



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/17-40</b>	<b>Effective Date:</b>	12/1/2019
		<b>Revised:</b>	12/1/2019
		<b>Revision Effective:</b>	12/1/2019

**SUBJECT:** Federal Program Closeout Procedures for the Child and Adult Care Food Program (CACFP)

**LEGAL AUTHORITY:** O.C.G.A. § 20-1A-4(3); 2 CFR § § 200.1; 200.310; 200.313; 200.314; 200.316; 200.329; 200.343; 200.345; FNS 796-2 Rev.4; OMB Circular A-129

*Cross Reference/See Also:*

#### **I. PURPOSE**

This policy provides information to CACFP organizations on the closeout procedures to be performed by both the Department of Early Care and Learning (DECAL) and the participating organization, once the CACFP Agreement for Participation has been terminated due to either voluntary or involuntary termination.

#### **II. APPLIES TO**

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

#### **III. DEFINITION(S)**

"Closeout" means the process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in 2 CFR §200.343 Closeout.

"Equipment" means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

"Federal award" means funding a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity.

"General purpose equipment" means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

"Obligations" in liquidating all obligations and when used in connection with a non-Federal organization's utilization of funds under the CACFP, obligations means orders placed for property and services, contracts and sub-awards made, and similar transactions during a given period that require payment by the organization during the same or a future period.

"Organization" means CACFP institution.

"Period of performance" means the time during which the organization may incur new obligations to carry out the work authorized under the CACFP. DECAL must provide start and end dates of the period of performance for CACFP participation.

"Personal property" means property other than real property. It may be tangible, having physical existence or intangible.

"Property" means real property or personal property.

"Real property" means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

"Supplies" means all tangible personal property other than those described in 2 CFR §200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000, regardless of the length of its useful life.

## IV. POLICY

Once a participating organization exits the CACFP, DECAL must officially 'close out' the organization's Program upon completion of all applicable administrative actions and all required Program procedures. Provided below are the required actions that both the organization and DECAL must take in order to complete the closeout process following the end of Program participation. To be clear, Program participation ends upon the organization's Termination for Convenience (voluntary termination) or Termination for Cause (involuntary termination).

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

Notably, if a voluntary closure is initiated, multi-program institutions must execute two separate closeout procedures; one process for CACFP and another for SFSP. Each shall be completed as outlined in items a. through g. below. However, if the organization is terminated as a result of Program non-compliance in one Program, DECAL will execute the termination process and proceed with closeout procedures for the second Program.

## Closeout Requirements

Pursuant to 2 CFR § 200.343, the following are the specific closeout requirements that either the organization or DECAL must complete:

- (a) Report Submission – The organization must submit, no later than (90) calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the Program Agreement. DECAL may approve extensions if requested by the organization.
- (b) Liquidation – Unless DECAL authorizes an extension, the organization must liquidate all obligations incurred under the CACFP not later than (90) calendar days after the end date of the period of performance as specified in the terms and conditions of the Program Agreement.
- (c) State Agency Payments - DECAL will make prompt payments to the organization for allowable reimbursable costs as warranted during the closeout process.
- (d) Refund of Advance or Unauthorized Payments - The organization must promptly refund any balances of unobligated cash paid by DECAL in advance or paid in reimbursement and that are not authorized to be retained by the organization for use in other projects. See §200.345 Collection of amounts due, for requirements regarding unreturned amounts that become delinquent debts.
- (e) Upward/Downward Adjustments - Consistent with the terms and conditions of the Program Agreement, DECAL must finalize any upward or downward adjustments to the Federal share of Program costs after closeout reports are received.
- (f) Inventory List - The organization must account for any real and personal

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

property acquired with Program reimbursement funds or received from the Federal Government in accordance with 2 CFR §§ 200.310 Insurance coverage through 200.316 Property trust relationship and 200.329 Reporting on real property.

- (g) State Agency Completion Deadline - DECAL will complete all closeout actions, which may include conducting a financial audit, for the organization's CACFP no later than one year after receipt and acceptance of all required final reports.

## Payment of Closeout Costs

In accordance with FNS 796-2 Rev. 4, CACFP organizations are eligible to receive payment for the necessary and reasonable costs of ceasing CACFP participation. Whether an organization's Program participation is voluntarily or involuntarily terminated, DECAL and the organization must make every effort to minimize CACFP closeout costs. Closeout costs that exceed the regulatory CACFP funding limitations are eligible for reimbursement consistent with the provisions of this policy. Individual facility closeout costs are not eligible for funding in excess of the organization's maximum regulatory earned reimbursement.

