



**Georgia Dept  
of Early Care  
and Learning**

Origination 9/28/2023

Effective 9/28/2023

Last Revised 9/29/2023

Area Memo:  
Recordkeeping -  
Financial  
Programs SFSP

## Best Practices For Managing Unused Reimbursement In The Summer Food Service Program

### Purpose

This memorandum provides guidance to State agencies for managing those situations in which sponsors have unused reimbursement in the Summer Food Service Program (SFSP).

### Legal Authority

SFSP 14-2023

### Program Requirements

An audit by the USDA Office of Inspector General (OIG), [Consolidated Report of FNS and Selected State Agencies' Controls over SFSP](#), Audit Report 27601-0005-41, recommended that the Food and Nutrition Service (FNS) revise guidance to provide clarification to sponsors on how to identify, calculate, monitor, and verify sponsors' unused meal reimbursements to ensure compliance with FNS regulations governing proper funds usage in the SFSP.

This guidance offers best practices to complement recently published policy guidance on unused reimbursement in SFSP 13-2023, *Unused Reimbursement in the Summer Food Service Program*, September 28, 2023, and revised guidance on simplified cost accounting procedures in SFSP 05-2017, *Summer Food Service Program Questions and Answers*, December 1, 2016, <https://www.fns.usda.gov/sfsp/summer-food-service-program-qas> and SFSP 01-2008, *Nationwide Expansion of Summer Food Service Program Simplified Cost Accounting Procedures*, January 2, 2008, <https://www.fns.usda.gov/nationwide-expansion-summer-food-service-program-simplified-cost-accounting-procedures>. All best practices offered here are not Federal requirements, but FNS shares these best practices for States seeking additional guidance for addressing unused reimbursement.

## Background

Simplified cost accounting procedures allow SFSP sponsors to claim reimbursement for eligible meals using "meals times rates" (as in, the number of meals served times the per meal rate equals the total amount of reimbursement). Sponsors are not required to report their costs to the State agency but are required to maintain documentation of a nonprofit food service. Regulations also require the State agency to have a system in place for monitoring institutions' compliance with this requirement, which includes identifying and monitoring unused reimbursement. Unused reimbursement is defined at 7 CFR 225.2 as the difference between the amount of reimbursement earned and received and allowable costs, when reimbursement exceeds costs. State agencies can prevent and mitigate the accumulation of excessive unused reimbursement by ensuring that sponsors have the knowledge and resources needed to operate a nonprofit food service. FNS is offering the following best practices to State agencies to supplement Federal simplified cost accounting requirements.

## Best Practices

### 1. Identifying and calculating unused reimbursement during sponsor budget review:

- First, determine whether the sponsor's accounting method is "cash basis" or "accrual"<sup>1</sup> and the time period covered by the budget (e.g., calendar year, fiscal year, or summer months when SFSP is in operation). This information will guide your identification of reimbursements and expenditures to estimate the sponsor's unused reimbursement for the identified time period.
- Second, identify all Program reimbursements:
  - Program reimbursement from the current year;
  - Any prior year unused reimbursement from SFSP; and
  - Any "carryover" unused reimbursement from other Child Nutrition programs, such as CACFP at-risk afterschool, designated for use in SFSP operations.
- Third, identify all allowable Program expenses incurred in the operation or improvement of the nonprofit food service Program;
- Fourth, determine if any allowable Program expenses exist that are pending payment (if the sponsor uses a cash basis accounting method); and
- Fifth, deduct all allowable Program expenses from Program reimbursements, identifying any unused reimbursements.

### 2. Preventing the accumulation of unused reimbursement:

- Include the subject of unused reimbursement in sponsor trainings (including online training) before the start of summer operations. For example, provide training on:
  - How to avoid unused reimbursement and what to do if unused reimbursement is present from the prior year or carried over from another Child Nutrition Program;
  - Budgeting for a nonprofit food service (7 CFR 225.6(b)(7));
  - Maintaining documentation of all revenues received and expenses paid (7

CFR 225.15(a)(4));

