



**Guidance Memorandum 11: CACFP Requirements for Financial Management**

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**Community Nutrition Programs  
Child and Adult Care Food Program (CACFP)**

[Guidance Memorandums](#)   [CACFP Webcast Trainings](#)

**Applies To:** All Independent Centers and Sponsoring Organizations

### **11.1 CACFP Funding**

The Department of Public Instruction (DPI) reimburses programs participating in the Child and Adult Care Food Program (CACFP) based on the number of meals served to enrolled participants multiplied by the federal rates of reimbursement. Guidance Memorandum #2 contains information on rates and how reimbursement is determined.

The CACFP is a reimbursement program, meaning participating agencies are provided funding after costs of operating and administering the Program are incurred.

### **11.2 Accounting Procedures**

Agencies must have a strong accounting system in place to track CACFP costs and revenues. At a minimum, the accounting system must:

1. Allow your agency to separate and track CACFP costs and revenue from other agency costs and revenues. This can be done by:
  - a. Assigning accounting codes (separate columns of a journal/ledger) to CACFP costs and revenues;
  - b. Using the DPI General Ledger to track CACFP costs and revenues OR
  - c. Creating a separate fund for CACFP costs and revenues (separate accounting records or a completely separate bank account).
2. Use an accounting system accepted by the US Generally Accepted Accounting Principles (US GAAP). Which is either of the two methods:
  - a. Accrual system, which recognizes revenues and costs when incurred and uses payables and receivables, or
  - b. Cash system, which recognizes revenues and costs when funds are actually received and expended.
  - c. US GAAP does not recognize the exclusive use of cash as a method of payment of expenses. Only the use of a Petty cash account is acceptable, which should retain less than \$100 and be reconciled monthly. Acceptable payment methods are check, credit and/or debit card.
3. Generate financial records, including:
  - a. Profit and Loss Statements
  - b. General Ledgers / Check registers
4. Have accounts established for CACFP costs. At the very least these categories should be:
  - a. Food
  - b. Kitchen Supplies/Nonfood
  - c. Food Vendor costs (if applicable)

### **11.3 Financial Support Documentation**

Agencies must maintain documentation of how CACFP reimbursement is spent to show that funds are used for CACFP operation and/or to improve food service operations for the benefit of enrolled participants. Documentation must be specific and expenses must be identified.

- The following is acceptable documentation for CACFP costs:
- Food costs: Dated and itemized grocery/store tapes or receipts, invoices, receiving reports, contracts for meals (for vended meals). Must show method of payment or account code charged.
- Kitchen Supplies/Nonfood costs: Same items listed above under food costs. For any items that are shared with other programs, an acceptable allocation method must be shown. Must show method of payment or account code charged.
- Labor and salary costs: Daily time sheets, payroll vouchers or other payroll records that clearly show the time spent on the CACFP.

These costs must be recorded within an agency’s accounting system in accordance with the method chosen to track CACFP costs (i.e. account codes, DPI General Ledger) and all receipts, invoices, etc. must be retained on file as support documentation. If original documentation is not kept onsite then a legible copy must be made and kept onsite.

- The following are acceptable methods to identify CACFP food and kitchen supply/nonfood costs:
- Highlight, circle or notate CACFP items (ex. F for food and K for kitchen supply/nonfood);
- Pay for CACFP food and kitchen supply/nonfood items in a purchase separate from other agency purchases so the receipt only documents CACFP costs;
- Total all food costs and kitchen supply/nonfood costs separately, and record the total for each on the receipt, invoice, etc.;
- Food and kitchen supply/nonfood expenses purchased on the same invoice/receipt must be recorded as separate expenses; they should not be recorded as one food expense.

### **11.4 Allowable and Unallowable Costs (Effective April 2014)**

Food program costs must be actual, allowable, necessary and reasonable, related specifically to food service and offset by any applicable credits, discounts, rebates, allowances, recoveries or indemnities on losses, sales of scrap, and erroneous charges.

An extensive list of allowable and unallowable administrative and operating costs is provided in the CACFP *FNS Instruction 762-2 (Rev. 4)* Section VIII. Also, the *Summary of Allowable Costs* (revised 4/14) is a helpful chart which itemizes each allowable cost and specifies the type of approval required (Prior State Agency Approval, Specific Prior Written State Agency Approval, and FNS Regional Office Approval).

