



# Georgia Dept of Early Care and Learning

BRIGHT FROM THE START

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## MEMORANDUM

**To:** Sponsoring Organizations of Affiliated and Unaffiliated Centers Participating in the Child and Adult Care Food Program (CACFP)

**From:** Tamika Boone, Nutrition Services Director

**Date:** October 1, 2021

**Subject:** Monitoring Requirements – Monitoring Sponsored Centers Non-profit Food Service and Procurement Procedures

**Legal Authority:** 7 CFR § 226.15(e)(13), 7 CFR 226.17(c), 7 CFR 226.22, FNS 796-2, Rev. 4, 2 CFR 200.101(b)(1)-(2), 2 CFR 200.69, 2 CFR §200.93, 2 CFR 200.302, 2 CFR 200.318(a)

**Definitions:** (1) For the purposes of this memorandum, a “Sponsoring organization” means a public or nonprofit private organization that is entirely responsible for the administration of the food program in:

- A child care center, emergency shelter, at-risk afterschool care center, outside-school-hours care center, or adult day care center which is a legally distinct entity from the sponsoring organization;
- Two or more child care centers, emergency shelters, at-risk afterschool care centers, outside-school-hours care center, or adult day care centers; or
- Any combination of child care centers, emergency shelters, at-risk afterschool care centers, outside-school-hours care centers, and adult day care centers. The term “sponsoring organization” also includes an organization that is entirely responsible for administration of the Program in any combination of two or more child care centers, at-risk afterschool care centers, adult day care centers or outside-school-hours care centers, which meet the definition of *For-profit center* in this section and are part of the same legal entity as the sponsoring organization.

(2) “New” is defined as a facility that has never operated the CACFP under the auspices of the sponsoring organization or which has operated under the sponsoring organization but has had a six-month break in participation.

(3) “Unaffiliated” means not officially belonging to or connected to an organization or group. (Unaffiliated facilities do not share the sponsor’s legal or tax identity. A school food authority administering the program at locations in the community, like libraries or recreation centers, is a sponsor of unaffiliated facilities).

(4) “Affiliated” means officially belonging to or connected to an organization or group. (Affiliated facilities are part of the same legal entity as the sponsor. A school food authority administering the program at schools within the district is a sponsor of affiliated facilities).

This memorandum specifically applies to sponsoring organizations (affiliated and unaffiliated) and is designed to provide guidance to sponsoring organizations regarding their monitoring requirements of their sponsored centers non-profit food service and procurement procedures. **Sponsors of day care homes are exempt from meeting the requirements in this guidance.** However, there may be circumstances when an affiliated sponsoring organization may not be required to monitor and complete the monitoring assessment of the non-profit food service and procurement for centers. Refer to the following examples:

#### Non-profit Food Service:

- If an affiliated sponsor does not maintain separate bank accounts for each center and the sponsor directly retains all of the CACFP reimbursement, then the sponsor must ensure compliance of maintaining a non-profit food service at the sponsor level but will not be required to conduct non-profit monitoring for each center.

#### Procurement:

- If an affiliated sponsor, the requirement to conduct the procurement monitoring assessment on the centers will depend upon the sponsor’s own procurement policy and purchasing. If the sponsor conducts procurement for all centers together, then the sponsor must ensure compliance of procurement at the sponsor level and the monitoring assessment but will not be required to assess procurement for each center.

Note: For School Food Authorities (SFA’s) that participate in the NSLP, if the school does not separate CACFP expenses to conduct procurement and procurement is conducted with combined purchases for the NSLP and CACFP, the SFA will not be required to conduct the monitoring assessment at the center level nor at the sponsor level because the state conducts procurement audits separately on SFA’s that participate in NSL). However, if procurement for CACFP is conducted separately, then the SFA would be expected to comply with the requirements.

## Overview

The United States Department of Agriculture (USDA) requires state agencies to require their Child and Adult Care Food Program (CACFP) sponsors of affiliated and unaffiliated centers to conduct full financial-level Program monitoring of their sponsored centers [2 CFR 200.101(b)(1)-(2)]. Specifically, the regulation uses the terms *non-federal entity*, *recipient*, and *subrecipient*. A *non-Federal entity* is a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient [2 CFR 200.69]. A *recipient* is a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program [2 CFR 200.89]. A *subrecipient* is a non-Federal entity that receives a sub-award from a pass-through entity (SA or Sponsoring organization) to carry out part of a Federal program [2 CFR §200.93].

