



Georgia Department of Early Care and Learning

## BRIGHT FROM THE START: Georgia Department of Early Care and Learning

### Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/03-27</b>	<b>Effective Date:</b> 3/2/2003
		<b>Revised:</b> 10/1/2015
		<b>Revision Effective:</b> 10/01/2015

**SUBJECT:** Audit Reports for Nonprofit and For-profit Institutions Participating in the Child and Adult Care Food Program

**LEGAL AUTHORITY:** 2 CFR § 200; OMB 2015 Compliance Supplement; O.C.G.A. § 20-1A-4(3); O.C.G.A § 50-20; CFR § 6(c)(3)(ii), 7 CFR 226.8 (a)

*Cross Reference/See Also:* CACFP/00-9, CACFP/02-18

#### I. PURPOSE

The purpose of this policy is to discuss the audit report requirements and procedures for nonprofit and for-profit institutions participating in the Child and Adult Care Food Program (CACFP).

#### II. APPLIES TO

This policy applies to nonprofit and for-profit institutions participating in the CACFP, except for Federal nonprofits, which are exempt from the following policy.

#### III. DEFINITION(S)

"Audit " means a report prepared by external auditors examining and verifying the institution's financial activities, including Federal and State awards, and the institution's compliance with program regulations and policies for a defined period of time.

"Catalog of Federal Domestic Assistance (CFDA)" means a system that details program descriptions for Federal assistance programs available to State and local governments (including the District of Columbia); federally-recognized Indian tribal governments; Territories (and possessions) of the United States; domestic public, quasi-public, and private non-profit organizations and institutions; specialized groups and individuals.

"Certified Public Accountant (C.P.A.)" means an individual who has received state certification

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to practice accounting.

"Federal funds" means financial assistance or cost-reimbursements that non-federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors. Any audits of such vendors shall be covered by the terms and conditions of the contract. Please note: CACFP reimbursements paid to institutions are federal funds.

"For-profit institution" means a child care center, outside school hours care center, or an adult care center as defined by Bright from the Start: Georgia Department of Early Care and Learning (DECAL) and the Food and Nutrition Service (FNS) providing nonresidential care to adults or children that does not qualify for tax-exempt status under the Internal Revenue Code of 1986.

1. For-profit child care and outside school hours care center must meet the definitions defined by the FNS and the condition of 25% of the children in care (enrolled or licensed capacity, whichever is less) are eligible for free or reduced meals or 25% of the children in care (enrolled or licensed capacity) receive benefits from title XX or the center receives compensation from amounts granted to the States under title XX.

2. For-profit adult day care centers must meet the definition defined by the FNS and must receive compensation from amounts granted to the States under title XIX or title XX and 25% of adults enrolled in care are beneficiaries of title XIX, title XX, or a combination of titles XIX and XX.

"Nonprofit institution" means any corporation, trust, association, cooperative, or other organization that is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest; and is not organized primarily for-profit; and uses its net proceeds to maintain, improve, or expand the operations of the organization.

"State funds" means any funds provided by state appropriations or other revenue sources retained by the contracting state organization but does not include federal pass-through assistance.

## IV. POLICY

### FEDERAL AUDIT REQUIREMENTS

The CFDA number for Child Nutrition Program CACFP is 10.558. All institutions should refer to this number for audit purposes. All Independent single audits or audited financial statements must include the CFDA number.

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## Nonprofit Institutions

Federal regulations require all non-profit institutions which expend \$750,000 or more in Federal funds per fiscal year to submit an audit report based on Governmental Accounting Standards and in compliance with 2 CFR § 200/OMB 2015 Compliance Supplement, to the Federal Audit Clearinghouse, Georgia Department of Audits and Accounts, and to Bright from the Start: Georgia Department of Early Care and Learning (DECAL). Although federal guidance request that audit reports be submitted within 9 months of the end of the institution's fiscal year, it is DECAL's policy that audit reports be submitted within 6 months of the end of the institution's fiscal year. The audit report must be completed by a licensed Certified Public Accountant (C.P.A.) in accordance with Generally Accepted Accounting Principles (GAAP) and should examine and verify the institution's financial activities, including Federal awards, and the institution's compliance with program regulations and policies for a defined period of time. The institution may submit one audit report completed by their licensed C.P.A. to DECAL. The audit report submitted to DECAL by the institution will be considered the final audit report.