- Calculating and tracking revenue versus expenditures for Program operations;
- Ensuring that costs funded from the nonprofit food service account are necessary, reasonable, and properly documented (i.e., allocable) (2 CFR 200 Subpart E);
- The expectation for high quality meals and meal service that fully expends reimbursement. State agencies could highlight FNS resources for meal planning and activities, such as the following:
  - The *Summer Food Service Program Nutrition Guide for Sponsors* includes best practices and tips for serving high quality meals and incorporating local foods, as well as sample cycle menus. See <https://www.fns.usda.gov/sfsp/2018-nutrition-guide>;
  - The Summer Meals Toolkit offers healthy menu planning ideas and tips for serving meals. See <https://www.fns.usda.gov/sfsp/summer-meals-toolkit>;
  - The Summer Meals, Summer Moves is a fun, hands-on resource kit which helps meal site operators use music, games, art, and movement to promote healthy eating and physical activity. See <https://www.fns.usda.gov/tn/summer-food-summer-moves>;
  - The *Farm to Summer Fact Sheet* describes how to "bring the farm" to summer sites. See <https://www.fns.usda.gov/cfs/farm-summer-ripe-local-foods>; and
  - The Team Nutrition Resource Library has free nutrition education materials to help reinforce and complement the nutrition messages taught by serving healthful foods. See <https://www.fns.usda.gov/resources?f%5B0%5D=program%3A45&f%5B1%5D=>
- Include unused reimbursement in budgeting worksheets. For example, budgeting worksheets can:
  - Include a worksheet page for calculating potential unused reimbursement; and
  - Contain language about actions that sponsors should take if they accumulate unused reimbursement:
    - If the sponsor will operate SFSP the next year, they should use the unused reimbursement to pay the allowable costs for next year's operations, including improving the quality of the meals, upgrading meal service sites or food preparation facilities, enhancing monitoring training and other oversight activities, or as start-up funds or advance payments for the following year;

- If the sponsor operates other Child Nutrition Programs throughout the year, they must keep the unused reimbursement in the joint nonprofit food service account and use it to pay for allowable costs for SFSP or the other Programs; and
- If the sponsor will not operate SFSP or any Child Nutrition Program in following year, they may retain the unused reimbursement.

**3. Monitoring unused reimbursement during sponsor reviews:**

- As a reminder, States must monitor each sponsor's program funding and expenditures during SFSP operations to confirm that the sponsor is operating a nonprofit food service as described at 7 CFR 225.15(a)(4). When providing technical assistance during a review, State agencies could:
  - Develop tools, such as an automated worksheet, to verify each sponsor's use of unused reimbursement during monitoring reviews to ensure the sponsor has expended the unused reimbursement on allowable costs;
  - During monitoring reviews for SFSP, ask if unused reimbursement has been carried over from the National School Lunch Program (NSLP) or CACFP, along with the amount carried over, and verify that it is included in the approved budget. Do the same for SFSP unused reimbursement during monitoring reviews for NSLP and CACFP;
  - Develop a tip sheet to provide information on allowable and unallowable uses of unused reimbursement, including how to improve the meal service or management of the Program; and
  - Follow-up on the sponsor's use of unused reimbursement during the remainder of the Program year.

**4. For sponsors with unused reimbursement at the end of the Program year that will return to operate SFSP the following year:**

- Develop a SFSP budget template for returning sponsors, which could include a data field to input the amount of unused reimbursement from prior years as a source of existing funds available;
- Develop an advance payment request template, which could include a data field to input the amount of unused reimbursement from the prior year, so it is taken into consideration when calculating advance payments;
- Advise sponsors that unused reimbursement will be used in calculating advance program payments for the following year (7 CFR 225.9(c)(2)); and
- Assist sponsors in identifying which aspects of Program operation could be improved by additional investment, including meal quality, meal service operations, food preparation facilities, or monitoring, training, or other oversight activities.

**5. For sponsors that have unused reimbursement at the end of the summer and will not continue to operate SFSP in the following year:**

- Advise the sponsor that they must apply the unused reimbursement to expenses for its other Child Nutrition Programs (CNPs), if applicable (7 CFR 225.9(g));
- Have sponsors detail for the State agency how they will use unused reimbursement. As an example, a State could have the sponsor sign a certification letter to declare how they will use the unused reimbursement for the operation of other CNPs, if applicable; and
- If the sponsor does not operate other CNPs, advise the sponsor that they may retain the unused reimbursement. The State agency should not request that the sponsor return the unused reimbursement and must not attempt to collect the unused reimbursement (7 CFR 225.9(g)(1)).

**6. Create a State agency unused reimbursement website page:**

- Provide information on regulatory requirements and best practices; and
- Provide any State resources, such as training materials and templates.

## Comments

For questions concerning this memorandum, please contact the Policy Administrator at (404) 651-8193.

-----

1. A "cash basis" accounting method records accounting transactions for revenue when received and expenses when paid. An "accrual basis" accounting method records revenue when earned and expenses when paid.