- [FNS Instruction 796-2 \(Rev. 4\)](#)
- [Summary of Allowable Costs](#)
- [Frequent CACFP Costs](#)
- [Assessing Costs in the CACFP](#)

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Typical costs considered allowable include:

1. Operating Costs
  - a. Compensation for food service labor and office staff working solely for the CACFP
  - b. Food and Kitchen supplies/Nonfood (e.g., napkins, trays, utensils)
  - c. Prepared meals purchased from an outside vendor: catering company, school, Food Service Management Company, etc.
  - d. Food service nonexpendable equipment
2. Administrative Costs
  - a. Planning, organizing, and managing a food service operation under the CACFP to accomplish: 1) reviewing and submitting facility applications to the State agency for CACFP participation approval; 2) reviewing and approving income eligibility statements; 3) providing nutrition education to CACFP staff; 4) providing CACFP training for institution staff and facilities; and 5) conducting CACFP monitoring and training visits to sponsored facilities

In order to meet meal pattern requirements and serve healthy reimbursable meals, it is strongly recommended that between 40-50% of CACFP reimbursement is used for food, kitchen supplies/nonfood and vended meals.

Typical costs considered unallowable include:

1. Losses arising from uncollectable accounts including when reasonable efforts have been made to collect them
2. Payment of overclaims, fines, and/or penalties resulting from Program violations
3. Entertainment (e.g., social activities, amusements, personal food costs)
4. Costs not included in the CACFP's budget as approved
5. Capital expenditures (e.g., acquisition of land and buildings, the alteration of existing facilities)
6. Initial purchase of vehicles
7. Non-business purchased communication costs (e.g., personal cell phones, internet services, etc.)

All costs funded with CACFP reimbursement require **prior approval** by DPI. Approval is given through the budget submission and approval process in the online contract. All agencies should regularly monitor budget vs. actual costs to ensure proper approval has been obtained and submit a budget amendment for any new costs that will be funded with CACFP reimbursement.

### **11.5 Allocation of Food Service Costs**

In most cases, an agency's food service program operation is exclusively a CACFP operation. However, if part of the food service program operation is used for other activities, such as catering, or if it does not operate primarily for the benefit of enrolled participants, then an allocation plan allocating costs between the CACFP and other food service operations is necessary. The definition of "primarily for the benefit" does not necessarily require that over half the meals served are for CACFP participants.

**11.6 Required CACFP Financial Reporting to DPI**

All agencies that participate in the CACFP, whether for-profit, non-profit or public, are required to operate a non-profit food service program, meaning all CACFP revenue received is used only for allowable CACFP costs. Any CACFP revenue in excess of expenses is used only to maintain, expand or improve the institution’s CACFP for its participants.

The DPI monitors an agency’s non-profit food service program through the submission of the *CACFP Financial Report*. The report provides a total of all actual CACFP costs and the revenue used to fund the costs.

- Reporting actual CACFP costs:
  - Allowable CACFP costs are discussed in the section titled **Allowable and Unallowable Costs (Effective April 2014)**.
  - CACFP costs will come from totals of food costs, kitchen supply/nonfood costs, food service labor, and any other DPI approved CACFP expense as recorded in the agency’s accounting system.
- Reporting CACFP Revenue:
  - CACFP revenue includes CACFP reimbursement, child and adult meal payments, meal sales to other organizations, donations, loans, and interest earned on these funds.
  - Other income that may be used to supplement the cost of your food service program: tuition, Head-Start funding, W-2 funding, donations, etc.

Reports and instructions for completing reports can be found posted under Guidance Memorandum 11 on the Guidance Memorandum website.

**Independent Centers: Complete one annual report online – DUE NOVEMBER 1<sup>ST</sup>**

- Submit the *CACFP Financial Report* using the DPI online system. The time reporting period is October 1 – September 30. **The due date for submission of this report is November 1<sup>st</sup>.**

- [PI-1463](#)
- [Annual CACFP Financial Training](#)
- [Sample General Ledger for Independent Centers](#)

**Sponsoring Organizations: Complete four quarterly reports online**

- Submit the *CACFP Financial Report* quarterly using the DPI online system.

