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**Agencies participating on the CACFP are required to demonstrate financial viability, maintain a non-profit food service account, and manage funds according to federal and state requirements.**

Direct CACFP financial management questions to Cari Muggenburg by email at [cari.muggenburg@dpi.wi.gov](mailto:cari.muggenburg@dpi.wi.gov) or by telephone at 608-264-9551.

**E-LEARNING**

The Financial Management lesson in the E-Learning Course reviews CACFP financial requirements. Click on the applicable link below to access the CACFP E-Learning Course for your program:

- [Child Care Centers, Outside of School Hours, Emergency Shelters, and Head Starts](#)
- [Adult Day Centers](#)
- [At-Risk Afterschool Centers](#)

**CACFP BUDGET**

An agency must complete a budget as part of the CACFP contract and update budget figures during the annual contract renewal. The dollar amounts to include on the budget are **projected** food program expenses an agency anticipates incurring throughout the program year. All expenses paid directly with CACFP reimbursement must receive **prior line item approval** from DPI. Budget approval is given when the contract is approved each year.

**Independent Centers:** Complete the Budget Summary Information page in the CACFP contract to enter the Budgeted Income and Expenses.

**Sponsoring Organizations:** Complete the Budget Summary page in the CACFP contract and detailed Budget (Attachment G) to support the Budget Summary. Attachment G is uploaded on the Budget Summary page.

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

### Budget Amendments

A budget amendment is required when adding items to the approved budget such as a new line item, new position, new contracted service, indirect costs, or equipment. A budget does not need to be amended for a change in the budgeted dollar amount of an approved line item. Budget amendments will be accepted at any time prior to September 1st. Any budget amendment after September 1st will be accepted for emergency situations only. All budget amendments are submitted and approved through the CACFP contract.

### CACFP COSTS

CACFP reimbursement must only be used to pay for CACFP costs that are actual, allowable, necessary, reasonable, related specifically to food service, and offset by applicable credits, discounts, rebates, allowances, recoveries or indemnities on losses, and erroneous charges.

### Allowable Costs

The following items are common allowable costs that can be paid with CACFP reimbursement. [Frequent CACFP Costs](#) provides more detail on these costs:

- Creditable food supplies purchased for reimbursable meals (i.e. creditable foods, condiments, spices, ingredients used in recipes)
  - **Local Foods:** Food supplies may be purchased from a farmers' market, local farm, or Community Supported Agriculture (CSA). Record purchases on the [Local Food Purchase Log](#).
- Meals purchased from an outside organization that prepares and delivers meals to the agency (i.e. school, other non-related child care center, licensed food vendor or catering company, Food Service Management Company, etc.)
- Nonfood/Kitchen supplies (e.g. paper goods, cleaning supplies, kitchen utensils, dishes)
- Equipment less than \$5,000 in value (e.g. small kitchen appliances)
- Operational food service labor: Wages paid to an employee for actual time spent on preparation and serving of CACFP meals. Operational labor includes menu planning, shopping/ordering supplies, cooking, and serving meals.
- Administrative labor: Wages paid to an employee for time spent on reviewing and submitting the CACFP contract; reviewing and approving income eligibility statements; providing CACFP training to staff; compiling monthly claims; completing claim edit checks; and conducting CACFP monitoring visits at 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 be used for food and vended meals.

### Unallowable Costs

The following cannot be paid with CACFP funds. Other program income must pay for these costs:

- Non-creditable foods (i.e. coffee, ice cream, grain-based desserts)
- The cost of meals served to any adult not working with the operation of the CACFP
- Entertainment and fundraising costs (i.e. social activities, family meals, staff meetings)
- Fines or penalties resulting in failure to follow Federal, State, and/or local laws and regulations
- Direct capital expenditures
- Losses arising from uncollectable accounts including when reasonable efforts were made to collect them
- Payment of overclaims, fines, and/or penalties resulting from Program violations
- Costs not included in the CACFP budget as approved
- Capital expenditures (e.g., acquisition of land and buildings, the alteration of existing facilities)
- Purchase of vehicles
- Non-business purchased communication costs (e.g., personal cell phones, internet services, etc.)

**ACCEPTABLE METHODS OF PAYMENT**

Agencies must use one of the acceptable methods of payment listed below for any cost paid with CACFP funds, including food and kitchen supplies, payroll for CACFP employees, and any other CACFP cost:

- Debit card assigned to the business checking account or food service account that CACFP funds are deposited into
- Credit card that is in the business name
- Check made payable to the vendor or employee from the business checking account
- Account set-up with a vendor to record purchases with an invoice generated at the end of the month that is paid with either a business check or debit card.

