

**Alabama State Department of Education
Child Nutrition Programs
Child and Adult Care Food Program**

Financial Review Policy

The Child Nutrition Program Integrity Final Rule requires state agencies to routinely review the finances of sponsoring organizations of the Child and Adult Care Food Program (CACFP) by annually reconciling bank statements and, for sponsors of unaffiliated centers, conducting an annual review of actual expenditures and funds retained for administrative costs. The financial review regulations do not apply to independent centers or School Food Authorities (SFAs) operating the CACFP and the National School Lunch Program (NSLP). Bank statements are also reviewed to ensure the food service program operates as a nonprofit. The intent is to ensure federal tax dollars have been used appropriately and that the sponsoring organization is in compliance with Performance Standard 1 Financial Viability and Financial Management and Performance Standard 3 Program Accountability.

Training and Assistance

1. The CACFP Administrator at the Alabama State Department of Education (ALSDE) provides training for State agency staff, auditors, and sponsors.
2. State agency staff are available to provide technical assistance to sponsors on maintaining financial records.
3. State agency staff work with sponsoring organizations as needed in developing corrective action plans and, if required, working through the serious deficiency process.

Protocol

1. The State agency uses a contracted auditing firm to conduct the annual review of bank statements and, for sponsoring organizations of unaffiliated centers, the annual review of actual expenditures and funds retained for administrative costs.
2. The reviews are unannounced and conducted onsite.
3. They are based on the most recent claims submitted for reimbursement.
4. The auditing firm collects the required financial documents and submits them electronically to the ALSDE as part of the financial review report.
5. Sponsoring organizations must respond to the initial request for documents within two hours.
6. The auditing firm has the right to request additional documentation or expand the review to additional months if warranted.
 - a. Sponsoring organizations must provide the additional documentation within three business days.
 - b. Failure to submit financial records when requested may result in the State agency initiating the serious deficiency process which could lead to termination of the sponsoring organization's agreement.
7. The auditors share preliminary findings with the sponsoring organization orally at the exit conference and in writing in the formal report.

8. Auditors have three days from the signing of the preliminary report to submit the report to the ALSDE.
 - a. The final report must include any findings and recommendations.
 - b. The ALSDE sends the final report to the sponsoring organization.

Findings and Serious Deficiencies

1. Depending on the scope and severity of any findings, the State agency may take any of the following actions:
 - a. Expand the review to additional months.
 - b. Initiate a full compliance review (audit), including but not limited to meal pattern compliance and facility monitoring.
 - c. Initiate the serious deficiency process.
 - d. Refer the organization to the proper authorities. (This step is required if there are significant discrepancies or reviewers are unable to verify any expenditures that may violate program requirements.)
2. If any finding includes one or more serious management problems, the serious deficiency process must be initiated, which allows for corrective action.
 - a. If the serious deficiency is not sufficiently addressed, the process could result in termination for cause of the sponsoring organization's permanent agreement.
 - b. A sponsoring organization may need to initiate the serious deficiency process with its centers or providers.
3. Corrective action plans, if needed, may include developing written standard operating procedures, identifying specific roles and responsibilities, and follow up reviews. Other corrective actions may be appropriate to a specific situation.

Bank Statements and other Financial Documents

1. Federal regulations do not require a separate checking account for child nutrition program-related transactions. If a sponsoring organization submits a bank statement for an account with co-mingled funds, the CACFP entries must be clearly marked.
2. Other financial documents, such as fund activity accounts or reports, may be submitted by the institution or be requested by the auditors.

Annual Review of Bank Statements for Sponsoring Organizations

1. Representatives of the contracted auditing firm make unannounced visits to sponsoring organizations to conduct the annual financial review. The first step is the review of a bank statement. The auditors request the bank statement that corresponds to the month of the most recent claim submitted for reimbursement and supporting documentation for all CACFP expenditures on the bank.
2. Expenditures are documented payments for goods and services, including operational and administrative expenses. The auditors complete the Documentation of Expenditures Form for all expenditures. The template for this form is in Appendix A.

3. All expenditures must be reasonable, allocable, and necessary. Information about allowable expenses is in FNS Instruction 796-2, Revision 4 Financial Management-Child and Adult Care Food Program.
4. Entries on the bank statement must be supported by additional documentation, such as:
 - a. Itemized expense reports
 - b. Actual expenditure reports
 - c. Itemized receipts
 - d. Dated invoices
 - e. Canceled checks
 - f. Payroll documentation
 - g. Evidence of disbursements made to sponsored facilities
 - h. Records to support allocations
 - i. Financial records to support credit card and cash transactions

Sponsoring Organizations of Unaffiliated Centers: Annual Review of Actual Expenditures and Funds Retained for Administrative Costs

1. In addition to the annual review of bank statement described in the previous section, the financial review of sponsoring organization of unaffiliated centers must also provide documentation to verify that the portion of administrative costs charged to the Program do not exceed 15 percent of the meal reimbursements estimated or earned during the budget year.
2. An unaffiliated center is legally distinct from the sponsoring organization. An unaffiliated center has a different tax identification number and different responsible parties.
3. Sponsoring organizations of unaffiliated centers must provide an annual expense report in Appendix B Sponsoring Organizations of Unaffiliated Centers that:
 - a. Details actual expenditures of program funds and the amount of meal reimbursement funds retained from centers, if any, for administrative costs for the year in which the claims apply.
 - b. Uses the same cost categories as the approved annual budget submitted by the sponsoring organization.
4. The spreadsheet template in Appendix B must be completed to demonstrate that administrative costs charged to the Program do not exceed 15 percent of the estimated or earned meal reimbursement for the budget year. If meal reimbursements exceed 15 percent, the State agency begins the serious deficiency process.

Monitoring Documentation of Nonprofit Status of Food Service Program

The State agency monitors and reviews the nonprofit status of the food service of participating CACFP institutions to ensure that all program reimbursement funds are used solely for food service operations, primarily for the benefit of children or adult participants. State agency staff annually verify the following criteria are met during the recertification process:

1. CACFP funds are used only for food and nonfood purchases without prior State approval.

2. Bank statements are reviewed to ensure the institution does not maintain a balance of more than three months of expenses. Appendix C Three Month Balance is used for this task.

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APPENDIX: Links to Resources

Financial Management System

[7 CFR 226.7\(b\)](#)

CACFP Performance Standards

[7 CFR 226.6\(b\)\(1\)\(xviii\)](#)

List of Serious Deficiencies for Participating Institutions

[7 CFR 226.6\(c\)\(3\)\(ii\)](#)

Termination of a Permanent Agreement

[7 CFR 226.6\(c\)\(3\)\(iii\)\(C\)](#)

Serious Deficiency Procedures for Participating Institutions

[7 CFR 226.6\(c\)\(3\)\(iii\)](#)

Reporting Requirements for Sponsoring Organizations of Unaffiliated Centers

[7 CFR 226.10\(c\)\(2\)](#)

Unaffiliated Centers and Administrative Costs

[7 CFR 226.16\(b\)\(1\)](#)