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MEMORANDUM 2016 SFSP BUDGET REQUIREMENTS

TO: 2016 SFSP INSTITUTIONS
FROM: HEALTH AND NUTRITION UNIT
SUBJECT: 2016 BUDGET APPLICATION REQUIREMENTS
DATE: FEBRUARY 24, 2016

This memorandum contains information regarding the 2016 SFSP Budget requirements and the required documentation that must be submitted or uploaded related to the Budget in the 2016 SFSP Application in order to submit a complete application. The additional information is being requested with the implementation of the Office of Management and Budget (OMB) regulation, commonly referred to as the Super-Circular (2 CFR Part 200), which contains in part Federal grant management rules, cost principles, and audit requirements.

Tools to assist with the preparation of Budgets are located in the Special Nutrition Program (SNP) website resource library under the heading Financial Management & Budgets. A few of the documents included to assist with the preparation of Budgets are *SFSP Budgeting for Success*, *SFSP Cost Assessment*, and *USDA Memorandum SFSP 11-2015 Assessing Costs in the Summer Food Service Program*. This information supplements and provides additional details related to information provided during the 2016 SFSP training. This Memorandum also includes references to Memorandums that provide additional information on the following subjects: Less-Than-Arms-Length Transactions, Financial Management Standards, Internal Controls, and Resources for Institutions.

DHS is in the process of preparing additional training modules on the following subjects: (1) Basic Accounting, (2) Basics for Budgeting, and (3) Financial Management and Internal Control. These training modules will be uploaded to the SNP website resource library when the modules are finalized. Additionally, DHS is researching additional resources and contacts for institutions to utilize for improving their financial management and internal control processes.

BUDGETS- INFORMATION & REQUIRED SUPPORTING DOCUMENTATION

The Budget is the Institution's financial plan also described as a business action plan expressed in dollars that estimates revenues and expenses for a specific period of time. The Budget must reflect the Institution's anticipated needs and anticipated financial resources to operate the SFSP.

The Budget and related supporting documentation are necessary so that DHS may determine whether expenditures are allowable, necessary, and reasonable. Additionally, DHS must assess whether the Institution (Sponsor) is financially viable, administratively capable, and accountable. Included in this assessment is determining whether the Institution (a) has adequate financial resources to withstand temporary interruptions of SFSP payments, (b) can continue to operate when fiscal claims are assessed against the institution, (c) meets the regulatory requirements, (d) has non-Program revenue sources to pay for unfunded SFSP costs, (e) has policies, procedures and internal controls for administration of the program. Please note that the list below is not all inclusive and additional information may be requested by the staff reviewing the budget. Any additional information requested should be submitted within five (5) business days.

Supporting documentation required to be submitted includes, but is not limited to, the following:

- (1) Detail of Institution's Management & Administrative Structure:** This may be represented as an organizational chart which identifies the line of authority and indicates the responsibilities and operating hierarchy of the Institution. This should include the institution as a whole and the child nutrition programs.

- (2) Institution's Policies and Procedures:** Policies and procedures are a set of documents that set forth principles, rules, authorities, responsibilities and actions for the institution's management and operations. Policies and Procedures typically identify what is to be done, who is to do it, and how it should be done. Written policies and procedures are essential to the effective and efficient operation of an Institution and its programs. The Institution's written policies and procedures should include the following information:
 - Financial Policies, Procedures and Internal Controls – see #3 below.
 - Conflict of Interest Policy
 - Employee Code of Conduct
 - Payroll and Documenting Time (Timekeeping)
 - Travel Expenses
 - Delegation of Authority
 - Safeguarding of Assets
 - Job Descriptions
 - Record Retention and Destruction
 - Confidentiality
 - Training Procedures
 - Procurement and Purchasing Procedures
 - Capitalization Policy
 - Process for determining compensation of the Institution's management and other officers or key employees which includes review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision.