Unacceptable methods of payment are:

- Cash. The US Generally Accepted Accounting Principles (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. Cash must never be used to pay an employee of the organization.
- Employee's WIC or personal FoodShare benefits. The cost of goods purchased with these funds are unallowable and not considered a CACFP cost. Individuals who purchase food and supplies in this manner will be reported to the WIC or FoodShare administering agency for improper use.

**EXPENSE DOCUMENTATION**

Agencies must maintain documentation to show that CACFP reimbursement paid for allowable costs. Documentation must be specific and expenses must be identified. These costs must be recorded within the agency's accounting system (see Tracking CACFP Costs / Accounting Procedures below) and all receipts/invoices, payroll records, etc. must be retained on file as support documentation. If original documentation is not kept onsite, a legible copy must be made and kept onsite.

**Food and Kitchen Supplies/Nonfood Costs**

Acceptable documentation for food and non-food/kitchen supply costs include receipts, invoices, and receiving reports. Documentation must show where the items were purchased (name of store or vendor), the date of purchase, method of payment, and include an itemized list of items purchased.

Agencies must have a system in place to review receipts/invoices and allocate costs appropriately. If receipts/invoices include CACFP food, CACFP nonfood/kitchen supplies, and/or non-CACFP costs, these items must be identified on the receipts/invoices. Notate the type of cost next to each item (i.e. NF = nonfood/kitchen supply, UA = Unallowable cost). Then record the totals for each type of cost on the receipt or invoice.

**Labor Costs**

For employees who only perform CACFP tasks (ex. cooks, food service employees), payroll records, including timesheets and W-2 statements, showing how much the employee was paid must be on file. For employees who are not 100% CACFP (ex. cook who also helps in the classroom), payroll records, including timesheets and W-2 statements, must be on file as well as daily time logs showing the employee's time spent on CACFP tasks. The [Daily Time Log for Independent Centers](#) and [Daily Time Log for Sponsoring Organizations](#), or similar form that records the amount of time spent on the CACFP, must be used to support the wages charged to the CACFP. These logs are on the GM website under GM 11.

**Documenting Donated Foods**

Agencies may use donated foods in meals served to enrolled participants when donated foods are inspected to assure they are in good condition, are not expired, have not been tampered with, and are creditable to the meal pattern.

- Families cannot be required to donate food. Individual meals provided by families for their children or any other enrolled participant is not considered a donation.
- Donations of foods purchased with WIC or FoodShare funds cannot be accepted. They must be returned to the donor to return the goods to the local WIC and/or FoodShare office.

Documenting Donations: A log of food donations used in CACFP meals must be kept on file to show the source of these foods and to justify the overall lower food costs. At a minimum, the log should include:

- Description of the donated items;
- Quantity of each donated food item;
- Date donated; and
- By whom they were donated.

You may document the donated foods on the [Donated Food Log](#).

### **TRACKING CACFP EXPENSES / ACCOUNTING PROCEDURES**

Agencies must have an accounting system in place to track CACFP expenses and income either with a current accounting system (i.e. QuickBooks) or by using the [DPI General Ledger-Independent Center](#) or the [DPI General Ledger-Sponsoring Organization](#). Financial records (i.e. ledgers) must be accessible at all times and kept on file with the actual source documents.

At a minimum, the agency's accounting system must:

1. Establish account codes and/or track cost categories for the different types of CACFP expenses (i.e. food, nonfood/kitchen supplies, food vendor costs (if applicable), and operational labor).
2. Track CACFP income and expenses separate from other program income and expenses.
3. Utilize one of two methods accepted by the US Generally Accepted Accounting Principles (US GAAP):
  - a. Accrual system: recognizes revenues and costs when incurred and uses payables and receivables, or
  - b. Cash system: recognizes revenues and costs when funds are actually received and expended.
4. Include financial records:
  - a. Profit and Loss Statements
  - b. General Ledgers
  - c. Bank Statements

### **FINANCIAL REPORTING**

A CACFP Financial Report must be submitted to demonstrate that all CACFP reimbursement was spent on approved expenses, and that the agency has additional program income to supplement the cost of its food service operation. Expenses and total amounts reported on *CACFP Financial Reports* must be supported by receipts/invoices, payroll records, and financial records, such as the DPI General Ledger or other accounting program reports, to show that items are allowable and amounts reported are actual.

