

# **SUMMER FOOD SERVICE PROGAM – VIABILITY, CAPABILITY AND ACCOUNTABILITY (VCA)**

**TEXAS DEPARTMENT OF  
AGRICULTURE, FOOD &  
NUTRITION DIVISION**

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Contracting Entities (CE) are responsible for:

- Demonstrating financial and administrative viability, capability and accountability
- Submitting a program VCA checklist and additional information with application (or, for renewing CEs, with significant changes from previous year)
- Must meet VCA at **all times**

7 CFR Part 225.14 (c)(1) states “No applicant sponsor shall be eligible to participate in the Program unless it demonstrates financial and administrative capability for Program operations and accepts final financial and administrative responsibility for total Program operations at all sites at which it proposes to conduct a food service.”

To clearly communicate what VCA means in regard to SFSP operations

To assist CE in the evaluation and documentation of VCA status

To demonstrate the importance of VCA in regard to practical SFSP operations (compliance)

### Definition:

- Having a reasonable chance of succeeding, financially sustainable
  - Source: <http://www.merriam-webster.com/dictionary/viability>

7 CFR 225.14 (d)(6)(iii) states “If the sponsor is a private non-profit organization, it must certify that it demonstrates that it possesses **adequate management and the fiscal capacity to operate the Program.**”

### Important Question to Ask Yourself

- Does your entity have an operation that will be here **tomorrow and the next** (even without being part of the Program)

## Definition:

- The ability to do something
  - Source: <http://www.merriam-webster.com/dictionary/capability>

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You have to not only **WANT** to be in the Program but have the **ABILITY** to operate all aspects of the Program

## Definition:

- An obligation or willingness to accept responsibility or to account for one's actions
  - Source: <http://www.merriam-webster.com/dictionary/accountability>

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7 CFR 225.15 (a)(3) states “No sponsor may contract out for the management responsibilities of the Program.....”

**You MUST** take ownership of the Program operations

At the end of the day, does your CE have the capability to operate a viable operation that is ultimately responsible for its actions or inactions?

If you believe the answer to the above question to be **YES**, than what do you do as an entity to demonstrate this to be the case and what supports this fact?

The following slides introduce situations and examples that may be considered by a CE to determine if they are in fact VCA.

We have not exhausted all indicators of VCA within this presentation but have furnished the following to assist CE in making a determination.

- **Note:** Keep in mind, not all CEs are the same

The following slides are examples of indicators of VCA, not guarantees that VCA exists

Indicator = a trend or fact, that indicates the state or level of something

A collection of indicators (good and bad) should be assessed collectively to determine if a CE has demonstrated VCA



## Historical Operations (Program and/or Non-Program)

One of the best indicators of VCA is the evidence provided by historical information

Things to consider:

- How many years has the organization operated
  - More years = indicator of viability
- What services/products does the organization provide (outside of the Program)
  - History of community services can be an indicator of capability
- What have the results of operations been over the past few years:
  - Net income/increase in net assets (each year and/or cumulative) = indicator of viability & capability
  - Trends in cash flows (increases in cash and total net asset position) = indicator of viability & capability

## **Historical Operations (Program and/or Non-Program)**

### Examples of Supporting Evidence/Documentation

- Financial Statements:
  - Balance Sheet
  - Income Statement
  - Cashflow Statement
  - Other
- Audit/Review/Compilation of Financial Statements
- Tax Returns
- Bank Statements (consider PART of support but not as strong when considered THE support)

## **Current Financial Position (Net Asset vs. Liability Position)**

An organization must have adequate financial resources to operate the SFSP on a daily basis, have adequate sources of funds to withstand temporary interruptions in Program payments and/or fiscal claims against the organization

- For example, the argument that you can not pay staff until you are reimbursed by TDA is contrary to the characteristics noted above for VCA

Historical operations can feed into this (if you have had successful operations over the years, the result could/should be a strong current financial position)

## **Current Financial Position (Net Asset vs. Liability Position)**

A strong current financial position is an indicator of viability and can be supported by, among other things:

- A strong cash position
- An overall strong net asset position (Total Assets less Total Liabilities)
- Documented access to additional funding sources (donations, other grants, operational revenue, short-term borrowings, etc.)

