



Food and Nutrition Service

Braddock Metro Center

1320 Braddock Place Alexandria VA 22314

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**SUBJECT:** Nationwide Expansion of Summer Food Service Program Simplified Cost Accounting Procedures - Revised

**TO:** Regional Directors  
Special Nutrition Programs  
All Regions

State Directors  
Child Nutrition Programs  
All States

<b>Issuing Agency/Office:</b>	FNS/Child Nutrition Programs
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<b>Date of Issuance:</b>	January 2, 2008 (revised September 28, 2023)
<b>Replaces:</b>	N/A
<b>Summary:</b>	(1) This memorandum updates requirements related to unused reimbursement originating in the Fiscal Year 2008 Omnibus Appropriations Act, December 26, 2007, which were codified in Simplified Cost Accounting and Other Actions To Reduce Paperwork in the Summer Food Service Program (SFSP), 83 FR 25349, published on June 1, 2018. Out-of-date language concerning unused reimbursement has been removed. (2) This memorandum applies to State agencies administering, and local organizations operating, the Summer Food Service Program and National School Lunch Program Seamless Summer Option.

This guidance updates previously issued guidance to clarify Summer Food Service Program (SFSP) simplified cost accounting requirements, as found in 7 CFR Part 225.

State agencies are reminded to distribute this information to Program operators immediately. Program operators should direct any questions regarding this memorandum to the appropriate State agency. State agency contact information is available at <https://www.fns.usda.gov/sfsp/program-contacts>. State agencies should direct questions to the appropriate Food and Nutrition Service Regional Office.

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Sincerely,

**Original Signed**

J. Kevin Maskornick  
Director  
Community Meals Policy Division  
Attachment

## **Nationwide Implementation of Summer Food Service Program Simplified Cost Accounting Procedures**

The following is information regarding the implementation of simplified procedures in the Summer Food Service Program. Frequently asked questions and answers are included.

### **The Importance of Sound Program Management**

The purpose of the simplified procedures is to facilitate and encourage participation by eligible sponsors in order to reach more children in the summer months and other times during the year when they do not have access to school meals. Elimination of the cost comparison reduces administrative tasks and ensures a stable per meal reimbursement rate, thus making it easier for sponsors to participate. With the implementation of these reduced program requirements, it is critical that States and sponsors practice sound program management to protect the integrity of the SFSP. State agencies can ensure this through careful selection of applicants, thorough training efforts directed especially at new sponsors, diligent monitoring, and prompt follow-up where problems are found. Service institutions can help ensure this through maintaining high quality administrative oversight and meal service.

### **Other SFSP Requirements**

Except for the elimination of cost comparisons to determine reimbursements, sponsors must continue to meet all other Program requirements that are contained in the regulations at 7 CFR 225 and applicable instructions, circulars, or other guidance, unless otherwise exempted by FNS. Following is a discussion of some of these requirements:

### **Applications**

Sponsors must continue to meet all application requirements contained in 7 CFR 225.6(c) and 225.14.

To safeguard the Program's integrity, we strongly encourage State agencies to carefully review all applications to ensure that only qualified organizations are approved to participate. A critical aspect of this review, as described in 7 CFR 225.6(b)(9) and 225.11(c), is to ensure that approval to participate is denied to any applicant that is found to be seriously deficient in the operation of any Federal Child Nutrition Program. State agencies should check the national disqualified list to ensure that applicants have not been disqualified from the Child and Adult Care Food Program (CACFP). Refer to 7 CFR 225.11(c) for a more detailed explanation of serious deficiency as the term applies to the SFSP and denial and termination procedures for SFSP applicants or participants determined to be seriously deficient.

### **Budget Submissions**

Except as noted below, all sponsors must continue to submit budgets with their applications for participation as specified in 7 CFR 225.6(c)(2)(vii) and 7 CFR 225.6(c)(3)(v) and to receive

start-up or advance payments as specified in 7 CFR 225.9(a) and 7 CFR 225.9(c) of the SFSP regulations. State agencies must continue to carefully review sponsor budgets to ensure adequate resources will be applied to management, oversight, and meal service.

Exception: State agencies may exempt school food authorities applying to operate the SFSP from submitting a separate budget to the State agency if the school food authority submits an annual budget for the National School Lunch Program and the submitted budget includes the operation of SFSP.

### **Cost Records**

Although sponsors do not have to report their costs under the simplified procedures, they must continue to maintain records of their costs and make them available for review or audit purposes.

