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Braddock
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Subject: Guidance on Performance Standards, Budgets, and Management Plans in the Summer Food Service Program

1320
Braddock
Place
Alexandria
VA 22314

To: All Regional Directors State Directors
Special Nutrition Programs Child Nutrition Programs
All Regions All States

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Summary:	(1) This memo addresses performance standards, budgets, and management plans in the Summer Food Service Program. (2) This memorandum applies to State agencies administering, and local organizations operating, the Summer Food Service Program. (3) This document relates to 7 CFR Part 225.

On September 19, 2022, the Food and Nutrition Service (FNS) published the Final Rule: *Streamlining Program Requirements and Improving Integrity in the SFSP*. The rule amended Summer Food Service (SFSP) regulations to strengthen program integrity by clarifying, simplifying, and streamlining program administration to facilitate compliance with program requirements. Through the rule, USDA codified changes to the regulations that will simplify the application process, enhance monitoring requirements, clarify existing requirements, and provide more discretion at the State agency level to manage program operations. Compliance with the provisions of this rule, which became effective in October 2022, must begin by May 1, 2023

(except for those State agencies which have an approved waiver for implementation by January 1, 2024). The purpose of this memorandum is to provide guidance for State agencies and program operators on aspects of the final rule that aligned the SFSP with other Child Nutrition Programs: performance standards, budgets, and management plans.

The final rule does not introduce new program requirements, but instead further aligns SFSP requirements with other integrity measures used in the Child and Adult Care Food Program (CACFP). The new regulations at 7 CFR 225.6(d) clarify existing SFSP requirements and provide support and guidance to State agencies when evaluating sponsor applications. As part of their application, sponsors must demonstrate compliance with the performance standards in their management plan. New regulations at 7 CFR 225.6(e) outline the requirements for the submission and State agency evaluation of management plans in the SFSP. In addition, sponsors must demonstrate compliance with the performance standards as part of their administrative budget.

Child Nutrition Program performance standards are commonly referred to as “VCA,” which stands for viability, capability, and accountability. Regulations at 7 CFR 225.6(d) mirror the

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CACFP regulations at 7 CFR 226.6(b)(1)(xviii) and 7 CFR 226.6(b)(2)(vii) by defining and explaining the requirements for the three standards:

- (1) Performance Standard 1 – Financial Viability and Management
- (2) Performance Standard 2 – Administrative Capability
- (3) Performance Standard 3 – Internal Controls for Program Accountability

Financial Viability and Management

The sponsor must be financially viable and demonstrate responsible fiscal management, as described at 7 CFR 225.6(d)(1). To demonstrate financial viability, the sponsor's management plan must meet the following criteria: describe the community's need for summer meals and the sponsor's strategy for the recruitment of sites; describe the sponsor's financial resources and financial history and submit supporting documentation; and ensure that all costs in the sponsor's budget are reasonable, allocable, and necessary.

Financial viability is the sponsor's ability to demonstrate they are able to generate enough income and the possession of sufficient resources to meet the program's total operating obligations and debt commitments. Sponsors can demonstrate financial viability by maintaining documentation of current and historical financial performance. Documentation may include records of income to the sponsor or the Program, such as grant award notices, single audit reports, and designated funds from the board. This means the sponsor must be financially solvent and run a healthy business. In addition, financial viability includes the sponsor's ability to:

- maintain sufficient contingency funds;
- document and practice appropriate fiscal activities; and
- communicate policies and procedures to staff with fiscal management responsibilities.

To ensure fiscal viability and accountability, the State agency must evaluate and approve the administrative budget for applying sponsors. The budget must reflect the sponsor's anticipated needs and financial resources to operate the SFSP for the program year. The sponsor's budget must include sufficient detail of the administrative earnings and expenses and non-program funds that may be used for program administration. Sponsors must ensure that all reported costs are reasonable, allocable, and necessary. Expenditures that are reasonable and necessary, but deemed unallowable, may not be covered by program funds. Sponsors must account for all costs of operation through the consistent application of Generally Accepted Accounting Principles (U.S. GAAP). State agencies must determine if the sponsor is utilizing acceptable accounting practices via the budget and monitoring activities.

Administrative Capability

The sponsor must be administratively capable, as described at 7 CFR 225.6(d)(2). To demonstrate administrative capability, applying sponsors must have qualified staff; employ sufficient staff to ensure successful operation of the Program; and have written policies and procedures that assign program responsibilities and duties and ensure compliance with civil rights requirements. Sponsors can show that they are administratively capable by maintaining documentation of appropriate management practices, such as written policies and procedures for administrative tasks and recruiting qualified staff.

