Georgia Dept of Early Care and Learning

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Area Numbered Policies

Programs CACFP, SFSP

Financial Recordkeeping in the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP), CACFP #39 (17-39)

LEGAL AUTHORITY

O.C.G.A. § 20-1A-4(3); 2 C.F.R. § 200; 7 C.F.R. § 225; 7 C.F.R. § 226; 796-2 Rev. 4; 796-4 Rev. 4

Cross Reference/See Also

I. PURPOSE

This policy serves as an addendum to the current Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP) recordkeeping policies. This policy explains specific financial recordkeeping requirements and procedures for both Programs.

II. APPLIES TO

This policy applies to all institutions and sponsors participating in the CACFP and SFSP.

III. DEFINITIONS

"Institution" means a sponsoring organization, child care center, outside-school-hours care center, emergency shelter, or adult day care center participating in the CACFP (7 C.F.R. 226.2). It also includes homeless shelters and "at-risk" after school care programs.

"Nonprofit food service" means all food service operations conducted by the institution principally for the benefit of enrolled participants, from which all of the Program reimbursement funds are used solely for the operations or improvement of such food service.

"Sponsor" means a public or private nonprofit school food authority, a public or private nonprofit

residential summer camp, a unit of local, municipal, county or State government, a public or private nonprofit college or university currently participating in the National Youth Sports Program (NYSP), or a private nonprofit organization which develops a special summer or other school vacation program providing food service similar to that made available to children during the school year under the National School Lunch and School Breakfast Programs and which is approved to participate in the Program (7 C.F.R. 225.2).

IV. POLICY

In accordance with Federal Regulations, the State's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award [2 C.F.R. 200.302]. Additionally, institutions and sponsors must record the receipt and expenditure of all Program funds, Program income and other income in accordance with U.S. Generally Accepted Accounting Principles (GAAP), FNS Instructions, federal regulations and the State agency financial management system [FNS Instruction 796-2 Rev 4 IX E 3]. 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 fall under financial management. Records of these activities must be supported by source documents to accurately and completely disclose the sources and application of funds [FNS Instruction 796-4, Rev. 4 VI A].

Whether operating the CACFP or the SFSP, the most common financial recordkeeping requirements for institutions and sponsors include the following:

- Current, complete, and accurate financial records must be maintained;
- The records must support federal Program funds were used for its intended purpose;
- The records must support approved and allowable (reasonable and necessary) Program expenses;
- The records must support all food service operations are conducted principally for the benefit of enrolled participants, of which all of the Program reimbursement funds are used solely for the operation or improvement of that food service;
- Financial tracking must include a separate Program bank account or chart of accounts;
- Records must include, and are not limited to, source documents such as monthly record of cost forms, bank statements, canceled checks, general registries or ledgers, charts of accounts, contracts/agreements, purchase receipts and invoices;
- All labor costs charged to the CACFP, whether allowable or generally allowable, must be fully disclosed.
- Documentation must be made available establishing the use and approval of excessive funds; and
- The records must be available immediately upon request for review by DECAL, USDA, or any of

their representatives.

To ensure CACFP institutions and SFSP sponsors are in compliance with overall financial management requirements, DECAL conducts Program compliance reviews and financial compliance audits which includes evaluating the institutions/sponsors financial activities and source documents. As part of the review or audit, the compliance examiner will attempt to answer questions similar to the ones listed below. Institutions and sponsors must frequently review these questions and assess if they are meeting the requirements. The list is not all inclusive.

SAMPLE COMPLIANCE REVIEW QUESTIONS ON FINANCIAL RECORDKEEPING

- Does the institution/sponsor have a complete and accurate Monthly Record of Costs form or an approved alternate form/method to separate such costs?

- Are all costs charged to the CACFP and/or the SFSP allowable costs?

- Does the institution/sponsor have invoices/receipts to support all financial transactions captured in the general ledger or record management system that establishes what was purchased and charged to the Program?