*It is difficult to define “strong” as each organization is unique. However, once again, an organization should have financial resources in place and at its disposal to operate in the absence of TDA funding*

## **Current Financial Position (Net Asset vs. Liability Position)**

Examples of Evidence/Supporting Documentation:

- A strong cash position
  - Balance sheet and/or bank statement representing a strong cash position
    - > **Indicator** of a **WEAK** cash position = TDA monthly reimbursement request of \$50,000 and a total bank balance of \$100
    - > **Indicator** of a **STRONG** cash position = TDA monthly reimbursement request of \$10,000 and a total of \$50,000
- Remember, indicator does not equal fact, the CE with an indicator of a weak cash position may be VCA when taking into consideration other indicators (for example, that CE may have a large investment portfolio to utilize, if needed)

*Do not make the mistake of inflating cash position (deposit money for application purposes then removing later) to make the organization look more VCA*

## **Current Financial Position (Net Asset vs. Liability Position)**

### Examples of Evidence/Supporting Documentation:

- An overall strong net asset position (Total Assets less Total Liabilities)
  - Balance Sheet and supporting documentation:
    - > Investment statements
    - > Real estate documentation
    - > Fixed asset detail
- Again, these should be assets that can be liquidated, if needed, to support organization operations if TDA funding is interrupted
- When an organization represented additional assets and no significant debt to cover funding interruptions, Program costs should be paid timely

## **Current Financial Position (Net Asset vs. Liability Position)**

### Examples of Evidence/Supporting Documentation:

- Documented access to additional funding sources (donations, other grants, operational revenue, short-term borrowings, etc.)
  - Operational revenue & other grants – demonstrate through historical financial records and/or agreements
  - Donations – demonstrate through historical financial records and/or commitment letters
  - Short-term borrowings – demonstrate through signed agreement(s) with predetermined terms

## **Applicable Experience & Training**

Does your organization have staff in the organization that have experience areas applicable to running the Program, for example:

- Food & Nutrition Programs
- Food Management
- General Business
- General Management
- Grant Monitoring & Compliance
- Accounting & Finance
- Other



## **Applicable Experience & Training**

Experience as noted on the previous slide within the organization are indicators of capability and can be supported through:

- Resumes or Certified Statements
- Personnel Records
- Human Resources Policies & Procedures (specifically around position requirements in regard to experience)
- Along with experience, an organization's training approach can demonstrate VCA in regard to capability
- Training is essential and a requirement of the Program, organizational training provides employees and staff with the key knowledge and skills that are required to perform their duties

## **Applicable Experience & Training**

Examples of Evidence/Supporting Documentation for Training:

- Training Policies & Procedures
- Scheduled and documented training sessions, retaining:
  - Training material
  - Sign in/out sheets
  - Evaluations/Feedback Forms

## **Policies & Procedures (P&P)**

Written P&P are evidence that the organization has thought through how each major process is conducted and a significant indicator of capability & accountability

P&P components include:

- Steps in the process
- Controls in the process (things we do to make sure the process is working correctly)
- Assignment of responsibility

## **Policies & Procedures (P&P)**

P&P should be:

- Simple
- Consistent
- Easy to Use

P&P help familiarize new employees to how the organization operates & to ensure institutional knowledge is retained when key employees leave

Have you ever had someone leave your organization and you are stuck sitting there pulling your hair out trying to figure out how they did what they did – P&P helps avoid that horrible feeling

## **Policies & Procedures (P&P)**

Policy vs. Procedure – What is the difference?

Policy = The “rules” governing the implementation of processes

- Example: It is the policy of \_\_\_\_\_ that the organization will maintain an effective system of cash management that anticipates cash needs and plans adequately to satisfy them

Procedure = The implementation of the policy (how does the organization ensure the policy is followed)

- Example: Bank reconciliations will be performed monthly by the Accounting Clerk and reviewed by the Executive Director to ensure an accurate cash balance each month. The monthly cash balance will be reported to the Board of Directors in conjunction with other financial information at each monthly board meeting

## **Policies & Procedures (P&P)**

The follow through!