Administrative capability is having effective management practices that ensure the sponsor has an adequate number and type of staff to operate the Program in accordance with the regulations. This includes sufficient staff to achieve the organization-wide goals. The staff must have the skills and training required to fulfill program responsibilities. In addition, the sponsor must have written policies and procedures for operating the Program. The written policies and procedures must assign duties to responsible staff and document how the sponsor will remain in compliance with civil rights requirements. This means the sponsor must be able to maintain qualified staff to operate the Program.

Internal Controls for Program Accountability

The sponsor must have internal controls and management systems to ensure fiscal accountability and operation of the program, as described at 7 CFR 225.6(d)(3). To demonstrate program accountability, the sponsor must have a financial system and monitoring activities that prevent fraud and must maintain records to show compliance with program requirements.

Internal controls help sponsors comply with program requirements and prevent waste, fraud, and abuse. Program accountability is the sponsor's demonstration of having internal controls to ensure integrity and program compliance. Internal controls and management systems include written policies and procedures, edit checks, recordkeeping procedures, and safeguards for program funds. This means the sponsor must have appropriate oversight of their business and the program. Sponsors can refer to the United States Government Accountability Office's [*Standards for Internal Control in the Federal Government*](#) as a guide for best practices.

Administrative Budgets

Applying sponsors must submit a complete administrative budget for State agency review and approval in their application, as described at 7 CFR 225.6(c)(2)(vii). The administrative budget is the sponsor's financial plan for operating the Program for the Program year. The administrative budget must document all the anticipated administrative costs that the sponsor expects to incur during the operation of the Program. The budget must include sufficient detail for the State agency to determine whether the planned expenditures are necessary, reasonable, allowable, and appropriately documented [7 CFR 225.6(d)(1)(iii)]. The calculations may be estimates based on prior years' operations or cost estimates based on market research.

Sponsors must have documentation to support the planned expenditures. Examples of documentation to support planned expenditures include dated receipts and invoices for all goods and services and written price quotes and estimates for goods and services. The budget must also include information that enables the State agency to assess the sponsor's ability to operate the Program within its estimated reimbursement. Only administrative costs included in the sponsor's approved budget may be paid with Program funds. All costs not included in the approved budget must be covered by other funding sources. Supporting documentation of other funding sources can include grant award notices, single audit reports, or official ledgers.

The State agency must review each applying sponsor's administrative budget as part of the application approval process [7 CFR 225.6(b)(7)]. When evaluating the sponsor's administrative budget, the State agency must take into consideration the number of sites and approved level of children to be served, as well as other relevant factors. Once the initial budget has been approved,

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the sponsor is expected to adhere to it or submit appropriate amendments to the State agency for approval. A sponsor's administrative budget is subject to State agency review for adjustments if the sponsor's level of site participation or the number of meals served and claimed changes significantly. All administrative budget amendments must be approved by the State agency.

Management Plans

The State agency must require that sponsors submit a management plan to determine compliance with the performance standards. In general, the management plan is a comprehensive description of the sponsor's management and administrative structure, including details about the sponsor's financial viability and management. The management plan documents how the sponsor will provide adequate training at an appropriate frequency; perform monitoring in accordance with the regulatory requirements; accurately classify sites; and comply with meal service, recordkeeping, and all other operational requirements. Operational requirements include providing meals that meet the meal pattern requirements, conducting meal service in accordance with State and local health and sanitation requirements, complying with civil rights requirements, and claiming reimbursement for only eligible meals.

The written elements of the management plan may be captured on templates and forms provided by the State agency. The written elements may also be submitted to the State agency via web-based applications and systems. These are only some examples of how the management plan may be documented and submitted to the State agency.

Management plans are required to be submitted annually. A full management plan must be submitted at least every 3 years for all sponsors. Regulations at 225.6(e)(2) describe the management plan requirements for new sponsors and sponsors that have experienced significant operational problems in the prior year. These applying sponsors must submit a full management plan.

As described at 7 CFR 225.6(e)(3), at the discretion of the State agency, experienced sponsors may submit a full management or a simplified management plan. A simplified management plan must include a certification statement, which attests that any information previously submitted to satisfy the performance standards and application requirements for the sponsor, its sites, and principals remains current and accurate, or that the sponsor has appropriately amended the management plan to reflect current operations.

