



Table of Contents

Resources..... 1
Accounting System 2
Administrative Costs 2
Summary 2
Standards for Allowable Administrative Costs 2
Indirect Costs 3
CACFP Budget 3
Budget Amendments 3
Administrative Reimbursement Carryover 4
CACFP Quarterly Financial Report 4
QUARTERLY FINANCIAL REPORT DUE DATES..... 4
Operational Payments (Meal Reimbursement to Providers) 5
Summary 5
Fiscal Action Recovery of Overpayments to Providers..... 5
Tracking Report of Provider Overpayments..... 5
Outstanding/Uncashed Provider Checks..... 6
Tracking Report of Outstanding Provider Payments..... 6
Request for Repayment of Returned Funds 6
Record Retention 7
Interest-Earning Accounts..... 7
Single Audit Requirements 7
Fiscal Action Assessed to a Sponsoring Organization..... 7
Appeal Procedures 8

Resources

Sponsoring organizations of Family Day Care Home (FDCH) providers are required to demonstrate financial viability and manage funds according to the federal and state requirements found at:

2 CFR 200: Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

7 CFR 226: Code of Federal Regulations – Child and Adult Care Food Program (CACFP)

FNS Instruction 796-2 (revision 4): Financial Management Instruction – Child and Adult Care Food Program

US Generally Accepted Accounting Procedures (US GAAP): Federal Accounting Standards Advisory Board (FASAB): Handbook of Accounting Standards and other Pronouncements

Guidance Memo F: DPI Guidance on Financial Management requirements for Sponsors of Family Day Care Homes

Accounting System

Sponsors must maintain financial records to document the administrative costs and Program income reported each month. This requirement can be met by having separate CACFP accounting codes or by a separate bank account. Either a cash system, which recognizes revenues and costs when cash is actually received and expended, or an accrual system, which recognizes revenues and costs when incurred can be used.

The accounting system for FDCH Sponsors must:

1. Separate CACFP financial activities pertaining to day care homes from all other financial activities, including any CACFP activities pertaining to group child care centers;
2. Separate operational (provider meal reimbursement) and administrative CACFP financial activities; and
3. Provide support documentation for all financial data submitted on monthly claims and quarterly financial reports.

Under no circumstances can operational reimbursement be used to fund administrative costs.

Administrative Costs

Summary

All CACFP administrative costs must be actual, necessary, reasonable and have received prior approval from the Wisconsin Department of Public Instruction (DPI), through the budget process. Actual support documentation (receipts, invoices, timesheets, mileage logs, etc.) must be maintained to support the actual costs. Costs that are shared with other programs, such as rent or telephone, which cannot be specifically identified to CACFP administration, must be prorated on a consistent and rational basis in accordance with generally accepted accounting principles appropriate to the circumstances. Shared labor costs must be documented with daily time records to establish salary allocations.

Administrative costs must be offset by applicable credits, such as purchase discounts, rebates or allowances, recoveries or indemnities on losses, incidental services, receipts and adjustments of overpayments or erroneous charges.

Standards for Allowable Administrative Costs

Allowable costs are bona fide obligations of the institution incurred for the actual expenses of operating the program. Certain costs may be allowable for a public institution but unallowable for a private nonprofit institution and vice versa. Furthermore, subsequent events may result in the reclassification of costs from allowable to unallowable. In all cases, allowable costs require some level of State agency approval. All costs that are funded with CACFP administrative reimbursement must have received approval through the detailed budget (Attachment E). For details on allowable and unallowable costs please refer to the Uniformed Guidance [2 CFR 200](#) or [FNS Instruction 796-2 \(revision 4\)](#).

[Fact Sheet for Assessing Costs in the CACFP](#)

All cost items requiring prior approval or specific prior written approval by DPI cannot be funded with administrative reimbursement unless that approval has been given prior to the specific incurrence. All FDCH sponsors participating in the CACFP are required to monitor budget vs. actual costs on a monthly basis, to ensure the proper approval has been obtained.