## For-profit Institutions

DECAL reserves the right to require for-profit institutions that expend \$750,000 or more in federal funds per fiscal year to submit a copy of an audit report based on Governmental Accounting Standards and in compliance with 2 CFR § 200/OMB 2015 Compliance Supplement to DECAL on a case-by-case basis. The audit report for for-profit organizations must follow the same requirements as previously described for non-profit organizations. DECAL will notify selected for-profit institutions if they are required to submit an audit report.

## STATE AUDIT REQUIREMENTS

### Nonprofit Institutions

#### Nonprofit Institutions that Expend \$100,000 or More in State Funds in their Fiscal Year

The Official Code of Georgia Annotated requires all nonprofit institutions that have expended \$100,000 or more in state funds during their fiscal year to submit an audit of the financial affairs and transactions of all of their funds and activities to the Georgia Department of Audits and Accounts and to DECAL within 6 months of the close of the nonprofit institution's fiscal year. The audit report must be completed by a licensed Certified Public Accountant (C.P.A.) in accordance with Generally Accepted Auditing Standards and GAAP. The institution may submit one audit report completed by their licensed C.P.A. to DECAL. The audit report submitted to DECAL by the institution will be considered the final audit report.

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Nonprofit Institutions that Expend Between \$25,000 and \$100,000 in State Funds in Their Fiscal Year

Nonprofit institutions that expend between \$25,000 and \$100,000 in State funds in their fiscal year are required to forward a copy of their financial statements to the Georgia Department of Audit and Accounts and to DECAL within 6 months of the close of nonprofit institution's fiscal year. If the institution's annual financial statements are completed by a C.P.A., the CPA's report must be sent to the Georgia Department of Audits and Accounts and DECAL as well.

If the institution's annual financial statements are not completed by a C.P.A., the annual financial statements must be accompanied by the statement of the president or person responsible for the nonprofit organization's financial statements:

-stating the president's or other person's belief as to whether the statements were prepared on the basis of Generally Accepted Accounting Principles (GAAP), and if not, describing the preparation; and

-describing any respects in which the statements were not prepared on a basis consistent with the statements prepared from the preceding year.

Nonprofit institutions that receive funds from DECAL and meet the Federal audit requirements of the Single Audit Act Amendments of 1996 are required to submit audit reports and reporting packages performed in accordance with Office of Management and Budget regulations and in accordance with GAAP.

## EXCLUSIONS

Some nonprofit institutions are excluded from this State audit report requirement. They are:

-Nonprofit institutions affiliated with the University System of Georgia which are organized primarily for the purpose of serving, soliciting, receiving, and investing gifts and donations in the name of the Board of Regents or individual units of the University System of Georgia or related programs and which expend less than \$25,000 in State funds per fiscal year;

-Nonprofit institutions affiliated with the State Board of Technical and Adult Education or with postsecondary technical schools operated under the state level management and operational control of the State Board of Technical and Adult Education which are operated primarily for the purpose of serving, soliciting, receiving, and investing gifts and donations for the board, such schools, or related programs and which expend less than \$25,000 in state awards; and

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-Nonprofit institutions that expend less than \$25,000 in State funds per fiscal year.

## For-profit Institutions

There are no state audit requirements for for-profit institutions.

## Both Nonprofit and For-profit Institutions

Federal regulations state that a participating institution is seriously deficient if it fails to perform any of the financial and administrative responsibilities required by 7 C.F.R. 226. Failure of an institution to submit the audit report required by Federal regulations or DECAL within 6 months of the end of the institution's fiscal year will result in DECAL declaring the institution seriously deficient. Failure of a non-profit institution to submit the audit report or financial statements required by State regulations within 6 months of the end of the institution's fiscal year will result in DECAL declaring the institution seriously deficient. If timely corrective action is not taken to fully and permanently correct the serious deficiency, DECAL will propose to terminate the institution's agreement and disqualify the institution and the responsible principals and responsible individuals. The institution and its responsible principals and individuals will also be placed on the National Disqualified List. Institutions, principals, and individuals that are placed on the National Disqualified List are not permitted to participate in the CACFP or Summer Food Service Program (SFSP) in any capacity. (See CACFP/00-9 Corrective Action for and Termination from the CACFP for New, Participating, and Renewing Institutions)

