



Unused Reimbursement In The Summer Food Service Program

Purpose

This memorandum provides guidance to State agencies and Program operators for managing situations in which sponsors receive more reimbursement than they have spent on allowable costs in the Summer Food Service Program (SFSP).

Legal Authority

SFSP 13-2023

Program Requirements

In response to the USDA Office of the Inspector General Audit Report 27601-0005-41, *Consolidated Report of FNS and Selected State Agencies' Controls Over SFSP*, <https://www.oversight.gov/report/usdaoig/consolidated-report-fns-and-selected-state-agencies%E2%80%99-controls-over-sfsp>, issued on September 18, 2018, FNS agreed to review current policy guidance to ensure that instructions for State agency oversight of sponsors' unused reimbursements are consistent with statutory and regulatory requirements and support SFSP integrity.

As part of this review, FNS concluded that the following policy memoranda provided information that is inconsistent with requirements under 7 CFR 225.2 and 225.9(g) concerning excess funds and unused reimbursement. To strengthen program integrity in the SFSP, FNS is rescinding specific content in these memoranda and reissuing revised versions, effective immediately. Rescinded information has been removed within those memoranda and is being replaced with this memorandum.

- SFSP 01-2008, *Nationwide Expansion of Summer Food Service Program Simplified Cost Accounting Procedures*, <https://www.fns.usda.gov/nationwide-expansion-summer-food-service-program-simplified-cost-accounting-procedures>; and

- SFSP 05-2017, *Summer Food Service Program Questions and Answers*.

To protect the integrity of Program operations, current regulations distinguish between excess funds and unused reimbursement to ensure that sponsors are only permitted to retain funds that are earned for SFSP meals served to children. The final rule, *Simplified Cost Accounting and Other Actions to Reduce Paperwork in the Summer Food Service Program*, 83 FR 25349, <https://www.federalregister.gov/documents/2018/06/01/2018-11806/simplified-cost-accounting-and-other-actions-to-reduce-paperwork-in-the-summer-food-service-program>, defines *excess funds* as the difference between any advance funding and meal reimbursements, when advance funds received by a sponsor are greater than the reimbursement amount earned by a sponsor. *Unused reimbursement* is defined as the difference between the amount of reimbursement earned and actual costs, should reimbursement exceed costs.

As an example of excess funds, if a sponsor requested \$1,000 in advance funding and only claimed \$900 in meal reimbursement, the sponsor would have \$100 in excess funds, which cannot be applied to other Child Nutrition Programs. The State agency has the statutory and regulatory obligation to recover the \$100 in excess funds at the end of Program operations for which the advance was paid. In contrast, as an example of unused reimbursement, if a sponsor received \$1,000 in meal reimbursement but only spent \$900 on actual costs to operate the Program, the sponsor would have \$100 in unused reimbursement, which is not subject to recovery.

It is incumbent on States and sponsors to monitor Program operations throughout the summer and for sponsors to make adjustments to ensure that quality meals are being served, if necessary. All unused reimbursement remaining at the end of the Program year must be kept in a nonprofit food service account and used to pay allowable SFSP costs, such as SFSP start-up costs for the following year or allowable costs of other Child Nutrition Programs operated by the sponsor. In particular, sponsors must use the unused reimbursement to improve the meal service or Program management, such as:

- improving the quality of food provided,
- upgrading meal service sites or food preparation facilities,
- enhancing monitoring, training, and other oversight activities, or
- being used as program payments (start-up funds or advance payments) for the following year.

State agencies are required to maintain systems for ensuring Program sponsors identify and monitor unused reimbursement funds. When a State agency is notified that a sponsor does not intend to participate in the SFSP in the following year, the State agency should conduct appropriate close-out activities. If the sponsor has unused reimbursement, the sponsor should apply the unused reimbursement to expenses related to its other Child Nutrition Programs. If the sponsor does not have a permanent agreement with the State agency to operate other Child Nutrition Programs, the sponsor is not required to return the unused reimbursement to the State. Unused reimbursement is not an overpayment subject to recovery, as long as the sponsor's records support all meals claimed and include all costs in order to justify that reimbursements were spent only on allowable costs.

Sponsors operating sites in multiple states are required to have separate agreements with administering agencies in each State in which they operate, and each State agency is responsible for monitoring the program within the State. Sponsors can only expend unused reimbursement to operate Child Nutrition Programs within the State where these funds were granted.

When processing requests for advance funds, State agencies should assess if returning sponsors had unused reimbursement from the previous year. If so, these funds must be used to support the current year's SFSP nonprofit food service. Therefore, when making the best possible estimate of advance funding needs, the State agency should consider the amount of funds carried over from the previous year (in addition to any other available data).

Comments

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