Based on the aforementioned, it is the sponsoring organization's role, as a non-federal entity and sub-recipient, to monitor sponsored centers for compliance with Program policy, maintain Program records, compile and submit the monthly claims for reimbursement on behalf of the sponsored centers, and provide nutrition training and education. Additionally, sponsoring organizations are responsible for ensuring all meals served and claims submitted are compliant with all USDA regulations and State guidance and for ensuring sponsored centers meet all financial management requirements [2 CFR 200.302, FNS Instructions 796-2, Section FNS IX E]. Sponsors must also have internal controls and management systems in place to ensure Program accountability. Sponsoring organizations are required to monitor CACFP operations, identify errors, and require corrective action from the centers under their sponsorship.

This memorandum assists sponsoring organizations in meeting the outlined monitoring requirements for all sponsored centers. In addition, DECAL updated and enhanced the DECAL monitoring review forms and instructions to serve as a tool for sponsors. Sponsors must meet the monitoring requirements outlined in CACFP policy memo, *Monitoring Requirements*, as well as the guidance provided in this memo. (*Refer to Section F. Resources, below*) To ensure sponsored centers are in compliance with overall financial management requirements, sponsors must have internal controls in place to evaluate the use of CACFP reimbursement at the center level. Specifically, sponsors must attempt to answer the following basic questions:

1. Did the center conduct monthly edit checks and verify the center's claim for reimbursement is accurate?
2. Did the center provide a complete and accurate Monthly Record of Costs form?
3. Are all costs charged to the Program allowable?
4. Does the center track Program funds that adequately and clearly identifies the receipt and distribution of Program funds?
5. Is the center operating a non-profit food service and maintaining records documenting the operation of that food service?
6. Is the center implementing required procurement procedures?

#### **A. Monitoring a Center's Non-Profit Food Service**

Pursuant to Federal regulations and State policy, sponsors of centers are required to operate a non-profit food service principally for the benefit of enrolled participants and to maintain adequate records to support the sponsor's non-profit food service status. (*Note: public and private non-profit institutions are not excluded from this requirement*). All income to the program must be retained and used in the institution's non-profit food service account. Sponsors must also ensure their centers are maintaining a non-profit food service. To do this, sponsors must effectively monitor and review its center's activities, including but not limited to, budgeting, accounting, costing standards, management of revenues, management of expenditures, management of property, procurement standards, and fiscal audits. All of these activities are considered financial management practices. Pursuant to FNS Instruction 796-4, Rev. 4, VI and 2 CFR 200.302, records of these activities must be supported by source documents to accurately and fully disclose the sources and application of funds.

Sponsored centers may use one of three options to track funds when operating a non-profit food service.

- 1) Manual tracking, this system must identify the source and application of funds (*not an option for the sponsoring organization*),
- 2) Separate CACFP bank account,
- 3) A comingled account with a chart of accounts and general ledger (accounting code/program identifier).

The center must use an accounting system or have adequate records and tracking that identifies and separates food service Program expenses and revenues from expenses and revenues from other federal or non-federal programs operated by the organization. However, in order to more easily track CACFP expenditures, DECAL strongly encourages sponsored centers to maintain a separate Program account when managing Program funds. It is further recommended that all CACFP related expenditures are paid from this separate Program account rather than depositing Program reimbursement into the separate Program account but later transferring the funds into non-Program accounts for expenses. If the Sponsor cannot adequately identify the funds, the Sponsor may require a sponsored center to maintain a separate account for CACFP funds as corrective action. (*No findings/adverse action will be imposed until FY 2023*).

### Effective Monitoring Procedures

The list below provides actions sponsoring organizations must take to effectively monitor their sponsored centers non-profit food service.