## V. PROCEDURE(S)

### Program Closeout

As mentioned previously, Program participation ends upon the organization's Termination for Convenience (voluntary termination) or Termination for Cause (involuntary termination). Specifically, once an organization has completed the Serious Deficiency process and is involuntarily terminated, such organization will receive a Notice of Termination and Disqualification. If the organization was voluntarily terminated, such organization would complete DECAL's Voluntary Closure Form. This form can be accessed on DECAL's website located at <http://dec.al.ga.gov/BftS/FormList.aspx?cat=CACFP>

The following information outlines the specific procedures and timeframes DECAL and organizations must adhere to once Program participation ceases. These procedures must be completed for both voluntary and involuntary Program termination.

### (10) Calendar Days

No later than (10) calendar days from the date the Notice of Termination and Disqualification was issued, or from receipt of an organization's Voluntary Closure Form, DECAL will notify the

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

organization that the Program closeout process has begun. This notification will be issued in writing, via certified mail, and e-mail correspondence. Further, such notification will indicate that the organization will be required to do the following:

1. Follow all closeout procedures as outlined within this guidance; and
2. Complete all closeout requirements, which includes the submission of any and all closeout documentation.

Additionally, the organization will receive information on the possibility of receiving reimbursement for the necessary and reasonable costs associated with Program closure.

### (30) Calendar Days

No later than (30) calendar days after receipt of DECAL’s closeout notification, organizations must:

1. Complete and submit a DECAL Federal Program Closeout - Total Inventory Record form located on the DECAL website.
  - Within the form, organizations must account for any real and personal property acquired with CACFP funds or received from the Federal Government in accordance with 2 CFR §§ 200.310 through 200.316. Specifically, any and all of the following must be listed if applicable to the organization:
    - i. The insurance coverage for real property and equipment acquired or improved with CACFP funds;
    - ii. (If title to real property is being retained), the amount of compensation paid to USDA;
    - iii. (If selling real property), the amount of compensation due to USDA;
    - iv. (If transferring real property title to USDA or to a third-party); the amount owed to the organization;
    - v. Items of equipment costing more than \$5,000 as a direct cost to the CACFP;
    - vi. All unused supplies exceeding \$5,000 in total aggregate fair market value; and
    - vii. Intangible property costing more than \$5,000 as a direct cost to the CACFP.
  - Inventory records for equipment must include a description of the equipment including serial numbers; information to calculate the Federal

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

share of the equipment; and the purchase date and cost.

2. Transfer all real and personal property to another participating CACFP organization when the center is ceasing to operate a child and/or adult care facility.
3. Submit the DECAL Federal Program Closeout - Transfer Record form to DECAL, listing all the real and personal property transferred to other CACFP organizations. This form is located on DECAL's website. A completed list must include:
  - i. The name of the CACFP organization where the items were transferred;
  - ii. The accepting CACFP organization's full address;
  - iii. All of the items transferred;
  - iv. Purchase amount of each item transferred (direct cost to the CACFP); and
  - v. Verification of receipt by the accepting organization.

Note: The Transfer Record form must be mailed to DECAL at the following address:

Bright from the Start:  
 Georgia Department of Early Care and Learning (DECAL)  
 Attention: Shonda Franklin (CACFP Closeout)  
 2 Martin Luther King Jr. Drive, SE, Suite 754, East Tower,  
 Atlanta, GA 30334

4. Audit the CACFP and non-profit Food Service Account (FSA) and determine if all outstanding allowable CACFP costs have been paid.

(60) Calendar Days

No later than (60) calendar days after receipt of DECAL's closeout notification, organizations must liquidate all obligations (i.e., real property and personal property) incurred under the CACFP and provide DECAL with documentation that supports such liquidation.

(90) Calendar Days

No later than (90) calendar days after receipt of DECAL's closeout notification, organizations must:

1. Submit to DECAL a complete Profit and Lost Statement and a General Ledger;

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

2. Promptly refund any balances of unobligated cash paid by DECAL in advance or paid in reimbursement and that are not authorized to be retained by the organization for use in other projects, including DECAL's share of revenue from items sold;
3. For DCH sponsors, any unexpended carryover funds from the prior year as well as any unused funds in excess of the 10% carryover for the current year, must be returned to DECAL, unless the organization plans to participate in another Child Nutrition Program (CNP) the subsequent year. (See also, DECAL policy memoranda, Carryover of Unused CACFP Administrative Reimbursement, August 11, 2011 and Excess Funds in the CACFP and SFSP (v.3), January 25, 2019 for additional guidance).
4. Return all funds in the form of a certified check/money order made payable to: Bright from the Start: Georgia Department of Early Care and Learning (DECAL), 2 Martin Luther King Jr. Drive, SE, Suite 754, East Tower, Atlanta, GA 30334, Attention: Finance Unit-CACFP Closeout; and
5. Notify DECAL in writing of any requests for an extension to submit required documentation.