### **Nonprofit Food Service**

Sponsors must operate a nonprofit food service for children, as required in 7 CFR 225.6(i)(1) of the SFSP regulations. Benefits to children and the quality of program administration must not be diminished as a result of these simplified program requirements. Sponsors must be able to document that they have maintained a nonprofit food service by retaining copies of all revenues received and expenses paid from the nonprofit food service account. Sponsors must be informed that expenses paid from the nonprofit food service must be allowable costs that are necessary, reasonable, and properly documented.

Sponsors that operate other CN Programs do not need to maintain a separate nonprofit food service for the SFSP; SFSP funds may be included in the sponsor's nonprofit food service account that supports the other programs. However, records and supporting documentation must be maintained to permit the sponsor, reviewers, and auditors to evaluate and verify that the SFSP was operated on a nonprofit basis.

### **Quality Meal Service and Administration**

States agencies should work with sponsors at each phase of the Program as noted in the following points to ensure that sponsors do not reduce the meal service quality through poor management of program resources.

- Review sponsors' budgets  
Prior to the start of Program operations, State agencies must review the budget submitted with the sponsor's application to determine whether the sponsor has planned to provide effective administration, oversight, and a quality meal service for the children. If the sponsor is new to the Program, the State agency could compare its proposed budget to those of experienced sponsors similar in size, location, and type of organizations.
- Training efforts  
During annual sponsor training described in 7 CFR 225.7(a), State agencies should discuss the importance of careful planning and management of resources in order to provide quality meal service.
- Monitoring operations

The State agency should monitor the quality of service, using comparisons to the sponsor's efforts in previous years or comparisons to other sponsors operating in a similar environment. If the quality appears to have diminished from previous years' efforts, the State agency should determine if the sponsor's level of administrative spending is reasonable and does not affect the sponsor's ability to provide a quality meal service. If the State agency finds that a sponsor is operating a Program with poor quality meal service and is operating below the reimbursement level, the State agency should provide technical assistance to the sponsor to improve the meal service.

### **Questions and Answers on the Nationwide Expansion of Simplified Accounting Procedures**

What was previously known as the "Simplified" Summer Food Service Program (SFSP) grew out of an earlier pilot project commonly known as the Lugar Pilot. As many as 26 States and Puerto Rico operated under the simplified procedures. The Omnibus Appropriations Act of 2008 extended the simplified cost accounting to all SFSP sponsors nationwide.

#### **1. How has the Summer Food Service Program changed?**

Under simplified procedures, SFSP sponsors receive the maximum amount of operating and administrative reimbursements (meals times rates) without regard to their actual or budgeted costs.

All sponsors may combine their operating and administrative reimbursements to pay for any allowable Program cost. Sponsors do not have to report costs in order to receive reimbursement.

#### **2. May all SFSP sponsors participate under simplified procedures?**

Yes. All sponsors will now participate under simplified procedures.

#### **3. What is the purpose of the Simplified procedures?**

By streamlining reporting requirements, ensuring the maximum level of per meal reimbursement, and providing greater flexibility in the use of Program funds, more organizations may choose to participate or to expand current operations to reach more children.

### **Application Requirements**

#### **4. How is the application process affected?**

The application process is unaffected. Sponsors must apply each year to participate.

#### **5. Do sponsors have to submit budgets under simplified procedures?**

Yes, all sponsors must continue to submit budgets with their applications. State agencies should carefully evaluate the budget to determine whether an applicant has the administrative capability to operate the Program successfully and whether the applicant will provide a quality meal service.

**6. If a sponsor estimates their costs to be less than they actually are, will they be reimbursed at the “meals x rates” level or at the amount of their submitted budget?**

Sponsors will receive the full reimbursement rate for both operating and administrative costs, which equals the “meals x rates” amount.

**7. What is the exception for School Food Authority (SFA) sponsors?**

State agencies may exempt SFA applying to operate the SFSP from submitting a separate budget to the State agency if the school food authority submits an annual budget for the National School Lunch Program and the submitted budget includes SFSP operations.

**Reporting and Recordkeeping Requirements**

**8. Do sponsors have to maintain separate accounts and records of administrative and operating costs?**

No. Sponsors must maintain records of costs, but they do not have to be separated into administrative and operating costs.

**9. Do sponsors have to report their costs to the State agency at any time?**

Sponsors do not have to report their costs in order to receive reimbursement. However, sponsors must continue to maintain records of their costs and make them available for review or audit.