- Conduct the non-profit food service assessment during one of the three monitoring reviews during the federal fiscal year.
- Ensure each center has adequate records and tracking in place to adequately identify the source and application of funds and either establish a manual tracking system, a separate CACFP bank account or a comingled account with a chart of accounts and general ledger (accounting code/program identifier).
- Maintain a list that clearly indicates which centers received a non-profit food service assessment and which did not receive an assessment for each federal fiscal year.
- If the sponsor has more than 50 centers, the sponsor should use the list in the next year to determine who to review, so that the same centers are not reviewed each year. The Sponsor will be responsible for ensuring all centers are reviewed and for tracking all monitoring requirements. (*Refer to Section D. Number of facilities to Monitor/Review below*).
- During the non-profit food service assessment:
  - Select a review month, review the Monthly Record of Cost Form, bank statements and/or a general ledger, tracking documentation, receipts, invoices, contracts, reimbursements and income to the Program, funds/expenses used for the Program, and balance of the non-profit food service account.
  - Use the CACFP Monitoring Review Form (Child Care or Adult Care) checklist and instructions to complete the non-profit food service assessment.
  - Attach copies of the applicable financial documents reviewed to the monitoring review form (*e.g.*, Monthly Record of Costs, invoices and receipts, bank statements and/general ledger).

### Managing Excess Funds

Consistent with USDA Program guidance, CACFP sponsoring organizations must also ensure any excess of net cash resources (*i.e.*, excess CACFP reimbursement funds) in each of their sponsored center's non-profit food service accounts is limited to three (3) months of Program expenses [DECAL Policy Memorandum, Excess Funds in the CACFP and SFSP (v.4.), October 1, 2020]. The excess may be retained or used for Child Nutrition Program purposes. Limiting the amount of excess funds ensures centers are utilizing their CACFP food service account funds to improve Program operations and meal quality. Therefore, sponsors must encourage their centers to consistently implement ways to enhance their Programs. Centers can avoid accumulating excess funds by using their Program reimbursement on a first-in-first-out basis. Meaning, for each reimbursement received, exhaust as much of the reimbursement on allowable costs prior to receiving the next month's reimbursement.

A non-profit food service balance is considered “excessive” when more than three (3) months average Program expenses are retained. One month of average expenses can be determined by dividing the total prior year’s expenses by the number of months in operation that year. Then, multiply by three to obtain the fund balance that cannot be exceeded. If the institution/sponsor did not operate the prior year, averaging the total current months (total of all previous operating months) expenses is possible.

Example: A centers prior year’s expenses totaled \$18,000 (total expenses for all 12 months). When divided by 12 months, one month of average expenses totals \$1,500. Then, multiply \$1,500 by three. The centers food service account balance should not exceed \$4,500.

## **B. Monitoring Procurement Procedures and Ensuring Required Procurement Practices**

Federal regulations require a non-Federal entity to use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurement procedures conform to applicable Federal law and the standards [2 CFR 200.318(a)].

### Effective Monitoring Procedures – Procurement Policy

The list below provides actions sponsoring organizations must take to effectively review and monitor each sponsored centers’ procurement policy:

- The Sponsor can conduct the procurement assessment during one of the three monitoring reviews during the federal fiscal year.
- The Sponsor must ensure all centers (100%) develop and implement a procurement policy as stated in 2 CFR 318(a). The Sponsor must make this assessment annually, once during the federal fiscal year, regardless of the number of centers under the sponsor.
- Sponsors should encourage centers to use the State Agency approved Procurement and Purchasing Policy Template, <http://www.decal.ga.gov/documents/attachments/ProcurementandPurchasingPolicyTemplate.doc>.

The template may be revised to include more organization specific language but may not remove the State Agency template language.

