



Georgia Department of Early Care and Learning

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

Nutrition Services

POLICY	No.: CACFP/00-7	Effective Date: 9/27/1999
		Revised: 2/1/2005
		Revision Effective: 2/1/2005

SUBJECT: Day Care Home Sponsor Funds Integrity

LEGAL AUTHORITY: 7 C.F.R. § 226.13 (c) , 7 C.F.R. § 226.18(b) (7), 7 C.F.R. § 226.12(a), 7 C.F.R. § 226.16 (g), O.C.G.A. § 20-1A-5

Cross Reference/See Also:

I. PURPOSE

The purpose of this policy is to discuss the regulatory requirements of day care home sponsoring organizations to ensure that Child and Adult Care Food Program (CACFP) funds are used only for their intended purpose of providing meals to eligible children.

II. APPLIES TO

This policy applies to all sponsoring organizations having program agreements with day care home providers participating in the Child and Adult Care Food Program (CACFP).

III. DEFINITION(S)

"Day care home" means an organized nonresidential child care program for children enrolled in a private home, licensed or approved as a family or group day care home and under the auspices of a sponsoring organization. (7 C.F.R. § 226.2)

"Sponsor" or "Sponsoring organization" means a public or nonprofit private organization that is responsible for administering the food program for one or more day care home(s). (7 C.F.R. § 226.2)

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IV. POLICY

A sponsoring organization acts as a pass-through entity for Federal meal reimbursement funds on behalf of its providers. In accordance with Sections 226.13(c) and 226.18(b) (7) of the CACFP regulations, sponsoring organizations of day care homes must disburse the full amount of meal service earnings to providers. Further, Section 226.16(g) requires a sponsoring organization to disburse payments to day care home providers within five working days of receipt from Bright from the Start: Georgia Department of Early Care and Learning (DECAL).

In accordance with Section 226.12(a), sponsoring organizations of day care homes receive payments for administrative costs. These are the only Federal CACFP funds they may use to meet their administrative expenses.

V. PROCEDURE(S)

Day Care Home sponsoring organizations must demonstrate full disbursement of payments to providers by the following:

- Writing checks to specific providers;
- Writing checks equal to the full amount of disbursement;
- Mailing all checks within the 5 working days time frame;
- Reconciling provider meal claims and reimbursement payments for each provider on a monthly basis; and
- Maintaining the integrity of payments regardless of whether a separate or commingled account is used.

The integrity of the food service funds must be maintained at all times, whether sponsors use a separate bank account for provider payments or maintain provider payments in a commingled account. Provider meal funds are held in trust by the sponsor, and the funds are considered Federal funds until disbursed to the provider, even if the funds are deposited in a sponsor's bank account and/or the funds are commingled with non-Federal funds.

When using a separate account, the sponsor must:

- Have documentation which identifies the transfer of the full amount of the providers' food service payments into the sponsor's bank account on or before the day the provider checks are mailed;
- Have funds that can only be withdrawn from this bank account to liquidate provider checks; and
- Not use the food service funds before the checks are written or during the float,

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which is the time period between when the checks are written and presented to the bank for payment.

Sponsors that use a commingled account must maintain sufficient funds in the account for all outstanding unliquidated payments due to providers who have not cashed their checks in a timely manner and any other unliquidated checks and other disbursements, such as automatic debits for bank service fees. Regardless of the type of account, sponsors must maintain sufficient documentation, including provider payment reconciliation reports and bank statements, to show that the integrity of the food service funds is always maintained.

There are cases when a day care home sponsor chooses to use its own funds, either administrative cost reimbursement payments or non-CACFP funds, to issue food service reimbursement to a provider. These situations may occur as a result of customer service issues or as the result of the provider submitting a late claim or a claiming error on the part of either the provider or sponsor which causes the sponsor to receive insufficient funds to issue payments to all eligible providers. In these cases, the sponsor loans funds to the food service account. The sponsor ultimately recoups the loan from subsequent food service reimbursements, usually through the amended claims process. This is a permitted process within the following constraints:

- The sponsor cannot use food service reimbursement funds claimed on behalf of other providers to issue the payment.
- The sponsor cannot use advanced administrative cost funds for provider payments.
- The sponsor may only recoup the amount of funds loaned to the food service account from the subsequent reimbursement payments received on behalf of the specific provider for the month covered by the loan. For example, a sponsor loans administrative reimbursement funds to the food service account to pay Provider A for meals served during April because the provider submitted the April meal claim late. Until the sponsor receives a reimbursement payment from DECAL which includes Provider A's April reimbursement, the sponsor cannot recoup the loan.
- Sponsors cannot recoup funds loaned to the food service account for payments issued to providers who are not eligible to receive the payment. This would include: issuing payments to providers not yet approved by DECAL and payments to providers who have not submitted payable claims within the 60/90 day timeframe for the sponsor to submit claims. Funds used to issue payments to providers who are not eligible to receive the payments are a donation to the food

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service account and cannot be recouped from subsequent food service payments or claimed as an administrative expense.

During administrative reviews by DECAL or any audits performed, DECAL will monitor the status of the CACFP funds received. A lack of integrity in the use of funds by a sponsor will result in the sponsor being declared seriously deficient (See CACFP/00-9 Corrective Action for and Termination from the CACFP). A lack of integrity in the use of funds may be caused by, but are not limited to fraud, minor bookkeeping errors, improper use of funds (e.g., unallowable costs such as legal costs, personal use, etc.), lack of adequate internal controls, and/or insufficient financial resources to maintain the organization. At a minimum, the sponsor must immediately replace any shortages in the CACFP accounts and implement adequate internal controls to prevent recurrence of the deficiencies. Should the sponsoring organization fail to comply with this requirement, DECAL will suspend a sponsor's administrative reimbursement until it can confirm that the sponsor is in compliance.

VI. COMMENT(S)

Any questions regarding this policy should be directed to the Policy Coordinator at (404) 651-7181.