If a line item has not been included in the agency's CACFP budget and approved by DPI, the agency cannot report that cost on the CACFP Financial Report. If an agency would like to use CACFP reimbursement to fund these costs in the future, the online budget must be updated by adding the line item and submitting to DPI for approval **prior to incurring these costs**.

Program requirements only allow a three-month operating balance to be carried over into the next fiscal year. If an agency is having difficulty spending CACFP reimbursement, contact your consultant.

### **Financial Report Due Dates**

All agencies must submit the CACFP Financial Report online. Independent agencies submit an annual report and Sponsoring Organizations submit quarterly reports. A paper copy of the report to use as a worksheet, and instructions, are listed on the GM webpage under GM 11.

### **Independent Centers**

- The due date for submission of this report is November 1<sup>st</sup>.
- The reporting period is the previous Federal Fiscal Year (October 1 – September 30).

A comprehensive training is provided in the E-Learning Courses:

- [Child Care Centers, Outside of School Hours, Emergency Shelters, and Head Starts](#): Annual Financial Report: Independent Centers lesson
- [Adult Day Centers](#): Annual Financial Report: Independent Centers lesson
- [At-Risk Afterschool Centers](#): Financial Reports lesson

For a refresher on submitting the financial report refer, to the [CACFP Annual Financial Report Procedures](#).

**Sponsoring Organizations**

The due dates for submission of the quarterly reports are:

<u>Reporting Period</u>	<u>Due Date</u>
1 <sup>st</sup> Quarter (October 1 - December 31)	March 1 <sup>st</sup>
2 <sup>nd</sup> Quarter (January 1 - March 31)	June 1 <sup>st</sup>
3 <sup>rd</sup> Quarter (April 1 - June 30)	September 1 <sup>st</sup>
4 <sup>th</sup> Quarter (July 1 - September 30)	December 1 <sup>st</sup>

A comprehensive training is provided in the E-Learning Courses:

- [Child Care Centers, Outside of School Hours, Emergency Shelters, and Head Starts](#): Quarterly Financial Reports lesson under the Sponsoring Organization section
- [Adult Day Centers](#): Quarterly Financial Reports lesson under the Sponsoring Organization section
- [At-Risk Afterschool Centers](#): Financial Reports lesson

For a refresher on submitting the financial report, refer to the [CACFP Quarterly Financial Report Procedures](#).

**PUBLIC SCHOOL DISTRICTS ONLY**

The CACFP is a separate federal child nutrition program from the National School Lunch (NSLP), School Breakfast Programs (SBP), Special Milk Program (SMP) and Summer Food Service Program (SFSP). It is essential that public school districts separately track CACFP revenue and expenses from these other programs. Public schools that participate in the CACFP At-Risk Afterschool program or administer the CACFP at a school-operated child care center must code the CACFP costs incurred and reimbursement received 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 Object Code 300 under Project 551

**Financial Reporting for Public Schools**

Public school districts must complete the Annual Financial Report for the School Nutrition Team (SNT) by reporting CACFP revenue and expenditures in the CACFP section of the report. Public school districts with more than one site on the CACFP must also complete the CACFP Quarterly Financial Reports. CACFP records must support the figures reported on both Financial Report(s).

When a school district incurs a surplus balance at the end of the fiscal year in any of the federal programs (CACFP, SFSP, NSLP), the balance must be retained in the respective Fund 50 project code 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 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).** Program requirements only allow a three-month operating balance to be carried over into the next fiscal year. If an agency is having difficulty spending down the Fund 50 balance, contact the respective SNT or CNT program consultant.

**AUDIT REQUIREMENTS**

A non-Federal entity that expends \$750,000 or more in Federal awards during the entity's fiscal year must have a single or program-specific audit conducted for that year in accordance with the provisions 2 CFR 200 Subpart F. A copy of this audit is required to be uploaded and reported to the Federal Audit Clearinghouse

(FAC). For Sponsoring Organizations, a copy of the last completed audit report or federal tax return for the business must be uploaded into the CACFP contract. All audit reports must be kept on file by the agency for three years plus the current year. More information about the FAC can be found at:

<https://facdissem.census.gov/>.

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 an agency qualifies for a Single Audit report, and receives CACFP funding, they are required to report the CACFP income and expenditures in the list of federal expenditures.

### **DPI Aids Register**

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](#). This listing should replace annual confirmation of federal funding that is generally sent by your agency's auditors.

### **FISCAL ACTION PROCEDURES**

Fiscal action can be assessed on any agency that fails to comply with the CACFP regulatory requirements 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). Guidelines and payment information will be included in the Fiscal Action notices sent to agencies who have incurred a fiscal action.

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.