- If a center does not elect to use the State Agency approved Procurement and Purchasing Policy Template, at a minimum:
  - Sponsors must ensure all centers maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts; the written standards of conflict may be incorporated into the written procurement procedures.
  - Sponsors must ensure the procurement policy indicates no employee, officer, or agent of affiliated or unaffiliated sites, participates in the selection, award, or administration of a contract or purchasing agreement supported by a Federal award if he or she has a real or apparent conflict of interest.
  - Sponsors must ensure the procurement policy indicates officers, employees, and agents of sponsored centers may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. Sponsors may, however, set standards for situations in which gratuities, favors, or anything of monetary value is an unsolicited item of nominal value.
  - Sponsors must ensure centers’ written standards of conduct provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

### Effective Monitoring Procedures - Executed Procurement Practices

The list below provides actions sponsoring organizations must take to effectively monitor each sponsored centers' procurement practices (formal, informal, or micro-purchase):

- Sponsors must validate the compliancy of the procedures and must ensure the center's procurement procedures are being followed.
- Sponsors would be required to review contractual agreements and supporting documents as part of the monitoring review process for centers.
- Maintain a list of all centers of which the sponsor conducted a procurement review and which centers did not have a procurement review for each federal fiscal year.
- If the sponsor has more than 50 centers, the sponsor should use the list in the next year to determine who to review, so that the same centers are not reviewed each year. The Sponsor will be responsible for ensuring all centers are reviewed and for tracking all monitoring requirements. (*Refer to Section D. Number of facilities to Monitor/Review below*).
- Use the CACFP Monitoring Review Form (Child Care or Adult Care) checklist and instructions to complete the procurement assessment. Additionally, sponsors may use the sample Procurement Review Workbook developed by DECAL to determine if the center is following their procurement procedures.
- Attach copies of the applicable procurement documents reviewed to the monitoring review form. (e.g., Monthly Record of Costs, invoices and receipts, Procurement Policy, Procurement Review Workbook).
- If the sponsored centers will be executing formal procurement procedures, sponsors as well as the State Agency must review contracts, agreements and supporting documentation related to this process according to Program regulation.

### **C. Implementation Timelines**

Since monitoring the financial and procurement practices of sponsored centers may be a new requirement for sponsoring organizations, DECAL is allowing sponsors to implement this new monitoring process in stages to provide sponsors with ample time to develop, train, test, and implement these practices. The following timeline illustrates the deadlines sponsors must follow for each stage of this process. Note that sponsors may begin developing their monitoring plans and training staff prior to the dates listed in the following table.

<b>Action</b>	<b>Deadline</b>
Start developing a plan to incorporate monitoring center non-profit food service and procurement for all centers.	October 1, 2021
Train all sponsor and center staff and finalize the monitoring plan.	June 1, 2022
Centers required to meet non-profit food service and procurement requirements.	October 1, 2022
Begin monitoring all centers based on guidelines set forth effective this date.*	October 1, 2022 (during FY 2023)
Effective date to begin imposing findings/adverse actions.	October 1, 2023 (during FY 2024)

**\*Note:** Sponsoring organizations must not impose findings and adverse actions in FY 2022 or FY 2023. Instead, DECAL strongly encourages technical assistance be provided. Additionally, DECAL will not officially assess the provisions in this memorandum in FY2022 or FY2023 but will instead provide technical assistance to the sponsoring organization. DECAL will review for compliance and begin imposing findings in FY 2024.

#### D. Number of Facilities to Monitor/Review

The sponsoring organization should use the number of centers in agreement with the sponsor as of October 1<sup>st</sup> (start of each new fiscal year) when calculating the number of facilities to review. However, if a “new” facility enters into an agreement with the sponsor after October 1<sup>st</sup> and the facility does not operate the CACFP for the entire federal fiscal year depending on approval date, the sponsor must complete the non-profit and procurement monitoring assessment based on the following grouping criteria.

For sponsors with 50 or fewer centers, the nonprofit and procurement monitoring assessment must be conducted at least once annually for all centers during the federal fiscal year. The procurement monitoring assessment may be conducted at the same time as the nonprofit food service review, however conducting the assessments simultaneously is not required. If a “new” facility enters into an agreement with the sponsor during the federal fiscal year, the sponsor must conduct the nonprofit and procurement monitoring assessment once during the same federal fiscal year regardless of how long the facility operated.

For sponsors with 51 or more centers, a minimum of 50 centers plus 25% of the additional centers must have a nonprofit and procurement monitoring assessment conducted at least once annually during the federal fiscal year. For example, if a sponsor has 100 centers, the sponsor must select 50 centers, plus 25% of the remaining 50 centers, which is an additional 13 centers. In total, the sponsor would be required to conduct a nonprofit and procurement monitoring assessment of 63 centers.