- While written P&P are an indicator of capability & accountability, they mean very little if they are not adhered to in the operations of the organization
- A number of Administrative Review findings revolved around a CE not following it's written policies & procedures

## **Internal Controls**

A large number of Administrative Review findings are the result of a lack of internal controls in place at the organization

Internal control is a process, effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives

## **WHAT DOES THAT MEAN?**

Internal controls are the steps in place to make sure the organization is operating effectively and are significant indicators of capability and accountability

Even the smallest of operations can and should have internal controls in place

## **Internal Controls**

Evidence of internal controls are generally incorporated in an organization's P&P

Examples of Basic Internal Controls:

- Written Policies & Procedures
- Board of Director's Meeting (including documenting meetings in writing via minutes)
- Performance and review of monthly bank reconciliations
- Monthly review of financial statements (including a spot check of supporting documentation)
- Secondary approval on disbursements over a certain \$ amount
- Internal Training



## **Internal Controls**

### **CAN YOU THINK OF ANY MORE?**

- No checks are signed without supporting documentation attached for review
- Review of weekly meal count sheets by someone who did not prepare (make sure the daily meal count sheet amounts add up to the weekly count sheet amount)
- Confirm that amounts delivered by food vendor agree to delivery ticket & subsequent invoice (make sure you are not paying for something you never received)
- Comparison & analysis of budget to actual results (if our original budget is off, we find out here and we investigate as to why)

## **Adequate Financial Management System (FMS)**

Financial management includes such activities as budgeting, accounting, costing standards, 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 application of funds.

FNS Instruction 796-4, Rev. 4 addresses acceptable financial management standards.

- At a minimum, a financial management system shall provide:
  - Accounting records supported by source documents
  - Records showing source and application of funds
  - Accurate, current, and complete disclosure of financial transactions
  - Full control over and accountability for all program assets
  - Comparison of actual outlays against budgeted amounts
  - Organization-wide audits
  - Systematic method to resolve audit findings in timely manner

## Adequate Financial Management System (FMS)

More detail around an adequate FMS will be discussed during the Program Finances presentation but an adequate FMS is an indicator of viability, capability and accountability

Evidence of an adequate FMS would be as follows:

- Correct use of accounting software (excel, QuickBooks, Peachtree, etc.)
  - Hint: If an organization claims the use of QuickBooks but then presents financial information via bank statements or handwritten financial information – these actions appear contradictory)

Written Policies & Procedures

Bank Statements and *accurate* Bank Reconciliations

Audited or Reviewed Financial Statements

## **Adequate Financial Management System (FMS)**

Remember, any number you present as financial information on your application and VCA Checklist should be able to be supported by evidence, for example:

- Cash balances
- Funding streams (grants, donations, etc.)
- Additional assets (investments, vehicles, land, buildings, etc.)
- Additional operations
- Other

*If you represent certain amounts during the applications process, TDA may attempt to verify during an Administrative Review and any significant discrepancies may indicate a lack of an adequate financial management system*

An initial application requirement is for a CE to complete the TDA “Summer Food Service Program Viability, Capability and Accountability (VCA) Checklist”

A renewing CE must inform TDA if there have been any substantial changes to its VCA status

**WHAT ANSWERS DO I NEED TO PUT ON THE CHECKLIST TO BE APPROVED??**

**ARE YOU READY FOR THE ANSWER?**

**HERE IT COMES!!**

**DEPENDS!!**

It depends because each CE is different:

- Different sizes
- Different structures
- Different level of operations
- Different history
- Different goals
- Different direction

There is not a one size fits all approach to VCA, VCA is **NOT** a check the box compliance requirement

Critically assess the status of your organization based upon the ideas within this presentation coupled with all applicable compliance requirements as well as other potential indicators of VCA not noted within the presentation

**Conclusion.** Questions? Comments?