



**Georgia Dept
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BRIGHT FROM THE START

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MEMORANDUM

To: Sponsors applying to and participating in the Summer Food Service Program (SFSP)

From: Tamika Boone, Director of Nutrition Services (*Original Signed*)

Date: February 1, 2022

Subject: Ensuring Sponsors Implement Adequate Oversight and Internal Controls of SFSP Operations

Legal Authority: 2 C.F.R. § 200; 7 C.F.R. § 226.2; 7 C.F.R. § 225.14; 7 CFR § 225.6(c)(2)(ii); 7 C.F.R. § 225.6(c)(3)(ii); 7 C.F.R. § 225.7(g); 7 C.F.R § 225.15(d) FNS Instruction 796-4, Rev.4; and FNS Instruction 113-1

Cross Reference/See also: DECAL Policies No. SFSP/03-6; SFSP/03-28; SFSP/03-5; CACFP/03-28; DECAL Policy Memoranda, *Transitioning from the Summer Food Service Program to Child and Adult Care Food Program (CACF) At-risk Afterschool Meals*, March 28, 2019, and *Summer Feeding Options for School Food Authorities*, January 25, 2019; and USDA's 2016 SFSP Administration Guidance.

Definitions: **Experienced Sponsor** means a sponsor which, as determined by the State agency, has successfully participated in the Program in the prior year.

Internal Controls means the policies, procedures, and organizational structure of an institution designed to reasonably assure that: (a) the Program achieves its intended result; (b) Program resources are used in a manner that protects against fraud, abuse, and mismanagement and in accordance with law, regulations, and guidance; and (c) timely and reliable Program information is obtained, maintained, reported, and used for decision-making.

New Sponsor means a sponsor which did not participate in the Program in the prior year, or as determined by the State agency, a sponsor which has experienced significant staff turnover from the prior year.

Private Nonprofit Organization means an organization (other than private nonprofit residential camps, school food authorities, or colleges or universities participating in the NYSP) that: (a) Exercises full control and authority over the operation of the Program at all sites under the sponsorship of the organization; (b) Provides ongoing year-round activities for children or families; (c) Demonstrates that the organization has adequate management and the fiscal capacity to operate the Program; (d) Is an organization

described in section 501(c) of the Internal Revenue Code of 1986 and exempt from taxation under 501(a) of that Code; and (e) Meets applicable State and local health, safety, and sanitation standards.

School Food Authority means the governing body which is responsible for the administration of one or more schools, and which has the legal authority to operate a lunch program in those schools. In addition, for the purpose of determining the applicability of food service management company registration and bid procedure requirements, “school food authority” also means any college or university which participates in the Program. School Food Authorities are commonly referred to as “SFAs”.

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 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. Sponsors are referred to in the Act as “service institutions”.

The purpose of this memorandum is to ensure that SFSP sponsors implement and maintain adequate oversight and internal controls of SFSP operations. In accordance with 7 CFR §225.14, an SFSP sponsor must demonstrate and continually ensure that it is: **(1) financially viable, (2) administratively capable of administering and operating the Program, and (3) has internal controls in place to ensure accountability.** These requirements are sometimes referred to as “VCA.”

I. Financial Viability

Per 7 CFR 225.14(c), SFSP sponsors must demonstrate financial capability and accept final financial responsibility for Program operations. To support the financial viability required to operate the SFSP in accordance with Program requirements, sponsors must demonstrate and/or maintain documentation that it meets all the following criteria:

1. Description of need/recruitment. A sponsoring organization must demonstrate that there is a need for service and that appropriate recruitment practices are in place and enforced.
2. Fiscal resources and financial history. Per 7 CFR § 225.14(c)(5), sponsors are required to provide an ongoing year-round service to the community which it proposes to serve under the SFSP, except for sponsors that operate a residential camp, operate food service for children of migrant workers, participate in the Program in an area affected by an unanticipated school closure, and/or if not approved to operate would deny the Program to an area in which poor economic conditions exist or a significant number of needy children would not otherwise have reasonable access to the Program. Private non-profit sponsors, per 7 CFR § 225.14(d)(6)(iii), must also demonstrate the fiscal capacity to operate the Program.