## One-Year

Within one-year after the receipt and review of all required final reports, DECAL will complete all closeout actions for the organization which may include, but are not limited to:

- a. Finalizing any upward or downward adjustments to DECAL's share of Program costs;
- b. Notifying the organization of any upward or downward adjustments to the organizations' reimbursement for closeout costs;
- c. Making prompt payments to the organization for allowable reimbursable costs under the Program being closed out; and
- d. Conducting a financial audit post closeout if warranted.

As a reminder, the organization must maintain CACFP records for the current year plus a period of three (3) years after the date of submission of the final claim for the fiscal year to which they pertain.

## Disposal of Equipment and Supplies

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

Items of equipment with a fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of, with no further obligation to DECAL. Items of equipment with a current per-unit fair-market value in excess of \$5,000 may be sold. DECAL is entitled to an amount calculated by multiplying the current market value or proceeds from the sale by DECAL’s percentage of participation in the cost of the original purchase. If the equipment is sold, DECAL may permit the organization to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses [2 CFR §200.313].

If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other Child Nutrition Program or active CACFP participant, the institution must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal Government for its share. The amount of compensation must be computed in the same manner as for equipment [2 CFR §200.314].

Revenue from items sold must be reflected in the organization's Profit and Loss Statement and General Ledger.

### Payment of Closeout Costs – Reimbursement

The following outlines the specific procedures organizations must follow when seeking payment for the necessary and reasonable costs of ceasing CACFP participation.

DECAL will notify the organization of the availability of reimbursement. When the termination is voluntary, prompt notice will be provided after the organization notifies DECAL. When the termination is involuntary, this information will be included in the organization’s Notice of Final Termination and Disqualification. The notice must state the following:

- a. Only necessary and reasonable costs for closeout activities that cannot reasonably be avoided are allowable. All other costs incurred after termination are not allowable;
- b. Closeout costs must first be paid with CACFP excess funds not currently obligated;
- c. Termination does not affect the right of DECAL and FNS to disallow costs and recover funds on the basis of a later audit or review;
- d. Termination does not affect the organization's obligation to return any funds due as a result of later refunds, corrections, or other transactions;
- e. All closeout costs require specific prior written approval (SPWA);
- f. The method the organization must use to request SPWA: For example, DECAL may require the organization to identify each closeout costs



# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

individually or may permit the organization to identify closeout costs by function, with a written explanation of the function. DECAL may require submission of a closeout cost budget;

- g. The requirements for timely liquidation of closeout costs;
- h. Reimbursement of closeout costs will be made after receipt of documentation that the organization has liquidated all CACFP obligations (including all closeout costs); and
- i. Closeout costs due to the institution will be offset by any outstanding over claims and unearned advance payments.

Note: Reimbursement is the preferred method for paying the organization's closeout costs.

Unaffiliated sponsored facilities require SPWA from FNS for advance funds for closeout when DECAL determines advance payments are necessary to ensure protection of CACFP funded assets and proper payment of CACFP funds. Advance funding for closeout costs is not permitted when the institution has an outstanding over claim or unearned CACFP advance.

As a reminder, reimbursement of closeout costs will be issued to the organization after DECAL's receipt of documentation that all closeout costs and other CACFP obligations have been liquidated.

- (1) The institution must liquidate all CACFP and closeout cost obligations no later than (60) calendar days after termination of CACFP participation.
- (2) DECAL may establish shorter time frames for reporting purposes as required by 2 CFR § 200 (See also 2 CFR Part 230, Appendix B, 48 for more information on reporting closeout costs).
- (3) If specifically approved by FNS' Southeast Regional Office (SERO), DECAL may extend the organization's final reporting due date.

Further, closeout costs must be the net of all applicable credits, rebates, etc. Closeout cost payments are also subject to offsets (reductions) against over claims and unearned advance fund payments.

- (1) Administrative Cost Offsets

Payments for administrative closeout costs must be offset by outstanding administrative cost over claims and unearned administrative advance payments.

# Nutrition Services

<b>POLICY</b>	<b>No.: CACFP/17-40</b>	<b>Effective Date:</b> 12/1/2019
		<b>Revised:</b> 12/1/2019
		<b>Revision Effective:</b> 12/1/2019

(2) Operating Cost Offsets for Independent Centers and Affiliated Sponsored Centers

Closeout cost payments for operating costs must be offset by outstanding operating cost over claims and unearned operating cost advances for independent centers and sponsors of affiliated centers.

(3) Operating Costs Offsets for Unaffiliated Sponsored Centers and DCHs

Closeout cost payments incurred on behalf of unaffiliated sponsored centers and day care homes can only be offset by an outstanding operating cost or day care home meal service payment over claim or advance payment due to the facility for which the closeout costs were incurred.

## VI. COMMENT(S)

For general questions concerning this policy, please contact the Policy Administrator at (404) 651-8193. For specific questions on forms, financial or budgetary concerns, please contact the Budget Compliance Supervisor at (404) 651-7181.