[Summary of Costs
Needing Additional
Approval](#)

Indirect Costs

Indirect cost rates must receive approval from the agency's federal or state cognizant agency. If the CACFP is the major funding source then the USDA is the federal cognizant agency. All indirect cost plans must follow federal management regulations outlined in 2 CFR 200. If an agency does not have an approved indirect cost rate the DPI can approve a de minimis rate of no more than 10% of the Modified Total Direct Cost (MTDC). The MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of each subaward per §200.68. Subawards do not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program (i.e. Provider Reimbursement) per §200.92. All indirect cost plans must be submitted to the State agency (DPI) along with written confirmation from the agency's outside auditor indicating the plan has been reviewed and approved by the audit firm. The DPI will forward all indirect cost rate proposals above the de minimus rate of 10% to the appropriate USDA office for approval.

CACFP Budget

A FDCH Sponsor must complete the detailed budget form as part of the CACFP contract and update budget summary figures during the annual contract renewal. The dollar amounts to include on the budget are projected administrative costs your agency anticipates incurring throughout the program year that will be directly or indirectly funded with CACFP administrative reimbursement. All expenses paid directly with CACFP reimbursement must receive prior line item approval from DPI. The effective date of a budget approval is detailed in the approved contract. Specific prior written approval will be provided via email to the Authorized Representative.

[CACFP Detailed
Budget Form](#)

Budget Amendments

The budget that is approved at the beginning of the program year should be a map of the projected expenditures that your agency anticipates on incurring throughout the year. DPI expects situations may arise that will require you to amend your budget. Amendments to the current federal fiscal year budget will be accepted at any time **prior to September 1st** of that federal fiscal year. Any budget amendment after September 1st, will be accepted for emergency situations only.

**BUDGET AMENDMENTS
ARE DUE SEPTEMBER 1ST**

A request for an amended budget must be in writing (except in the case of an emergency, then verbal communication will be accepted) and submitted via the contract. An email should be sent to Cari Muggenburg (cari.muggenburg@dpi.wi.gov) notifying of the submitted amendment. DPI will respond within 30 business days of receiving a complete budget amendment. A complete budget amendment request must contain: (1) the specific cost item(s) that is being amended (highlighted on the uploaded amended Attachment E), (2) the projected dollar amount that is being changed, (3) the source of funding that will cover the costs (i.e. additional administrative reimbursement, lowering the dollar amount for a different line item, other source of funding, etc.); (4) support

documents uploaded to the online application; and (5) the figures on the online *Budget Summary* page match those that are figured in the uploaded amended Attachment E. Approval will be granted through the online application process.

No budget amendment for cost items requiring Prior Approval or Specific Prior Written Approval will be approved **after** a cost has been incurred. 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. In this situation, simply notify the DPI auditor via email that the agency's overall budget amount will be increased, the reason for the increase (i.e. increase in the number of homes originally projected), and certify that the agency is planning to spend the extra admin on generally allowable costs (i.e. purchase of office supplies, printing supplies, more monitoring visits).

Administrative Reimbursement Carryover

FDCH sponsors can carryover a maximum of 10% of earned administrative reimbursement into the next federal fiscal year (FFY). These carryover funds become additional Program income to the next federal fiscal year and must be incorporated into the respective budget. All carryover funds must be expended by the end of the FFY. DPI strongly suggests using the First- In First-Out (FIFO) accounting method for use of these funds, in which these funds are used first for expenses of the new federal fiscal year. Any carryover funds in excess of the 10% or that are not used within the next federal fiscal year must be returned to the DPI.

CACFP Quarterly Financial Report

[Instructions for Submitting Quarterly Financial Report](#)

Sponsors must submit, on a **quarterly** basis, the *Quarterly Financial Report for Sponsoring Organizations of Homes*. This report is to be submitted online. The report should document all revenue and costs to the food service program, including carryover funds, on an accrual basis (as they were incurred not when they were paid/received). The *CACFP Quarterly Financial Report for Sponsoring Organizations of*

[Quarterly Financial Report form](#)

Family Day Care Homes form should be used as a worksheet to enter figures online and should be retained on-site with the agency records. **A PAPER COPY OF THE REPORT SHOULD NOT BE SENT TO DPI.**

QUARTERLY FINANCIAL REPORT DUE DATES

<u>Time Reporting Period</u>	<u>Quarterly Finance Report due to DPI</u>
October 1 – December 31	March 1
January 1 – March 31	June 1
April 1 – June 30	September 1
July 1 – September 30	December 1

Requests to adjust an already submitted report can be made at any time by contacting Cari Muggenburg by email cari.muggenburg@dpi.wi.gov. Include the quarter(s) and year that are being adjusted and the reason for the adjustment.