- Does the institution/sponsor utilize a general ledger or other comprehensive record management system that captures all the financial transactions and/or activities conducted for the institution's/sponsor's food service program? Is the general or financial record management system well organized?

- Did the institution/sponsor obtain DECAL approval, or if necessary, prior approval, specific prior written approval, or FNS approval for all expenses utilizing program funds?

- Are receipts of Program income properly safeguarded, deposited in a timely manner, and properly classified on the institution/sponsor's financial statements?

- Does the institution/sponsor have full oversight over and accountability for all Program assets as evidenced by periodic bank reconciliations?

- Does the institution/sponsor compare actual program expenses against budgeted amounts on a periodic basis, and if necessary, submit adjusted budgets to the State?

- For CACFP sponsoring organizations, is the lesser of either actual allowable administrative costs or 15% of total reimbursement being charged to the CACFP for administrative costs? Are CACFP sponsors accurately tracking, dispersing and documenting payments to its facilities?

- Are shared costs prorated or allocated appropriately so that CACFP and/or the SFSP is charged only for the portion used? If the institution is a multi-Program participant, is there a clear separation of expenses/reimbursement for each Program?

- Does the institution/sponsor fully disclose labor costs for all employees and job functions paid with CACFP and/or SFSP funds?

- Does the institution/sponsor maintain accurate and complete labor documentation (i.e., time and attendance reports, time distribution reports and compensation plan)? Are positions paid with CACFP and/or SFSP funds approved in the Management Plan and Budget Detail? Are costs between all Programs, including costs funded by other non-CACFP/SFSP funding sources, properly allocated?

- Are labor costs consistent with the institution/sponsor's management plan and written compensation policy?

- Is total compensation to employees reasonable for the services rendered? Does total compensation conform to the established compensation policy of the organization and is consistently applied?
- Are the number of staff consistent with the size of the institution/sponsor? If the institution/sponsor is a multi-program participant, is the number of staff consistent with the number of sites?
- Is there documentation on file to support contract work and do invoices match payment made to the contractor?
- Is the institution/sponsor operating a non-profit food service, meaning, all food service operations conducted by the institution principally for the benefit of enrolled participants, from which all of the Program reimbursement funds are used solely for the operations or improvement of such food service?
- Does the institution/sponsor appear to be spending earned reimbursement within the same
- Is the institution/sponsor preventing accumulation of excess funds by using their Program reimbursement for administrative payments 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?
- For CACFP DCH sponsors only: Is the 10% carryover amount accurate and used on allowable costs?

Overall, financial records must be made available in such a manner that allows compliance examiners to easily verify whether the institution/sponsor is appropriately managing Program funds. The following section provides additional policy guidance on areas where DECAL finds the most common financial management violations.

Financial Management and the CACFP/SFSP Budget

Development and approval of the Program budget is established through the institution/sponsor's budget submission process in GA ATLAS. Institutions and sponsors must ensure CACFP and/or SFSP income and expenses are consistent with approved Program budget(s). All costs must be approved by DECAL. Costs not previously approved and/or costs exceeding the approved budget amount may potentially be cited as disallowed costs. Note: If a budget line item/cost category (either operating or administrative) increases by 20% or more, this increase will require an amendment to the budget detail. If the increased cost is a generally allowable cost the institution/sponsor will be cited, but the cost will not be disallowed if the required amendment is not made. Costs requiring prior approval or specific prior written approval that increase by more than 20% will be disallowed if the required amendment is not made.

Separation of Costs Records per Program for Multiple-Program Organization

With regard to organizations operating both the CACFP and the SFSP, all records must be maintained separately because claims are filed separately. For the sake of an institution's/sponsor's financial recordkeeping, records must be maintained specific to the Program. This means, for example, the institution would maintain two separate sets of records, one for CACFP and the other for SFSP. Records must be maintained in a manner that clearly defines monthly and fiscal year revenue and expenditures and all documentation to support costs charged to the Program.