- [PI-1463-A](#)
- [PI-1463-C](#)
- [Quarterly CACFP Financial Report Training](#)
- [Sample General Ledger for Sponsoring Organizations](#)

The due dates for submission of the quarterly reports are as follows:

<u>Time Reporting Period</u>	<u>Due Date of Quarterly Financial Report to DPI</u>
October 1 – December 31	March 1 <sup>st</sup>
January 1 -- March 31	June 1 <sup>st</sup>
April 1 -- June 30	September 1 <sup>st</sup>
July 1 – September 30	December 1 <sup>st</sup>

All income and expenses on all financial report must be reported as earned, not as received or expended (accrual method). The report(s) should reflect the **ACTUAL** costs and reimbursement that went into serving meals during the respective reporting period(s) that the report(s) represent.

### 11.7 CACFP Budgets and Amending Budgets

All costs that are paid for directly with the federal CACFP reimbursement that your agency earns must have received prior line item approval from the DPI. This approval is given through the CACFP budget process. All agencies that participate in the CACFP must complete a CACFP budget. The CACFP budget is part of the annual contract renewal and is handled through the online application. The approval of the budget is given through the approval of the online application. There are different budget requirements for the two agency types, as highlighted below:

**Sponsoring Organizations:** The DPI detailed CACFP Budget (Attachment G) completed at the beginning of the program year and uploaded and approved within your online contract should be a reflection of the projected food program expenses that your agency anticipates incurring throughout the program year. Situations may arise that will require you to amend your budget (i.e. an addition of the following: line item, new position, new contracted service, indirect costs, equipment). **A budget does not need to be amended for a change in the budgeted dollar amount of a prior approved line item.** Budget amendments will be accepted at any time prior to September 1<sup>st</sup>. Any budget amendment after September 1<sup>st</sup> will be accepted for emergency situations only. All budget amendments are submitted and approved through the online application.

A budget amendment for cost items funded directly with CACFP funds that require prior approval will **not** be accepted **after** a cost has been incurred, as illustrated in the *Summary of Allowable Costs*. The budget does not need to be amended to reflect any change/addition of a Generally Allowable Cost, unless the addition will increase the overall budget amount. Any documentation required for prior approval or specific prior written approval must be uploaded into the online application as well.

*Please note:* No more than 15% of CACFP meal reimbursement may be used to fund any type of administrative cost. The maximum amount of administrative cost that can be expended is reported on your annual budget and will be monitored on your quarterly *CACFP Financial Report*. Any deviation from this policy requires a waiver from DPI.

**Independent Centers:** The budget that is required for Independent Centers is part of the online application. No other form is required to be completed or submitted. The dollar amounts are projections of the upcoming CACFP year. At the end of the program year, your agency will submit the actual costs as supported by your financial records and receipts and recorded on the annual *CACFP Financial Report* (see instructions below). If a line item has not been included/approved in your CACFP budget in the online application (as indicated with a zero) you cannot use CACFP funds to pay for these expenses. If you would like to use CACFP reimbursement to fund these costs in the future you must update your online budget and submit to DPI for approval prior to incurring these costs.

If you have any questions regarding your budget status, please contact Cari Ann Muggenburg by e-mail at [cari.muggenburg@dpi.wi.gov](mailto:cari.muggenburg@dpi.wi.gov) or by phone at 608-264-9551.

### 11.8 Accounting for Public School Districts ONLY

If you are a public school that participates in the CACFP At-Risk After School Super program at your site(s) or administers the CACFP at your school owned child care center please ensure that you are accounting for your CACFP funds correctly. All CACFP revenues and expenditures must be recorded in your Fund 50 account under **Project Code 551**. This revenue and expenditure report will be used to support the annual or quarterly *CACFP Financial Reports* that you submit to DPI as required in section 11.6 above.

Since the CACFP is a separate federal program from the, National School Lunch (NSLP), School Breakfast Programs (SBP), and Summer Food Service Program (SFSP) it is essential that the accounting for the revenue and expenditures in these programs are easily identifiable and support the figures reported on the *CACFP Financial Report(s)*.

