



## Georgia Dept of Early Care and Learning

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Area	Memo: Program Oversight/ Internal Controls
Programs	SFSP

# Ensuring Sponsors Implement Adequate Oversight and Internal Controls of SFSP Operations

## Purpose

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 C.F.R. § 225.6(d) and 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."

## 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. § 225.6(d); 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

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 (CACFP) 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.
3. **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.
  4. **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.
  5. **School Food Authority (SFA)** 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".
  6. **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".

## Program Requirements

As per 7 CFR 225.6(d), State agencies may only approve applications of those sponsors that meet the three performance standards, financial viability, administrative capability, and Program accountability. The State agency must deny applications that do not meet all of these standards. The State agency must consider past performance in the SFSP or another Child Nutrition Program, and any other factors it deems relevant when determining whether the sponsor's application meets the following performance standards.

### I. Financial Viability

Per 7 C.F.R. § 225.6(d), SFSP sponsors must be financially viable. The sponsor must expend and account for Program funds consistent with regulations, FNS Instruction 796-4, 2 CFR 200, subpart D; and USDA regulations 2 CFR parts 400 and 415. To demonstrate financial viability and financial management, the sponsor must demonstrate and/or maintain documentation that meets the following:

1. **Description of need/recruitment.** A sponsoring organization must demonstrate that there is a community need for summer meal services and that appropriate recruitment practices are in place and enforced. SFSP sponsors must demonstrate the following:

- How the sponsor's participation will help ensure the delivery of Program benefits to otherwise unserved sites or children; and
- How the sponsor will recruit sites, consistent with any DECAL requirements.

## **2. Fiscal resources and financial history.**

- A sponsor must show that it has adequate sources of funds available to operate the Program, pay employees and suppliers during periods of temporary interruptions in Program payments, and pay debts if fiscal claims are assessed against the sponsor. 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.
  - 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.
  - Please also note that private non-profit sponsors, per 7 CFR § 225.14(d)(6)(iii), must demonstrate the organization has adequate management and the fiscal capacity to operate the Program.
- All sponsors must provide and maintain audit documents, financial statements, and other documentation that demonstrate financial viability.
  - 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.

## **3. Budgets.** A sponsor must ensure that all costs in the sponsor's budget are necessary, reasonable, allowable, and appropriately documented to support Program administration and operation.

- The budget should 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**

The sponsor must be administratively capable. Appropriate and effective management practices and controls must be in effect to ensure that Program operations meet the requirements. In addition to adhering to the sponsor administrative and management functions/responsibilities found in 7 CFR §225.15, sponsors must have:

- An adequate number and type of qualified staff to ensure the operation of the Program consistent with regulation to include having adequate supervisory and operational personnel for overall monitoring and management of each sponsored site. In addition, sponsors must ensure that staff are adequately trained to perform their duties;
- Written policies and procedures that assign Program responsibilities and duties and ensure compliance with civil rights requirements; and

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; and
- 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 operation of the Program, consistent with Federal regulations. 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

- **Fiscal Accountability.** Sponsors must also demonstrate that the sponsor has a financial system with management controls specified in written operational policies that will ensure that:
  - All funds and property received are handled with fiscal integrity and accountability;
  - All expenses are incurred with integrity and accountability;
  - Claims will be processed accurately, and in a timely manner;
  - Funds and property are properly safeguarded and used, and expenses incurred, for authorized Program purposes; and
  - A system of safeguards and controls is in place to prevent and 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, approved budget amendments, accounting records, management plans, records supporting claims for reimbursement, and records associated with meal site operations. Sponsors shall maintain accurate records justifying all meals claimed and documenting that all Program funds were spent only on allowable costs. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by records in question. The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency and their representatives for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.

- **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;
  - All records supporting meal service operations are accurately completed and maintained on file; and
  - Operational control over meal service sites throughout the period of Program participation.
- **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 § 225.6(d) 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.

## Comments

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

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## Attachments

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