As such, sponsors must demonstrate that they have adequate financial resources to operate the SFSP on a daily basis; therefore, it is expected that sponsors document their financial viability (e.g., through audits, financial statements, etc.), their services in the local community, and external funding for the services provided. Non-Program financial resources ensures the sponsor's ability to continue services under the Program when there are temporary interruptions in Program payments and/or to pay debts when fiscal claims have been assessed against the sponsor.

3. **Budgets.** Costs in the sponsor's budget must be necessary, reasonable, allowable, and appropriately documented to support Program administration and operation. The budget should also contain the projected administrative expenses which a sponsor expects to incur during the operation of the Program and shall include information in sufficient detail to enable GA DECAL to assess the sponsor's ability to operate the program within its estimated reimbursement. Once approved by GA DECAL, budgets shall be subject to subsequent reviews when adjustments are made to projected SFSP costs.

Note: SFAs have the option to request that SFSP budget and management plan requirements be waived. Please refer to [DECAL Policy Memorandum, Streamlined SFSP Application Requirements for School Food Authorities \(SFAs\) \(dated January 25, 2019\)](#) for further detail.

II. Administrative Capability

Sponsors must be administratively capable, exercise management control over Program operations, and have operational control over meal service sites throughout the period of Program participation; and maintain appropriate records to document compliance with Program requirements. SFSP sponsors are responsible for, but not limited to:

- Having adequate supervisory and operational personnel for overall monitoring and management of each sponsored site, including adequate personnel to conduct required site visits and reviews;
- Having an adequate number of qualified staff and ensuring that staff are trained to perform their duties;
- Properly monitoring meal service sites;
- Ensuring compliance with Civil Rights requirements; and
- Adhering to the additional sponsor administrative and management functions/responsibilities found in 7 CFR §225.15.

As such, sponsors must demonstrate that appropriate effective management practices are in place to ensure that their SFSP operates in accordance with regulations and fulfills the responsibilities described above; therefore, sponsors must provide copies to GA DECAL and/or maintain the following items:

- a. An organizational chart;
- b. The organization's compensation plan;
- c. Written job descriptions for all organization positions, indicating which positions will be responsible for SFSP functions, and which positions will perform multiple duties between CACFP, SFSP, and/or any other organizational programs;
- d. The organization's Personnel Policies and Procedures;

III. Program Accountability

Each sponsor must have internal controls and other management systems in place to ensure fiscal accountability and to ensure that the Program operates in accordance with Federal requirements. This would include a sponsor demonstrating its ability to be accountable for Program funds and to properly provide meal services to eligible recipients as required.

Governing Board of Directors for Private Non-Profit SFSP Sponsors

As per GA DECAL Policy 03-12 *Responsibilities and Guidelines for the Board of Directors in All Federal Tax-Exempt Non-Profit Sponsors Applying to or Participating in the Summer Food Service Program* (dated March 12, 2015), Federal regulations require that all Federal tax-exempt non-profit SFSP sponsors applying to or participating in the SFSP must have internal controls and other management systems in effect to ensure fiscal accountability in accordance with the requirements of 7 CFR §225. One of the many ways a sponsor must demonstrate Program accountability is by ensuring that it has adequate oversight of the Program as defined by Federal and State statutes and requirements by its governing Board of Directors.

The internal revenue service (IRS) requires that a Federal tax-exempt non-profit sponsor be governed by a Board of Directors that is "primarily" composed of members of the community it serves, who are not financially interested in the organization's activities and/or who are not "related parties." "Primarily" means having a board that consists of over 50% of members of the community rather than of "insiders" or individuals who are related to its personnel or to each other. "Related parties" are considered to be the Founder, Directors, their families, and/or employees, and individuals who do business with the sponsor.