Nonprofit institutions applying to or participating in the CACFP are only required to submit one audit report to meet both Federal and State audit requirements. For-profit institutions applying to or participating in the CACFP, upon request, are required to submit an audit report that meets the Federal requirements to DECAL. Institutions should submit the highest level audit report that is required by Federal and/or State guidelines outlined above and should also adhere to the strictest deadline of the reports that they are required to submit according to Federal and/or State guidelines. It is also important to note that the cost of an any audit is not an allowable cost to CACFP if it is not required by Federal regulations. Therefore, institutions that have an audit performed, which was not required based on the federal threshold amount can not charge audit costs to the CACFP.

Institutions applying to or participating in the CACFP are responsible for ensuring they are knowledgeable of and meet all of the Federal, State, and local reporting requirements required by law. Institutions applying to or participating in the CACFP should consult the appropriate State and Federal regulations along with a licensed C.P.A. to ensure they are in compliance with Federal and State requirements at all times.

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## V. PROCEDURE(S)

### FEDERAL AUDIT REQUIREMENTS

#### Nonprofit Institutions

To ensure compliance with Federal regulations, all non-profit institutions that expend \$750,000 or more per fiscal year or more in Federal funds must ensure they submit an audit report to the Federal Audit Clearinghouse, Georgia Department of Audits and Accounts, and to DECAL's Audits and Compliance Division (Nutrition Services) within 6 months of the end of the institution's fiscal year.

#### For-profit Institutions

To ensure compliance with DECAL policies, when requested, for-profit institutions that expend \$750,000 or more per fiscal year must submit an audit report to DECAL's Audits and Compliance Division within 6 months of the end of the institution's fiscal year. DECAL will notify selected for-profit institutions if they are required to submit an audit report.

### STATE AUDIT REQUIREMENTS

#### Nonprofit Institutions

To ensure compliance with State regulations, all non-profit institutions which expend \$100,000 or more in State funds annually must submit an audit of the financial affairs and transactions of all of their funds and activities to Georgia Department of Audits and Accounts and to DECAL's Audits and Compliance Division (Nutrition Services) within 6 months of the close of the nonprofit institution's fiscal year.

To ensure compliance with state regulations, nonprofit institutions that expend between \$25,000 and \$100,000 in state funds annually, must ensure they submit a copy of their financial statements to the Georgia Department of Audits and Accounts and to DECAL's Audits and Compliance Division (Nutrition Services) within 6 months of the end of the institution's fiscal year. All non-profit institutions participating in the CACFP should follow DECAL's record keeping policy (See CACFP/02-18 Record keeping Requirements for the CACFP) to ensure that all of the documentation necessary for the C.P.A. to perform a complete and accurate audit is available and provided to the C.P.A. in a timely manner. This will help ensure timely submission of the audit report and/or financial statements to DECAL.

Failure of a nonprofit institution or when requested, a for-profit institution, to submit the audit report required by Federal regulations within 6 months of the end of the institution's fiscal year

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will result in DECAL declaring the institution and the responsible principals and individuals seriously deficient. Failure of a non-profit institution to submit the audit report required by State regulations within 6 months of the end of the institution's fiscal year will result in DECAL declaring the institution and the responsible principals and individuals seriously deficient. (See CACFP/00-9 Corrective Action for and Termination from the CACFP for New, Participating, and Renewing Institutions)

Institutions are required to submit one audit report to meet their audit requirements. Institutions must ensure they submit the highest level audit report that is required by Federal and/or State guidelines outlined above, and institutions should also adhere to the strictest deadline to submit reports according to Federal and/or State guidelines.

For-profit Institutions

There are no state audit requirements for for-profit institutions

## VI. COMMENT(S)

Please be advised, all required/requested audit reports are due to the appropriate parties within 6 months of the end of the institutions fiscal year.

Any questions regarding this policy should be directed to the Policy Administrator at (404) 651-8193.