



Memorandum

To: All Rising Phoenix Enrichment Program, Inc. Sponsored Centers
CC:
From: Sponsor's Executive Director, Ashley Johnson
Date: 3/15/2018
Re: Maintaining the Integrity of Child and Adult Care Food Program Funds in a Separate or Commingled Account

Nutrition Services

POLICY	No.: CACFP/02-23	Effective Date:	4/15/2002
		Revised:	2/1/2005
		Revision Effective:	2/1/2005

LEGAL AUTHORITY:

SUBJECT: Maintaining the Integrity of Child and Adult Care Food Program Funds in a Separate or Commingled Account
7 C.F.R. § 226.15(e)(14); 7 C.F.R. § 226.10(c) and (d); FNS Instruction 796-2, Rev.3; FNS Instruction 786-5, Rev. 1; O.C.G.A. § 20-1A-5

I. PURPOSE

The purpose of this policy is to explain the guidelines for appropriate maintenance of accounts containing Child and Adult Care Food Program (CACFP) funds.

II. APPLIES TO

This policy applies to all institutions participating in the CACFP.

III. DEFINITION(S)

"Center sponsor" means one organization which is entirely responsible for administration of the Program in any combination of two or more child care centers, adult day care centers, and outside school-hours care centers which are part of the same legal entity as the sponsoring organization.

"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)

"Facility" means a sponsored center or a family day care home.

"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.

IV. POLICY

Bright from the Start: Georgia Department of Early Care and Learning (DECAL) works to ensure that the integrity of CACFP funds is maintained at all times. Federal regulation 226.15(e)(14) requires all participating institutions in the CACFP to operate a nonprofit food service principally for the benefit of its enrolled participants. In addition, Food and Nutrition Service Instruction 796-2, Rev.3, requires participating institutions to follow Generally Accepted Accounting Principles (GAAP) in the maintenance of their accounting records. Institutions participating in the CACFP have final administrative and financial responsibility for CACFP operations in their organizations, therefore it is very important that the CACFP is administered effectively and efficiently.

Institutions may maintain a separate account or a commingled account for the receipt and distribution of CACFP funds. However, in order to enable CACFP expenditures to be tracked more easily, DECAL recommends that institutions maintain a separate account for program management in their organizations. Management of the program from a separate account will prevent USDA and/or DECAL involvement in, and monitoring of, monies that are unrelated to CACFP reimbursement, administration, and operation. Use of a separate account will further enable the institution to improve their management and organization of CACFP funds and also avoid the improper use of CACFP funds. Managing the program from a separate account and maintaining complete and accurate records of all deposits, withdrawals, and transfers from that separate account will help institutions avoid review or audit of personal accounts or other accounts unrelated to the CACFP. However, if CACFP funds are transferred from a CACFP separate account to a personal or other account unrelated to the CACFP, that personal account or other account unrelated to the CACFP will be subject to review or audit by USDA and DECAL and its agents. Bank fees claimed on the administrative budget must be reasonable and the appropriate documentation must be maintained to support the amount claimed. Institutions who now wish to manage the program from a separate account and be reimbursed for the cost of the account must submit a revised budget.

The integrity of CACFP funds must be maintained at all times, whether an institution chooses to use a separate or commingled account for program activity. DECAL will require an institution to maintain a separate account for CACFP funds as corrective action related to a financial integrity issue found during a review or audit by USDA or DECAL and its agents "for cause."

Some examples of financial integrity issues where DECAL will require an institution to maintain a separate account "for cause" include, but are not limited to:

1. Failure to maintain adequate records.

- Missing/incomplete/different amounts or payees for invoices, receipts, canceled checks, inventories resulting in false/inflated/unsubstantiated claimed costs.
- Cost records not maintained according to GAAP resulting in false/inflated/ unsubstantiated claimed costs.
- Claiming nonexistent costs or costs not allowed or approved in the budget.
- Claiming costs for fictitious employees and creating fictitious records.
- Bookkeeping errors

2. Improper use of funds.

- Spending CACFP funds on unallowable costs, such as legal or personal costs
- Lack of adequate internal financial controls
- Insufficient financial resources to maintain the organization

3. A history of administrative or financial mismanagement in any Federal child\nutrition program.

4. Failure of a sponsoring organization to disburse payments to its facilities in accordance with its management plan.

- Preparing and disbursing payments to sponsored facilities after 5 business days.
- Payments sent without endorsements or otherwise incomplete.
- Payments made for other than the full amount the facility is entitled to receive
- Payments made to a facility other than the facility that earned the payment
- Payments made to an entity/person other than the facility (without express written permission of the facility).
- Failure to maintain the full amount of facility payments in commingled bank account until checks clear.
- Using administrative or provider advance funds to pay ineligible facilities/providers.
- Using provider reimbursement funds to pay provider advances.
- Using day care home funds(advance or reimbursement) to pay sponsored centers and vice versa.
- Retaining sponsored facility funds in excess of the amount approved in the management plan.

V. PROCEDURE(S)

All activity on accounts containing CACFP funds can be reviewed at any time by USDA and/or DECAL and its agents during an audit or review. In order to maintain the integrity of CACFP funds and remain in compliance with USDA regulations and DECAL policies, all institutions must do the following:

1. Maintain complete and accurate account records including copies of bank statements, copies of checks, and any other records or documentation pertaining to account activity which show the source and application of CACFP funds. (See CACFP/02-18 Recordkeeping Requirements for the CACFP)
2. Maintain an accounting system, in accordance with GAAP, that provides for the separate identification of all CACFP food service transactions, including the accrual of interest earned on cash balances.

3. Ensure that day care home (DCH) advances and reimbursement payments are spent in the manner in which they are claimed. (Advances are available only to DCH sponsors-See CACFP/00-4 Administrative Advances for Day Care Home Sponsors)

In addition, administrative, center, and DCH sponsors must:

1. Ensure that provider/site payments are disbursed from the account within 5 business days of receipt from DECAL. This is not applicable to center sponsors who distribute their payments to their centers through a central accounting system.

2. Distribute the full amount of the DCH advance or reimbursement received, less any amounts withheld pursuant to CACFP regulations, to the specific provider/site for which the DCH advance or reimbursement was claimed.

3. Reconcile DCH provider advances, meal claims, and reimbursement payments for each provider/site on a monthly basis and maintain reconciliation reports.

4. Maintain sufficient funds in the account for all outstanding unliquidated payments to providers/sites who have not cashed their checks, unliquidated checks and disbursements that are unrelated to the CACFP, and other disbursements, such as automatic debits for bank service fees.

VI. COMMENT(S)

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