The governing Board of Directors is responsible for:

- Determining the organization's mission and purpose;
- Providing operational oversight;
- Ensuring compliance with regulatory requirements;
- Selection and evaluation of the Executive Director;
- Policy setting for the organization;
- Providing fiscal guidance;
- Ongoing governance;
- Regularly reviewing the organization's policies, programs, and budgets;
- Staying informed or trained on the most current Program requirements and regulations; and
- Approving decisions about compensation of employees and other parties providing services.

Governing Board Documentation Requirements

Federal tax-exempt non-profit sponsors applying to or participating in the SFSP must document in their SFSP application, management plan, and documentation on file that their organization has adequate oversight of the Program by its governing Board of Directors to ensure Program accountability. The documentation should include the following:

- The names of the members of the governing Board of Directors along with the name, mailing address and date of birth of the Chairman of the Board of Directors;
- How often the governing Board of Directors will meet (the sponsor's policies, operations, programs and budgets must be reviewed regularly at board meetings); and
- All decisions to make changes in the organization's policies, operations, programs and/or budgets must be documented in the governing board's meeting minutes.

This documentation must be maintained with all of the other required Program records and must be available for review by USDA, DECAL, and/or any of its agents at all times, per DECAL Policy No. SFSP/03-5, *Recordkeeping Requirements for All Sponsors and Sponsored Facilities Participating in the Summer Food Service Program (SFSP)*, January 19, 2021.

Governing Board Requirements for SFSP Sponsors Applying to the CACFP

SFSP sponsors participating in or considering applying to the Child and Adult Care Food Program (CACFP) must adhere to CACFP requirements and guidelines concerning their board of directors. Each Program has its own distinct set of requirements. Unlike SFSP, CACFP regulations provide a more extensive description of adequate oversight of the Program by governing boards. For this reason, the guidelines outlined in CACFP shall take precedence.

Therefore, SFSP sponsors participating in or applying to the CACFP, must follow the guidelines outlined in Policy No.: CACFP/03-28, *Responsibilities for the Board of Directors in All Federal Tax-Exempt Non-Profit Institutions and For-Profit Institutions Applying to or Participating in the CACFP* (dated December 15, 2014). Applicable SFSP sponsors must ensure their boards of directors also meet the Federal and State requirements for CACFP.

Financial Management Internal Controls

Regarding financial management, a key element in a system of internal control is segregation of duties. Segregation of duties are a preventive control activity whereby certain duties are divided amongst different individuals to minimize the risk of error and/or inappropriate action. Adequate segregation of accounting duties provides reasonable assurance that SFSP funds and other assets are safeguarded and used solely for authorized purposes. Effective internal control over cash and other assets requires that the functions of authorizing transactions, recording transactions, handling the related assets, and reconciling cash accounts are segregated and performed by different individuals.

In order to provide DECAL with reasonable assurance that Program funds and all other SFSP resources are safeguarded from fraud, abuse, waste, and mismanagement, sponsors are required to:

1. Divide and assign to different individuals the responsibilities of authorizing, recordkeeping, asset custody, and bank reconciliations;
2. Establish and maintain internal control policies and procedures regarding the separation of duties;
3. Ensure internal control policies and procedures align with Generally Accepted Accounting Principles (GAAPs) and Federal regulations. GAAPs consist of professional standards that govern accounting for financial transactions. GAAPs are comprised of rules and principals from sources including the Governmental Accounting Standards Board, the Federal Accounting Standards Board, and the American Institute of Certified Public Accountants. *Sponsors participating in the SFSP are required to follow GAAPs.*
4. Ensure that internal control policies regarding the separation of duties are communicated to, and observed by, all employees; and
5. Conduct ongoing and periodic monitoring activities to ensure that internal control processes regarding the separation of duties are operating as intended.