NOTE: Once the Institutions written policy, procedures, and internal controls are uploaded to the SNP application or provided to HNU staff, only changes to the policies, procedures, and internal controls must be provided to DHS.

(3) Institution's Financial Management Policies, Procedures and Internal Controls – A financial management system encompasses the written procedures that the institution's management and/or the board of directors utilize to (a) collect, record and classify transactions, (b) identify all funds received and expended, (c) ensure accurate, current and complete disclosure of financial results of program operations, (d) adequately identify the source and application of funds for federally funded activities, (e) compare actual and budgeted financial results, (f) ensure that safeguards and controls are in place to prevent and detect improper financial activities by employees, and (g) ensure reliable reporting of all systems. Components of a financial management system include but are not limited to: (i) chart of accounts, (ii) financial statements, (iii) required program forms, (iv) accounting tools including manual or automated spreadsheets, (v) bank reconciliations, (vi) institution organizational standard operating procedures, (vii) general ledger, (viii) management plan, and (ix) budget. Financial policies, procedures, and internal controls should include, but may not be limited to, the following:

- Chart of Accounts with description of accounts
- Authorization of Signers
- Property management for equipment and supplies purchased with Federal funds including institution's capitalization policy
- Timekeeping and allocation of time between Program and non-program activities including Payroll and documenting time
- Procedures for determining the reasonableness, allocability, and allowability of cost in accordance with applicable cost principles and terms of the grant award
- Cost Allocation Plans
- Payroll and Documenting Time
- Travel Expenses
- Cash receipts and disbursements including accounts receivable and accounts payable
- Financial Reporting both internal and external
- Contributions
- Inventory and Property Records
- Safeguarding of Assets
- Reconciliation of Bank Statements including Petty Cash and Checking Account
- Indirect Costs /Administrative Costs
- Financial Statement Review/Audit
- Internal Controls of grant funds including: approval and documentation of expenses, separation of duties, delegations of authority, check issuance, cash receipts, cash management, bank reconciliation, travel and payroll.
- Site management and monitoring
- Closeout of Grants

- (4) **Board Meeting Minutes:** Official board meeting minutes for the past year
- (5) **Financial Statements:** Most recent financial statements and if applicable, most recent audit report. NOTE: If the audit report has already been submitted to the DHS Office of Quality Assurance (OQA), indicate the date submitted and we will obtain from OQA.
- (6) **IRS Form 990 Return of Organization Exempt from Income Tax:** Forms filed for the past three years
- (7) **Supporting Source Documentation – Revenues:** Source documentation related to Revenues: Including but not limited to: (i) previous 3 months of Bank Statements, (ii) other grant agreements, if applicable, (iii) support for contributions & donations, if applicable, and (iv) documentation relating to how unfunded costs, unallowable costs, or over-claims assessed will be covered with non-program funds.
- (8) **Supporting Source Documentation – Expenditures:** Source documentation related to expenditures: Including but not limited to: (i) procurement policy including estimates and bids, (ii) contracts for services, (iii) lease agreements, (iv) floor plans – allocation support for rent, (v) payroll registers and/or W-2s, (vi) depreciation support if applicable, (viii) approved cost allocation plan, (ix) bank statements, (x) Form 990's if applicable, and (xi) supporting documentation for any other expenses.
- (9) **Job Descriptions:** Job Title and Job Description for all administrative and operating staff including salary and/or rate of pay
- (10) **Disclosure of Less-Than-Arms-Length Transactions:** Information should include a description of the transaction and necessary supporting documentation related to the transaction. For additional information see the Less-Than-Arms-Length Transaction Memorandum.
- (11) **Detailed Descriptions of Budget Line Items:** Description and details of all line items in the budget, including where appropriate additional dollar amounts

TOOLS FOR PREPARATION OF BUDGETS

Following are tools to assist with the preparation of the institution's budget which are located in the SNP website resource library under the heading Financial Management and Budgets. These tools are also included in the USDA Summer Meals Toolkit located on the USDA's website. Included are the following documents:

- SFSP Budgeting for Success
- SFSP Cost Assessment, and
- USDA Memorandum SFSP 11-2015 Assessing Costs in the Summer Food Service Program.