The Program budget is a major source compliance examiners will use to determine how program costs are being allocated between programs, as well as per cost category where activities may be shared between CACFP/SFSP and non-Program activities (other funds costs). Institutions and sponsors must ensure shared costs are well defined and appropriately allocated. This practice is also required for Sponsors of both Day Care Homes and Centers. Although the current budget detail in ATLAS highlights only CACFP, SFSP and Other Funds Costs (non-Program), sponsors must maintain a well-documented cost allocation plan that provides further distinction of CACFP costs between Homes and Centers. Below is a sample allocation methodology used to identify the separation of costs under the Labor and Benefits cost category for ABC Childcare. ABC Childcare is a SFSP Sponsor and is also a CACFP Sponsor of both centers and homes.

ABC Childcare Allocation Methodology (SFSP; CACFP Centers and Homes)

- Labor and Benefits: Total annual costs charged to the CACFP = $300,000.00
- Break-down of cost per program:
  CACFP - $240,000.00 (80%); SFSP - $60,000.00 (20%); Other funds (0%) = 100%
- Further break-down per CACFP - $240,000.00 (80%):
  Centers (Admin) - $200,000.00 (67%); DCH - $40,000.00 (13%) = 80%

Similar to the example illustrated above, institutions must ensure complete cost allocation is documented and available upon review. Source documentation must also be made available to justify costs and cost allocation. Source documents would include, but are not limited to, time sheets, time distribution reports, payroll records and the compensation plan. These documents must reconcile to the Sponsor's cost allocation plan and/or staff distribution worksheet.

Use of a Separate Program Account vs. a Commingled Account

Institutions and sponsors may maintain a separate Program account or a commingled account for the receipt and distribution of SFSP and/or CACFP funds. However, in order to more easily track SFSP and/or CACFP expenditures, DECAL widely encourages institutions and/or sponsors maintain a separate Program account when managing Program funds. If the institution is operating both the CACFP and SFSP, separate accounts for each Program are encouraged. If a commingled account is used, a chart of account and general ledger must be used. For example, the organization must use an accounting system that separates food service program expenses and revenues from expenses and revenues from other federal or non-federal programs operated by the organization. Under a cost allocation plan, each program would have its own accounting program code/identifier (e.g., 01-Corporate; 02-CACFP; 03-DCH; 04-SFSP; 05-CAPS). Additional codes are used to further identify specific classifications and expenses (e.g., Compensation costs-010; CACFP Program-02; Professional Empoloyee-200; therefore, the code tracking the CACFP menu monitor's salary is: 010-02-210 - a professional employee who works full-time for the CACFP). A general ledger would contain accounts for recording all federal and non-federal transactions relating to the organization's total assets, liabilities, owner's equity, income and expenses.

Use of separate CACFP and SFSP accounts allows institutions and sponsors to enhance management and organization of Program funds and to avoid mismanagement or improper use of funds. Additionally, managing the program from a separate account and maintaining complete and accurate records of all deposits, withdrawals, and transfers from that separate account would avoid review or audit by DECAL of

an institution's and/or sponsor's personal accounts or other accounts unrelated to the Program. However, if Program funds are transferred from a separate a SFSP and/or CACFP account to a personal or other account unrelated to the Program, that personal account or other account unrelated to the CACFP or SFSP would be subject to review or audit by USDA, DECAL, and/or its agents.

Simply opening a CACFP or SFSP bank account does not entirely satisfy DECAL's request to maintain a separate Program account. Institutions and sponsors must ensure once the Program account is established, all Program related transactions (debits and credits) must occur in this account and all Program accounting records and transactions must be segregated from all other non-Program accounts and activities. Any transfers that come from the designated Program account must be easily tracked back to the Program account and must be clearly noted in general registries, journal entries, ledgers and a chart of accounts. Most important, CACFP and SFSP funds must only be used for allowable Program-related costs.