For example, if you are a public school district that claims supper meal service through the Child and Adult Care Food Program the costs that your district incurs and the reimbursement you receive as a result of these meals should be coded as follows:

Revenue

CACFP Meal Service Reimbursement – Fund 50, Source 717, Project 551

CACFP Cash in Lieu of Commodities – Fund 50, Source 715, Project 551

Expenditures

Salaries – Use Object Code 100 under Project 551

Benefits – Use respective Object Code 200 under Project 551

Purchased Food Supplies – Use Object Code 410 under Project 551

Purchased Kitchen Supplies – Use respective Object Codes 400 under Project 551

Purchased Services (included Vendor Services) – Use respective Object Code 300 under Project 551

When completing the Annual Financial Report for the School Nutrition Team (SNT), including all expenditures and revenues within Fund 50, the CACFP should be reported under the “A la Carte” section of the report. If participating in the Summer Food Service Program (SFSP), those revenues and expenditures also get reported under “A la Carte” in the SNT Annual Financial Report.

If your school district is finding that it has incurred a surplus balance at the end of the federal fiscal year in any of the federal food service programs (CACFP, SFSP, NSLP, etc.) this balance must be retained in the respective project code Fund 50 account and may only be used to improve the quality of that specific USDA food program or to off-set the expenditures incurred in the other USDA federal food service programs. **Under no circumstances can this balance be transferred out of the Fund 50 account or be used to offset the cost of non-USDA food service programs (i.e. A la Carte).** Remember that program requirements only allow a three month operating balance to be carried over into the next fiscal year. If your agency is having difficulty spending down your Fund 50 balance that has incurred please contact your respective SNT or CNT program consultant.

If you have any questions regarding this process please do not hesitate to contact Cari Ann Muggenburg by e-mail at [cari.muggenburg@dpi.wi.gov](mailto:cari.muggenburg@dpi.wi.gov) or by phone at 608-264-9551.

### **11.9 Audit Requirements**

All nonprofit agencies that participate in the Child and Adult Care Food Program that expend more than \$750,000 in federal funds are required to have an annual A-133 Single Audit. A copy of this audit is required to be uploaded and reported to the Federal Audit Clearinghouse (FAC). More information about the FAC can be found at <https://harvester.census.gov/facweb/>. For Sponsoring Organizations, a copy of the last completed audit report or federal tax return for your business should be uploaded into your online application.

The CACFP is a federal program through the USDA with funds passed through the DPI. The CFDA number is 10.558. All funds are 100% federal and are restricted to CACFP approved expenses ONLY. If your agency qualifies for a Single Audit report, and you receive CACFP funding, you are required to report the CACFP income and expenditures in your list of federal expenditures. A report of all funding received from the DPI during the State Fiscal Year (July 1 – June 30), including the CACFP, can be found in the DPI Aids Register located at <https://dpi.wi.gov/sfs/finances/aids-register/aids-register-coding>. If you are not a public school as identified by DPI then you are considered a “Private” (even for-profit) and can find your information in the Private Aids Register. All audit reports must be kept on file by the agency for three years plus the current year. A copy of the A-133 Compliance Supplement for the Child and Adult Care Food Program can be found on the OMB website at <https://harvester.census.gov/facweb/>.

### **11.10 Interest-Earning Accounts (Effective July 2015)**

Sponsors are permitted to use interest-earning accounts for both operational and administrative funds. Interest earned on Federal funds in the amount of \$500 may be retained for administrative CACFP expenses. In accordance with 2 CFR 200, any additional interest earned on Federal advance payments must be remitted annually to the Department of Health and Human Services. Details on the payback can be found under 2 CFR 200.305.

[2 CFR 200](#)

### **11.11 Fiscal Action Procedures**

Fiscal action can be assessed on any agency that fails to comply with the regulatory requirements for participation in the CACFP. An overclaim can be assessed on an agency as a result of a program review, financial audit (including but not limited to a Single Audit, LAB audit or desk audit), or a federal audit (i.e. OIG audit).

Federal regulation allows a disregard threshold, currently \$600.00, for overpayments to institutions participating in the CACFP. A disregard threshold in the amount of \$600.00 will be placed on any fiscal action overclaim notice assessed as a result of a program review or audit. *However, no overpayment will be disregarded where there is substantial evidence of violations of criminal law or civil fraud statutes.*

If your agency incurs a fiscal overclaim greater than \$600.00 in reimbursement the entire debt must be repaid in full within 30 days from the date of the *Overclaim Notice*. All overclaim payments are required to be submitted by check for the full amount of the overclaim. The check should be made payable to the *Department of Public Instruction* and mailed to the following address: Department of Public Instruction, Attention: Deb Anklam, PO Box 7841, Madison, WI, 53707-7841.

