these types of projects.

This guidance is intended to serve as a baseline for those State agencies and FNS staff that must prepare, review, and/or approve plans for the development and acquisition of State ITS projects that support the Child Nutrition Programs (CNPs), including child nutrition related Food Distribution Programs. It is important to be familiar with the legislation, regulations, and policies that pertain to each FNS program before submitting requests for funding.

FNS has identified several recurring issues associated with the approval process, such as missed requirements or the need for multiple document clarifications, which may delay the approval process. Examples of some recurring issues include the following:

- Insufficient understanding of the impact and resources involved in the anticipated data conversion strategy and schedule.
- Incomplete cost allocation methodology that excludes State-only cases or all participating Federal programs.
- Inadequate descriptions of the methodology, costs, and assignment of responsibilities for system maintenance and operations.
- Insufficient funding for user training and user support functions.
- Exclusion of State staff costs as part of the project's budget.
- Inadequate time in the project schedule to assess the full impact on business processes, change business rules where necessary, and prepare staff for the transition.
- Lack of familiarity with the dollar thresholds requiring FNS approval².
- Underestimation of the strain of new ITS development on the entire organization.
- Not involving State ITS and procurement staff throughout the project. State program staff may be unaware of State standards, current procurements and contracts, and even conflicts with existing development efforts.
- Lack of current technical knowledge and expertise within the State agency to write or review documents such as requests for proposals (RFP), contracts, system design, and functional requirements, which can render a State vulnerable to the contractors' idea of what would be best—and have costly consequences.

¹ For purposes of this guidance “ITS” should be considered interchangeable with: information technology (IT), management information systems, and automated data processing (ADP).

² Refer to current OMB guidance for *Cost Principles for State, Local, and Indian Tribal Governments*.

FNS staff will be available to answer questions and provide technical assistance to any State agency that requests assistance in their ITS project planning process.

Assistance can be provided with matters such as:

- Providing guidance in developing request documents.
- Providing most up-to-date policy, procedures, and requirements.
- Reviewing hardware/software requests with focus on costs and compatibility with existing system.
- Clarifying technical terms found in documents.
- Providing current information on technology products.
- Interfacing with other Federal agencies.
- Responding to official requests regarding the State Administrative Expense (SAE) and CACFP Audit funds formulation process or SAE/CACFP Audit fund reallocation requests (e.g., Freedom of Information Act (FOIA), General Accounting Office (GAO)).
- Providing information on conferences and/or training opportunities.
- Conducting meetings and/or conference calls to discuss items of concern to one or more States.

Regardless of which System Development Life Cycle (SDLC) phase a State agency may be in, all State agencies administering CNPs must follow the same process when requesting reallocated funds to procure software, hardware, and contractual services for ITS purposes and are responsible for ensuring the allowable and effective use of these funds.

FISCAL YEAR 2016 SAE REALLOCATION REQUEST

State agency: _____

Total amount requested by State agency: \$ _____

Ranking provided by regional office: _____

Amount of funds denied by regional office: \$ _____

Specify the FY(s) in which requested funds will be obligated: _____

Do the funds carried over into FY 2017 fall within the 20% carryover limit? **Yes** **No**

If requests include both CNP and non-CNP activities, are CNP requests prorated? **Yes** **No**

Were previous year reallocation funds returned or recovered? **Yes** **No**

If **Yes**, \$ _____ (amount) was recovered ; was returned .

In the chart below, provide a list of the State agency's projects that were funded through SAE reallocation in prior years (activities and items, including all ITS projects).

Fiscal Year	\$ Amount Approved	List approved item(s) and activities
FY 13		
FY 14		
FY 15		

In the space below, provide an **Itemization, Justification, and Recommendation** for the State agency's current reallocation request. The Itemizations should detail all costs associated with staffing, training, testing, indirect costs, implementation, supplies, contracts, etc.

a) Itemization of each element of the project and the estimated cost of each element

- 1.
- 2.
- 3.

b) Justification for each item listed above

c) Regional office recommendation for each item requested