Additionally, if a sponsor has more than 50 centers, the sponsor should use the list developed by the sponsor in the next year to determine who to review, so that the same centers are not reviewed each year. The Sponsor will be responsible for ensuring all centers are reviewed and for tracking all monitoring requirements. If a “new” facility enters an agreement with the sponsor after October 1<sup>st</sup>, the sponsor must assess whether the center has developed and implemented a procurement policy within the current federal fiscal year; however, the sponsor may add the new facility to the list of centers to review nonprofit and procurement in the next fiscal year.

The following chart illustrates the number of centers sponsors are required to review.

Number of Centers	Non-profit Review	Procurement Procedures	Procurement Review
50 or less centers	100% of centers once per year	100%	100% of centers once per year
51 or more centers	50 centers plus 25% of remaining centers	100%	50 centers plus 25% of remaining centers

Note: For new facilities, DECAL recommends sponsoring organizations conduct the nonprofit and procurement assessment in the current fiscal year and/or assess to determine if additional guidance and technical assistance is needed.

#### E. Recordkeeping

Centers of sponsoring organizations are required to maintain all applicable Program records on file at the center for the current year plus a period of three years as previously described. Copies of all records must be forwarded to the sponsoring organization and must be kept on file and available for review at all times by DECAL, DECAL contractors, USDA, or any of their representatives. Similar to a sponsor’s financial recordkeeping requirements, sponsored centers must also maintain adequate financial and procurement records from the list as previously described and where applicable. All required financial and procurement records must be kept on file at the center for the current year plus a period of three years.

Specifically, sponsoring organizations of affiliated and unaffiliated centers must maintain, at minimum, each of the following:

1. Well documented evidence of the sponsor's routine monitoring and evaluation of each sponsored center's use of monthly CACFP reimbursement;
2. Documentation to justify each center only uses Program reimbursement for allowable costs;
3. Monthly documentation from each center, including the monthly record of operating costs and all supporting documentation (e.g., receipts, invoices, bank statements, payroll records, general ledger, chart of accounts, check registry, etc.);
4. Documentation to support each center operates a non-profit food service account and
5. Documentation to support each centers' procurement of goods and services follows the guidance outlined within DECAL's Procurement Manual and Procurement Policy Template which can be accessed below.

## F. Resources

- CACFP Policy Memorandum, *Monitoring Requirements*, <http://www.dec.al.ga.gov/documents/attachments/monitorrequirememo.pdf>
- CACFP Monitoring Review Forms, <http://www.dec.al.ga.gov/BftS/FormList.aspx?cat=CACFP>
- CACFP Policy Memorandum, *Excess Funds in the CACFP and SFSP*, October 1, 2020, <http://www.dec.al.ga.gov/documents/attachments/ExcessFundsCACFPandSFSP20.pdf>
- CACFP Policy No. 02/18 - Record Keeping Requirements, CACFP Policy #18, [www.dec.al.ga.gov/documents/attachments/CACFPPolicy18.pdf](http://www.dec.al.ga.gov/documents/attachments/CACFPPolicy18.pdf)
- CACFP Policy No. 02/23 - Maintaining the Integrity of Child and Adult Care Food Program Funds in a Separate or Commingled Account, <http://www.dec.al.ga.gov/documents/attachments/maintaincacfpfunds.pdf>
- CACFP Policy No. 17/39, Financial Recordkeeping in the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP), <http://www.dec.al.ga.gov/documents/attachments/CACFPPolicy39.pdf>
- Procurement Documents: <http://www.dec.al.ga.gov/CACFP/Procurement.aspx?>
  - DECAL Procurement Manual
  - Procurement and Purchasing Policy Template
  - Procurement Review Workbook, <http://www.dec.al.ga.gov/CACFP/Procurement.aspx>

Note: The aforementioned resources may have been crafted with the State Agency's monitoring requirements of sponsoring organizations in mind. However, select sections of the guidance also apply to sponsoring organizations when monitoring their sponsored centers.

If you have any questions regarding this memorandum, please contact Nutrition's Policy Administrator at (404) 651-8193.