The 2016 SFSP Administrative Guide for Sponsors also contains information on the preparation of Budgets for the SFSP.

OVERVIEW OF ADDITIONAL MEMORANDUMS

- (1) Less-Than-Arms-Length Transactions (a/k/a Related Party Transaction) Memorandum** – This Memorandum defines and discusses Less-Than-Arms-Length transactions. All less-than-arms-length transactions must be disclosed to the State Agency. Additional supporting source documentation is required to be submitted with the budget for less-than-arms-length transactions, and specific prior written approval is required related to these expenditures. This Memorandum is available on the SNP website resource library under the Financial Management and Budget heading.
- (2) Financial Management System Memorandum:** Financial-management is that aspect of management which is directed to the effective control over, and accountability for, all funds, property, and other assets to assure that they are safeguarded and used efficiently to fulfill authorized purposes. Financial management includes such activities as budgeting, accounting, costing standards, management of revenues, management of property, procurement standards, and fiscal audits. Records of these activities must be supported by source documents to accurately and completely disclose the sources and applications of funds. The FNS Instruction 796-4, Rev. 4 Financial Management in the Summer Food Service program includes information on financial management of the SFSP including information regarding allowable and unallowable costs. Additionally, the OMB Super-Circular (2 CFR Part 200) contains information on the federal grant rules, cost principles, and audit requirements. The FNS Instruction 796-4, Rev. 4 has not been revised to reflect the changes made by the Super-Circular (2 CFR Part 200).
- (3) Internal Controls Memorandum:** Internal controls refer to the process implemented by an Institution that is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) Effectiveness and efficiency of operations; (b) Reliability of reporting for internal and external use; and (c) Compliance with applicable laws and regulations. (See 2 CFR §200.61).
- (4) Resources for Sponsors:** Summary of Applicable Regulations Specific to Budgets, Financial Management & Internal Controls with links to web-site.

ADDITIONAL RESOURCES

Following are resources that provide information related to Budgeting, Financial Management and Internal Controls. These resources are available in the SNP website resource library under the heading Financial Management & Budget.

[Additional USDA Guidance](#)

USDA Policy Memorandums that may assist Institutions with specific questions regarding financial management, budget, and internal controls. Note that all USDA Policy Memorandums may be found on the USDA's website and on the SNP website.

- *USDA Policy Memorandum SFSP 11-2015 Assessing Costs in the Summer Food Service Program dated February 25, 2015*
- *USDA Policy Memorandum SFSP 08-2016 Summer Food Service Program Questions and Answers dated November 12, 2015*
- *SP 02-2016; CACFP 02-2016; SFSP 02-2016 Questions and Answers on the Transition to and Implementation of 2 CFR Part 200 dated October 30, 2015*
- *SFSP Memorandum 18-2015 Office of Management and Budget Super-Circular 2 CFR 200*

NOTE: Institutions may also find the USDA Guidance for Management Plans and Budgets: A Child and Adult Care Food Program Handbook dated December 2013 useful in assisting with Management and Budget Plans.

Select Requirements & Regulations

- 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule dated December 26, 2013
- FNS Instruction 796-4, Rev. 4 Financial Management – Summer Food Service Program for Children
- 2 CFR Part 225 Summer Food Service Program

Internal Control Resources

- GAO – United States General Accounting Office
 - GAO Standards for Internal Control in the Federal Government dated September 2014 (aka “Green Book”)
- COSO – Committee of Sponsoring Organizations of the Treadway Commission –not included in the resource library. May be located at www.coso.org
 - COSO Internal Control – Integrated Framework Executive Summary dated May 2013
 - COSO Internal Control – Integrated Framework Principles
 - COSO Enhancing Board Oversight (March 2012)