Transfers of CACFP Funds and the Use of Credit Cards

DECAL recognizes that there may be a need for CACFP institutions to transfer CACFP funds from a separate CACFP bank account to reimburse themselves when they pay for CACFP expenses with non-CACFP funds. For example, institutions may use a separate payroll account, general business account, or a payroll service to pay salaries for their staff, including CACFP staff. In these situations, institutions may pay CACFP staff with non-CACFP funds and then reimburse themselves with CACFP funds from the separate CACFP account in the exact amount that is allocable to the CACFP. The transfer of funds/ reimbursement must be supported by time sheets, time distribution reports (if applicable), and payroll records; and should be easily tracked with supporting documentation. As a best practice, the institution should attach supporting expense documentation to a copy of the transfer of funds to ensure the amount of the transfer matches the exact amount of the CACFP expense paid with non-CACFP funds. This method of documentation will allow for the transfer of funds to be more easily tracked and reconciled. It would be expected that institutions reimburse themselves with CACFP funds during the same month or the following month from when the CACFP staff were paid. It would be unacceptable for institutions to transfer lump sums of CACFP funds to reimburse for multiple months of salaries paid with non-CACFP funds.

Furthermore, it is not acceptable for the institution to open a separate CACFP account to receive reimbursements, then transfer the funds into a general account and/or use the funds to pay a credit card balance. This does not meet financial management requirements. All program related transactions must occur in the CACFP bank account (outside of the example above related to payroll) and transactions must be segregated from all other non-program accounts.

Additionally, it is not acceptable for the institution to operate a separate CACFP account to receive CACFP reimbursements, then use a credit card to purchase all CACFP expenses. The use of credit cards for CACFP expenses should be done sparingly. Any purchase made using a credit card must be tracked and reconciled. If the institution uses CACFP funds to repay the credit card, the repayment must match the exact item/amount purchased. Institutions should principally pay for CACFP expenses through the use of the CACFP bank account through the use of debit cards and/or checks.

Records Access, Location and Retention

DECAL's policies CACFP 2-18 and SFSP 03-5 (Recordkeeping Requirements), highly emphasized that CACFP institutions and SFSP sponsors participating in their respective programs are required to maintain all records relating to Program administration, financial responsibility and operation. These records must be maintained at the location indicated in the institution's/sponsor's online application for the current year plus a period of three years after the date of submission of the final claim for the fiscal year to which they pertain.

The requested CACFP and/or SFSP financial records will only be accepted and reviewed if received by DECAL immediately upon request and retrieved from the location indicated in the online application. The immediate availability of requested Program records ensures the integrity of the institution's/sponsor's record maintenance system and eliminates the possibility of errors, improper revisions, and alterations to the records. Failure to maintain financial records or to make records available upon request, in accordance with Federal Regulations or DECAL policy, shall result in a review finding, as well as a cost disallowance for the period the records cover and/or the institution/sponsor being declared seriously deficient.

V. PROCEDURES

The Financial Recordkeeping Checklist

Attached to this guidance is a CACFP & SFSP Financial Recordkeeping Checklist to assist CACFP institutions and SFSP sponsors with maintaining financial records. Since required financial management practices are similar for both Programs, the checklist is one document designed to serve both Programs. Information used to create the checklist was gathered from DECAL's Budget Guidance Manual, 2 C.F.R. 200, 7 C.F.R. 226, 7 C.F.R. 225, Financial Management Instructions 796-2 Rev. 4 (CACFP) and 796-4 Rev. 4 (SFSP), GA ATLAS, and State policy guidance. The checklist begins with an overview of the most common required financial documents, provides a list of key terms to remember (based upon common financial management findings), and a comprehensive list of required records per budget cost category.

Note: This document serves as an additional resource to improve institution and sponsors financial management practices. This document is not all inclusive and must not be used to replace any Federal or State regulation, policy and/or policy memorandum regarding financial management.

VI. COMMENTS

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

Attachments

[Child and Adult Care Food Program (CACFP) and Summer Food Service Program (SFSP)](#)