Payment is due in full within 30 days from the date of the *Overclaim Notice* letter. If the overclaim is not paid in full within 30 days, interest at the rate of 1.000% per year will be charged on any overclaim balance in excess of \$5.00 beginning with the date of the *Overclaim Notice* letter. If you appeal the payment demand, we will stop all collection activities; however, interest will continue to accrue until the balance is paid in full. If the hearing officer upholds our demand for payment, you will owe the total



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balance of the overclaim and the interest that has accrued. If the hearing officer does not uphold our decision or reduces the amount of the repayment demand, any interest that has accrued on the original overclaim amount will be waived and new notice will be issued. Collection activity will resume after the hearing officer issues a decision on your appeal.

A Sponsoring Organization takes full administrative responsibility to repay any fiscal action incurred as a result of a sponsored site. Sponsoring Organizations of Unaffiliated Sites must have a collection procedure in place to collect any reimbursement found to be improperly paid to a sponsored site. The funds collected from these sites must be retained in the agency's food service account.

### 11.12 Appeal Procedures

There are twelve circumstances that are subject to an appeal. A new, renewing or participating institution and/or responsible principal or individual may appeal the following actions: (i) Denial of a new or renewing institution's application for participation; (ii) denial of an application submitted by a sponsoring organization on behalf of a facility; (iii) notice of proposed termination of an institution's agreement; (iv) notice of proposed disqualification of a responsible principal or responsible individual; (v) suspension of an institution's participation because of health or safety violations or submission of a false or fraudulent claim; (vi) denial of an agency's application for start-up or expansion payments; (vii) denial of a request for an advance payment; (viii) recovery of all or part of an advance in excess of the claim for the applicable period; (ix) denial of all or a part of an institution's claim for reimbursement unless the denial is based on a late claim submission; (x) decision by the Department of Public Instruction (DPI) not to forward to FNS an exception request by an institution for payment of a late claim, or a request for an upward adjustment to a claim; (xi) demand for the remittance of an overpayment; (xii) any other action of the DPI affecting an agency's participation or its claim for reimbursement. An agency cannot appeal the following actions: (i) a decision by FNS to deny an exception request by an institution for payment of a late claim, or for an upward adjustment to a claim; (ii) a determination that an institution is seriously deficient; (iii) a determination by the DPI that the corrective action taken by an institution or by a responsible principal or individual does not completely and permanently correct a serious deficiency; (iv) disqualification of an institution or responsible principal or responsible individual, and the subsequent placement on the State agency list and the National Disqualified List (NDL); (v) a termination of a participating institution's agreement, including termination of a participating institutions agreement based on disqualification of the institution by another State agency or FNS; (vi) determination by either the DPI or FNS that the corrective action taken by an institution or a responsible principal or individual is not adequate to warrant the removal of the institution or the responsible principal or individual from the NDL; (vii) the DPI's refusal to consider an institution's application to participate in the CACFP when either the institution or one of its principals are on the NDL, or the DPI's refusal to consider an institution's submission of application on behalf of a facility when either the facility or one of its principals is on the NDL.

An agency may appeal any of the DPI determinations listed above, in accordance with CACFP regulation 7 CFR 226.6(k). **The *Appeal Request Form (PI-1453)* must be filed in writing and postmarked within 15 calendar days from the date you receive the notice of action.** The appeal should be

addressed to: *Department of Public Instruction, Community Nutrition Programs, Attention: Cari Ann Muggenburg, P.O. Box 7841, Madison, WI. 53707-7841.* If you decide to appeal, all appeal procedures must be followed as failure to do so may result in the denial of your request for an appeal.

- [7 CFR 226](#)
- [CACFP Appeal Procedures](#)
- [Appeal Request Form \(PI-1453\)](#)

### **11.13 Disabling of Online Claims**

The DPI has the right to disable an agency's online claiming rights if findings warrant a declaration of serious deficiency. An agency that has been declared seriously deficient will not have its online claiming rights enabled until the reasons for being declared seriously deficient have been fully and permanently corrected and certified by the DPI. During this time, the agency may continue submitting valid monthly claims for reimbursement via a paper claim form, with all required support documentation, within 60 days after the end of the month for which the claim applies. Refer to Guidance Memo 3C for more information.