For School Food Authorities (SFAs) operating the National School Lunch Program or School Breakfast Program and Child and Adult Care Food Program (CACFP) institutions that are in good standing are not required to submit an SFSP management plan unless requested by the State agency. The State agency is responsible for determining that SFAs and CACFP institutions are VCA and have sufficient resources to operate the Program. State agencies may request evidence to make the determination of financial viability and administrative capability, as explained at 7 CFR 225.6(e)(4).

A complete management plan includes sufficient detail to demonstrate the sponsor's financial viability and financial management. Sponsors can demonstrate financial viability by submitting financial documentation to the State agency that shows adequate funds to operate the SFSP. The sponsor must show that the resources available will ensure employee salaries and suppliers will be paid, even during periods of temporary reimbursement interruptions. Non-Federal funds must

be available to pay debts when fiscal claims are assessed against the sponsor. Documentation to support these resources include an approved budget, official ledgers, recent statements from the sponsor's banking institution, grant award notices, and single audits. In addition, the State agency may impose additional requirements for documentation to support financial viability.

The management plan must include information that demonstrates the sponsor's administrative capability. Sponsors can demonstrate administrative capability by documenting how they recruit, hire, and retain qualified and trained staff. This documentation should include job descriptions, employee handbooks, training materials, and any additional documentation required by the State agency.

The management plan must provide adequate information that accounts for internal controls to ensure program accountability. Sponsors can demonstrate internal controls for program accountability by submitting written policies and procedures for safeguarding funds and preventing and detecting waste, fraud, and abuse. In addition, the sponsor must show compliance with recordkeeping requirements by maintaining approved and amended budgets, accounting records, and site operations. The plan must also detail the management systems for recordkeeping, monitoring, civil rights compliance, and meal service operations. Additional documentation may be required by the State agency.

Application Approval

The State agency may only approve a sponsor's application if it meets the three performance standards: financial viability, administrative capability, and program accountability. The State agency must also consider past performance in the SFSP or other Child Nutrition Programs and any other relevant factors when determining if the sponsor's application meets the required standards. Lastly, the State agency must evaluate the sponsor's management plan and administrative budget, and all required supporting documentation listed above.

State agencies are reminded to distribute this memorandum to program operators. Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate FNS regional office.

Original Signed

Jessica Saracino
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs

Appendix A

Components of a Full Management Plan

State agencies can organize management plan criteria in various ways. In general, the management plan will require information in three components:

1. Management and Organizational structure
2. Administrative requirements and operations
3. Monitoring and training requirements

The management and organizational structure component are a snapshot of the sponsor as a whole entity. This includes responsible principals and individuals, such as food operations staff and members of the board of directors. This component includes information that demonstrates the sponsor's financial viability and financial management compliance, and program accountability.

The administrative requirements and operations component is a comprehensive plan for how the sponsor will operate the SFSP. This plan includes assignments of staff for key duties, such as compiling data for the claim for reimbursement and ensuring that the meal pattern requirements are met. The monitoring and training component is the plan for ensuring that the Program is monitored as required under 7 CFR 225.15(d)(2). The plan must include a list or description of staff assigned monitoring duties. Each of the components includes elements, functions, activities, and the records that are required to be maintained. These components together help sponsors demonstrate VCA.

Section I. Management and Organizational Structure

- A. Unique Entity Identification (UEI), Employer Identification Number (EIN), tax exempt status
- B. Board of Directors, organization chart, responsible principals and individuals
- C. Staffing patterns, assignment of duties/job descriptions
- D. Budget and financial history, independent single audit, other supporting documentation as required by the State agency
- E. Community need/recruitment strategy, media release
- F. Certification Statements

Section II. Administrative Requirements and Operations

- A. Standard operating procedures and internal controls
- B. Recordkeeping protocols
- C. Sample menus
- D. Civil Rights data collection
- E. Site Information
 - a. Eligibility classifications
 - b. Agreements

Section III. Monitoring and Training

- A. Proposed training schedule

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- B. Proposed monitoring schedule
 - a. Preoperational visit
 - b. First visit
 - c. Routine and follow up
- C. Monitoring staffing pattern

Appendix B

Components of a Simplified Management Plan

The simplified management plan will include a certification of any information previously submitted to the State to satisfy the requirements of the performance standards and ensure these are current and up-to-date, or that changes have been reported to the State agency. In other words, experienced sponsors must be VCA, and it must be supported by documentation on file with the State agency.

Section I. Performance Standards

- A. Financial Viability
- B. Administrative Capability
- C. Program Accountability

Section II. Certification Statement

Section III. Program Operations and Full Management Plan

- A. Current and up to date
- B. Amendments submitted for approval