**10. What cost records must be maintained under the simplified procedures?**

All records of expenditures must be kept to determine which costs are allowable.

**11. Does the operation of other Child Nutrition Programs affect a sponsor’s documentation of SFSP costs under the simplified procedures?**

All sponsors must maintain documentation of a nonprofit food service. School sponsors and other sponsors that operate multiple Child Nutrition Programs (CN Programs) on a year-round basis do not need to maintain a separate nonprofit food service for the SFSP. SFSP reimbursements and expenditures must be included in a single nonprofit food service account with funds from any other CN Program authorized under the Richard B. Russell National School Lunch Act or the Child Nutrition Act of 1966, except for the WIC Program.

**12. To what extent do sponsors have to track costs vs. rates?**

Under simplified procedures, sponsors do not have to consolidate costs by category type (operating or administrative). However, sponsors should be aware of their costs in each category and take action to improve the meal service or other aspects of the food program if their actual costs are less than their anticipated reimbursement.

## **Maintaining the Nonprofit Food Service Account**

### **13. How does a sponsor ensure that the food service is nonprofit?**

The sponsor must maintain documentation of all revenues received and expenses paid from the account. Since only allowable costs may be funded from the nonprofit food service account, these costs must be necessary, reasonable, and properly documented. All Program reimbursement funds must be used solely for the operation or improvement of the nonprofit food service operation. The net cash resources of the nonprofit food service of each sponsor participating in the Program may not exceed one month's average expenditures for sponsors operating only during the summer months and three months' average expenditures for sponsors operating Child Nutrition Programs throughout the year [7 CFR 225.7(m)]. The determination that the food service account is nonprofit does not result from simply comparing costs and rates. Rather, it requires a determination that all costs charged to the account were allowable and that all funds accruing to the account were properly identified and recorded as nonprofit food service revenue.

### **14. How is Program income accounted for under simplified procedures?**

Sponsors must continue to account for any income that accrues to the Program, but the income will not be deducted from the combined operating and administrative costs to determine the amount of reimbursement the sponsor is entitled to receive.

## **State Agency Monitoring**

### **15. How should State agencies review sponsors under simplified procedures?**

During a sponsor review, the State agency should determine if:

- Costs are allowable and consistent with FNS Instructions and guidance and all funds accruing to the food service are properly identified and recorded as food service revenue as outlined in 225.7(e)(7)(i);
- Actual expenditures are consistent with budgeted costs, and the previous year's expenditures, taking into consideration any changes in circumstances;
- Reimbursements have not resulted in accumulation of net cash resources; and
- The level of administrative spending is reasonable and does not affect the sponsor's ability to operate a nonprofit food service and provide a quality meal service [7 CFR 225.7(e)(7)(iv)].

### **16. Clarify the State's responsibility for tracking food costs to ensure that the sponsor is maintaining a nonprofit food service account. What might cause the State agency to provide technical assistance or other action to improve the nonprofit meal service?**

State agencies are responsible for monitoring a sponsor's use of funds during reviews and providing assistance when questions arise about whether the sponsor is maintaining a nonprofit

food service. A state agency may offer technical assistance to improve meal service quality to a sponsor for the following reasons:

- The sponsor's net cash resources exceed the limits for the sponsor's nonprofit food service or such other amount as may be approved;
- The ratio of administrative to operating costs (as defined in 7 CFR 225.2) is high;
- There is significant use of alternative funding for food and/or other costs; or
- A significant portion of the food served is privately donated or purchased at a very low price.

**17. Are State agencies expected to add up a sponsor's actual costs during a review?**

Not unless there are indications that the sponsor has not been managing Program funds well. Sponsors must maintain cost documentation for the State agency's review (7 CFR 225.15(a)(4)). Sponsors should maintain documentation in a manner that will facilitate review of actual costs should it be necessary to resolve questions about how the sponsor is using Program funds.

**18. Rather than assess a claim and demand repayment for unallowable costs, could the State agency simply require the sponsor to restore the amount in question to the nonprofit food service account?**

The State agency should always assess an overclaim for improperly spent funds. The State agency may require the sponsor to restore the funds back into the nonprofit food service account as a way of resolving the overclaim.

**Closeout of Sponsor Operations**

**19. Should State agencies require sponsors to provide a year-end statement of costs?**

As a general practice, no. However, a State agency could require a year-end statement as a corrective action for problems noted during a sponsor review.