



United States
Department of
Agriculture

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Food and
Nutrition
Service

3101 Park
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Alexandria, VA
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SUBJECT: Simplified Summer Food Program: SFSP Memorandum #01-05

TO: State Directors
Summer Food Service Program (SFSP)
Simplified Summer Food Program Eligible States

Regional Directors
Special Nutrition Programs
All Regions

This memorandum provides follow up information to my letter dated July 1, 2004, sent to the SFSP director of each State agency that is eligible to participate in the Simplified Summer Food Program beginning January 1, 2005. The Simplified Summer Food Program, an expansion of the pilot project previously known as the 14-State Lugar Pilot, was authorized by the Child Nutrition and WIC Reauthorization Act of 2004 (Pub. L. 108-265).

Eligible States

Pub. L. 108-265 amended the Richard B. Russell National School Lunch Act (NSLA) at section 18(f) to establish simplified cost accounting procedures as a permanent provision for eligible States. Section 18(f)(1) of the NSLA defines eligible States as the original States that participated in the pilot (14 in total) and additional States that are eligible based on a revised formula described at section 18(f)(1)(B). Based on this definition, the following States, listed in alphabetical order (bolded States are new), are eligible to participate in the simplified version of the SFSP:

- | | |
|---------------------|--------------------------|
| 1. Alaska | 11. Mississippi |
| 2. Arkansas | 12. Nebraska |
| 3. Colorado | 13. New Hampshire |
| 4. Idaho | 14. North Dakota |
| 5. Indiana | 15. Ohio |
| 6. Iowa | 16. Oklahoma |
| 7. Kansas | 17. Oregon |
| 8. Kentucky | 18. Puerto Rico |
| 9. Louisiana | 19. Texas |
| 10. Michigan | 20. Wyoming |

Simplified Cost Accounting Procedures

Beginning January 1, 2005, all sponsors in the eligible States are exempt from the cost comparison requirements at § 225.9(d)(7) and (d)(8) of the SFSP regulations. Like the

previous pilot, sponsors will receive the maximum “meals times rates” operating and administrative reimbursements without regard to their actual costs. Sponsors may also combine their reimbursements to pay for any allowable cost, whether operating or administrative.

The Importance of Sound Program Management

The purpose of the Simplified Summer Food Program is to encourage participation by eligible sponsors in order to reach more hungry 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 ensure that the integrity of the Program is preserved. State agencies can ensure this through careful selection of applicants, thorough training efforts especially directed to new sponsors, diligent monitoring, and prompt follow up where problems are found.

Other SFSP Requirements

Except for the elimination of cost comparisons to determine reimbursements, sponsors in eligible States 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

In order to participate in the simplified version of the SFSP, sponsors in the eligible States must continue to meet all application requirements contained in §§ 225.6(c) and 225.14, except as noted below for budget submissions by experienced SFSP school sponsors. Once their applications are approved, all sponsors may participate in the Simplified Summer Food Program, including private nonprofit organizations.

To safeguard the Program’s integrity, especially since the cost comparisons are no longer required for sponsors, 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 §§ 225.6(b)(9) and 225.11(c), is to ensure that no applicant that is found to be seriously deficient in any one of the child nutrition programs (CN Programs) is approved to participate. Among other actions that State agencies should take in this regard is to check the national disqualified list to ensure that applicants have not been disqualified from the Child and Adult Care Food Program.

(Refer to § 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 § 225.6(c)(2)(ii)(B) and (c)(3)(ii)(B) and to receive start-up or advance payments as specified in § 225.9(a) and (c)(2)(i) of the SFSP regulations.

Exception: State agencies may waive this requirement for public schools or private nonprofit schools that:

- Participated in the SFSP during the preceding summer or during vacation breaks in the current year for schools operating on a year-round calendar; and
- Had no operational problems during that time as reported by State agency or FNS.

Similar policy was established for States participating in the 14-State Lugar pilot. We have retained the budget submission requirement for all sponsors except experienced school sponsors in order to underscore the importance of the budget review process, especially for new sponsors and those that have had operational problems in the prior year. In addition, the budget provides State agencies with a means for determining start-up payments for new sponsors, as described at § 225.9(a) of the SFSP regulations.

States that elect to waive the budget requirement for eligible school sponsors may use actual summer program costs from the preceding year or a reasonable projection based on planned participation to determine the appropriate level of advances.

State agencies should encourage schools to exercise caution regarding costs allocated to the Program. Unallowable costs previously identified during the budget/budget amendment process will go undetected by the State agency until a review and/or audit is conducted. Schools should be made aware of the increased liability they may incur as a result of eliminating the budget review process.

Cost Records

Although sponsors do not have to report their costs under the Simplified Summer Food Program, they must continue to maintain records of their costs and make them available for review or audit purposes. It is especially important that sponsors maintain cost records to support their claims for reimbursement.

Nonprofit Food Service

Sponsors must operate a nonprofit food service for children, as required in §225.6(e)(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.

Excess Program Funds

Under the Simplified Summer Food Program, the only limitation on the use of reimbursement that exceeds costs while the program is in operation is that the funds are spent on allowable SFSP costs, as described in FNS Instruction 796-4, Rev. 4. Although sponsors are not obligated to do so, we recommend that they use any excess Program funds to improve the meal service or other aspects of the food program.

Sponsors' use of excess program funds that remain at the end of the year vary depending on whether they operate other CN Programs:

- Sponsors that operate other CN Programs throughout the year must keep the funds in the joint nonprofit food service account and use the excess SFSP funds to pay for allowable costs for the other programs or for the next year's SFSP costs; but
- Sponsors that do not operate other CN Programs during the year are not obligated to return unused funds at the end of SFSP operations. However, organizations that expect to sponsor the next year should keep any excess funds for next year's operations.

Quality Meal Service

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 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 § 225.7(a) of the SFSP regulations, 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 may require sponsors to amend their budgets to ensure that adequate resources are dedicated to providing a quality meal service.

Questions?

To support your efforts to make the Simplified Summer Food Program a success in your State, we are planning to have a conference call in the early months of 2005. Your regional office will be in contact in January with a date and time for the conference call. We will follow up with an agenda prior to the conference call.

Attached for your information is guidance that we provided to FNS regional offices in February 2001 for State agencies that participated in the 14-State Lugar pilot project.



STANLEY C. GARNETT
Director
Child Nutrition Division

Attachment