Administrative Oversight and Internal Controls

Additional Program administrative and oversight responsibilities for which sponsors must develop, demonstrate, and maintain internal controls and management systems include:

- Fiscal accountability. Sponsors must have a documented financial system with management controls that ensure the following:
 - Fiscal integrity and accountability of all funds and property received, held and

disbursed;

- Integrity and accountability of all expenses incurred;
- That Program funds are properly safeguarded and used, and expenses are incurred for authorized purposes.
- That a system is in place to prevent or detect improper financial activities by employees.
- Recordkeeping. Sponsors must maintain appropriate records to document their compliance with Program requirements. Records include, but are not limited to, budgets, accounting records, records supporting claims for reimbursement, and records associated with meal site operations.
- Claims for Reimbursement. SFSP sponsors must have controls in place that will ensure the integrity of claims filed, that claims are processed accurately and in a timely manner, and that only eligible meals are claimed.
- Meal Service and operational requirements. Sponsors and sponsored meal service sites must implement and follow procedures that will ensure that Program operations are in accordance with meal service, recordkeeping and other operational requirements listed below:
 - All meals are creditable and meet meal pattern requirements set forth in 7 CFR § 225.16(d);
 - The food service complies with State and local health and sanitation requirements;
 - Operations comply with Civil Rights requirements; and
 - All records supporting meal service operations are accurately completed and maintained on file.
- Training and Monitoring: Sponsors must document and demonstrate that they will provide adequate and regular training to sponsor and meal service site staff; and conduct proper monitoring of sponsored meal service sites to ensure that sponsored sites accountably and appropriately operate the Program.
- Repayments: Internal controls and oversight with regards to fiscal and administrative accountability should also include the sponsor's plan for repayment of Program over claims or unallowable costs resulting from GA DECAL Compliance Reviews; however, under no circumstances should funds from any Child Nutrition Programs or other government-funded programs be used for repayment of debt, over claims, and/or unallowable costs owed to the Program.

Note: In some cases, over claims may be recouped from a sponsoring organization's next available SFSP claim for reimbursement, if that next claim occurs within the same SFSP fiscal year. For further information, please see [Policy No.: SFSP/05-14, Sponsors Owing Outstanding Debts to the Summer Food Service Program \(dated February 1, 2022\)](#).

IV. Submission of Financial Viability, Administrative Capability and Accountability Documentation

New sponsors and sponsors that have experienced significant operation problems in the prior year must demonstrate and provide support in their online application (located in GA ATLAS), that they can operate in conformance with the requirements of being financially viable, administratively capable of operating the

Program, and has internal controls in place to ensure accountability as identified in 7 CFR §225.14 and this memorandum. GA DECAL will only approve applications of those sponsors that meet these requirements.

Experienced sponsors that successfully operated the prior year (meaning those that have not been found to be seriously deficient in operating the SFSP) are not required to submit the same detail of organizational and operational information required of new sponsors. Experienced sponsors, however, would be required to submit administrative and operational information that is likely to change from year to year.

All sponsors must maintain all documentation that supports that they are financially and administratively capable of administering the SFSP in compliance with Program requirements; and in the administering of the Program, maintain adequate oversight and internal controls of its SFSP through its overall Program performance and accurate recordkeeping. To ensure compliance with these requirements, GA DECAL will adhere to/apply Federal regulations in determining whether a sponsor's application, in conjunction with its Program performance, demonstrates the sponsor meets the requirements.

Note: School Food Authorities (SFAs) and CACFP institutions, and other organizations that are currently in good standing in the National School Lunch Program (NSLP), School Breakfast Program (SBP), or the CACFP are not required to submit support of financial and administrative capability upon applying for the SFSP. However, GA DECAL has the discretion to deny the applications or require additional evidence of financial and administrative capability from SFAs and CACFP sponsors that have had significant problems in operating the NSLP, SBP, or CACFP.

All sponsors participating in the Program must ensure they are meeting the requirements of this memorandum at all times. New SFSP sponsors and sponsors that have experienced significant problems the prior year will be asked to demonstrate that they meet adequate oversight and internal controls of its SFSP operations through submission of documentation to verify fiscal and Program accountability. Experienced sponsors must maintain documentation supporting these requirements and make that documentation available to GA DECAL upon request. GA DECAL will determine if sponsors are operating in accordance with Federal regulations and State policy by conducting Compliance Reviews and/or investigations. Failing to meet the above-described Program requirements may result in adverse actions and a sponsor's Program being deemed Seriously Deficient.

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