



**Georgia Dept  
of Early Care  
and Learning**

Origination 9/1/2004  
Effective 10/7/2022  
Last Revised 10/7/2022

Area **Numbered  
Policies**  
Programs **CACFP**

## **Institutions Owing Outstanding Debts to the Child and Adult Care Food Program, CACFP #32 (04-32)**

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### **LEGAL AUTHORITY**

O.C.G.A. § 20-1A-5; 7 C.F.R. § 226.6 (c); 7 C.F.R. § 226.14; 7 C.F.R. § 226.15 (c)

### **I. PURPOSE**

The purpose of this policy is to discuss the guidelines for institutions that owe outstanding debts to the Child and Adult Care Food Program (CACFP) must follow.

### **II. APPLIES TO**

This policy applies to all institutions owing outstanding debts to the CACFP.

### **III. DEFINITIONS**

"Claim for remittance of payment" means any finding/program violation that results in a fiscal action, which includes disallowed costs and/or any claim for ineligible meals that the institution has received reimbursement for.

"Collection Notices" means written demand to the sponsor for the return of improper payments.

"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.

"Reclaimed meals" means meals that were determined to be invalid meals where the institution received reimbursement and DECAL issued a finding and disallowed meals.

"Recouped reclaims" means an attempt to recover previously disbursed funds from the institution's first available claim for reimbursement because the meals were subsequently determined invalid, non-

creditable or disallowed.

“Unallowable costs” means costs that were charged to the Program in which program funds were used by the institution that were determined to be unallowable.

## IV. POLICY

### A. Reclaimed Meals and/or Unallowable Costs

All institutions participating in the CACFP enter into an agreement with Bright from the Start: Georgia Department of Early Care and Learning (GA DECAL) and accept final administrative and financial responsibility for Program operations. Institutions may be required to repay funds as a result of a review, agreed upon procedures review, and/or any other action that results in an overclaim and/or overpayment of funds to the institution. GA DECAL largely utilizes the following options to recoup the funds depending on the disallowance: (1) Reclaimed Meals or (2) Unallowable Costs.

- If the finding resulted from **reclaimed meals**, in most cases GA DECAL will attempt to recover, or sometimes referred to as “recoup” reclaims from the institution's first available claim for reimbursement. If the reclaim cannot be recouped from a future claim for reimbursement, institutions must repay funds by submitting a certified check or money order to GA DECAL's Finance Division.
- If the finding resulted in **unallowable costs**, the institution must submit documentation (e.g., bank statements, bank deposit receipts, statement of transfers, general ledger) verifying the debt has been repaid to the institution's food service account and/or coded to the CACFP. The institution must use non-Program funds to repay any debt owed. Additionally, excess Program funds cannot be used to repay any unallowable costs. The institution may only use the repayment towards allowable, approved, and documented costs for the Program. If the institution has been terminated and/or voluntary terminated and unallowable costs were outstanding, the institution must repay funds by submitting a certified check or money order to GA DECAL's Finance Division.

Note: Institutions should be aware that submitted verifications of repayment are subject to further DECAL review. If it is found on a later date that the institution did not repay the food service account as required, the institution will be declared seriously deficient. Any outstanding debt that was not repaid as required will be required to be repaid as part of the institution's corrective action.

While GA DECAL strongly encourages institutions to pay meal reclaims and unallowable costs in full, sponsors may also make arrangements with the State agency to repay the debt over a period of time. This is known as a ‘payment arrangement’ or ‘payment plan.’ If an institution wishes to enter into a payment arrangement/payment plan with DECAL, the institution must submit a payment plan request to the State agency. The payment plan request will be reviewed to ensure repayments are made within a reasonable timeframe. However, institutions must be mindful of interest accrual. When outstanding debts are not paid in full or when payment plans are approved, Federal regulations require GA DECAL to assess interest on the amount owed, beginning with the initial demand for remittance. Any questions relative to interest accrual shall be directed to DECAL's Finance Division. (See DECAL Policy

No. [CACFP/03-29 - Assessing Interest on Institution Audit Assessments and Overclaims](#)).

## B. Serious Deficiency

Federal regulations also require DECAL to declare an institution seriously deficient for failure to perform any of the financial and administrative responsibilities required by 7 C.F.R. § 226. (See DECAL Policy [No. CACFP/00-9 - Serious Deficiency Process for Applying, Renewing, and Participating Institutions](#)).

Institutions that fail to repay a debt in full and/or fail to adhere to approved payment plan arrangements have failed to meet their financial responsibilities required by federal regulations and will be declared seriously deficient.

Institutions that are not in good standing with payment plan arrangements or have failed to pay debts after being notified in writing will be declared seriously deficient and will not be approved to participate at the renewal application period. Institutions that are seriously deficient and owe funds to DECAL during the renewal application period will be allowed to participate for no more than 90 days of the new fiscal year through an extension of the previous fiscal year's agreement and their final application status will be dependent on the outcome of the serious deficiency process.

Institutions that owe funds to DECAL and are not in good standing with payment plan arrangements will also not be approved to participate in the Summer Food Service Program (SFSP).

A person who is a principal(s) for more than one institution will not be approved to submit an application on behalf of any of the institutions if they are not in good standing with payment plan arrangements for one or more of the institutions.

## V. PROCEDURES

DECAL will notify institutions in writing of any outstanding debts owed resulting from an overclaim. Failure to repay debts in full and/or in accordance with payment plan arrangements will result in the institution being declared seriously deficient.

Outstanding debts that are not paid in full will also become subject to collections, whereby DECAL will issue collection notices pursuant to 7 CFR 226.14(a). Collection notices themselves are not appealable and are not considered a remittance of payment. Therefore, no appeal procedures are attached to any notice of collection issued by the State agency. To be clear, the claim for remittance/payment itself is appealable; however, the process to collect the claim is not. Appeal procedures would have already been provided to the institution at the time the review findings reports are issued and indicate the appealable adverse actions, which may include a request for repayment/remittance of disallowed costs/ineligible claims and/or any recoupments from a future claim (See [CACFP Appeal Procedures](#))

Payments may be submitted to DECAL by personal check, certified check, and/or money order. If a personal check submitted to DECAL by an institution for payment on a payment plan is returned to DECAL by the banking institution due to insufficient funds, the payment plan will be considered void and will be terminated. The institution will then be required to pay the remaining balance including the accrued interest in full immediately. The remaining balance must be submitted to DECAL by certified

check or money order. DECAL will deduct the outstanding debt from any future Program payments for institutions that fail to pay the remaining balance in full immediately. Failure to repay debts in full and/or in accordance with payment plan arrangements will result in the institution being declared seriously deficient. Institutions that have previously submitted a personal check to DECAL that was returned by the bank due to insufficient funds will not be permitted to submit payments by personal check in the future.

This policy also applies to institutions that no longer participate in the CACFP even if they voluntarily terminate their participation in the CACFP and/or they have been terminated for cause.

## **VI. COMMENTS**

Any questions concerning this policy should be directed to the Policy Administrator at (404) 651-8193.