Operational Payments (Meal Reimbursement to Providers)

Summary

A sponsor must disburse any reimbursement payments for food service due to each FDCH provider within five (5) working days of receipt from the DPI. The full amount of food service payments must be disbursed to each FDCH provider on the basis of the number of reimbursable meals and/or snacks served to enrolled and participating children. In certain cases, the sponsor may reduce or increase the amount of the facility's payment. These cases are limited to the guidelines found in FNS Instruction 796-2 (rev. 4) Part IX B(3)(c).

Reimbursement payments to each day care home **must** be payable to an individual provider, not the name of the family day care home, nor to more than one provider. The provider enrollment data, as documented on CACFP Home Provider Application (PI-1472), must correspond to that on file with the Sponsor, and must be kept current by the Sponsor as reported to our office. (See [Guidance Memo A](#))

Fiscal Action Recovery of Overpayments to Providers

An overpayment (overclaim) is defined as a provider's submitted claim for reimbursement which the sponsor has determined to be invalid (whole or in part) due to reporting of false or erroneous information. This situation is usually the result of a household contact or other information received after the claim has been processed and payment has been issued to the provider. Other situations may be the result of a "human" error made, either by the sponsor or the provider. In any situation resulting in an overpayment to the provider, in where the provider was at fault, these funds must be recovered from the provider and the overpayment amount must be returned to the DPI. Errors made as a result of the sponsor not maintaining the proper edit checks are the responsibility of the sponsor to repay.

Once a sponsor identifies that a provider has claimed in error, the sponsor must send notification of the overclaim amount to the provider. The notification must include the basis for the action (i.e. result of household contact, on-site review, etc.), the claim(s) that was effected, the amount of the reimbursement that needs to be recovered, and the method of payment (check or deduction from a future valid claim). **Under no circumstances must a sponsor self-correct a provider meal reimbursement claim, by deducting the erroneous meals from a future valid claim.**

CACFP regulations [7 CFR 226.13(c) and 226.18(b)(7)] state that FDCH sponsors must disburse the full amount of food service payments to providers. **The sponsor must not withhold Program payments to any family day care home for any other reason**, except when the sponsor has reason to believe that a claim (whole or in part) is invalid due to the provider having submitted false or erroneous information. This will ensure that the claim figures that the sponsor is reporting to DPI, and eventually DPI to USDA, are a true and accurate reflection of the performance of the providers.

Tracking Report of Provider Overpayments

Tracking documentation of the meals being denied and the funds collected must be maintained on file using the *Provider Meal Reimbursement Refund Check* form and reported to the DPI on a quarterly basis. All provider reimbursement that is collected by a sponsor must be returned to the DPI at the end of each federal

[Provider Meal
Reimbursement Refund
Check Detail](#)

fiscal quarter (December 31, March 31, June 30, and September 30). The reimbursement check must be from the sponsor and be made payable to the **Department of Public Instruction**. The reimbursement check must reflect the total of all provider meal reimbursement(s) recovered from provider claims paid in error for the given fiscal quarter and correspond to the completed form. The completed form must accompany the reimbursement check and should be sent to *Wisconsin Dept. of Public Instruction Business Office, PO BOX 7841 Madison, WI 53707-7841 Attn. Account Receivables*. A copy of the completed form should also be sent via e-mail to cari.muggenburg@dpi.wi.gov.

Please note: When completing the *Provider Meal Reimbursement Refund Check Detail* form please ensure that the information entered is in order by **Claim Date**. Only one check and one form (unless more space is needed) should be submitted per quarter.

Outstanding/Uncashed Provider Checks

Sponsors are required to have a check register and payment log for all meal reimbursement payments made to providers. A reconciliation of the provider payments should be done on a monthly basis with the bank statements that are received for the account. Any discrepancies should be investigated with the effort and the result documented. At the very least, the sponsor should contact any provider who has not cashed their meal reimbursement check within 45 days from the date the check was issued to determine the reason. If the provider has lost their check, the sponsor should make immediate arrangements to replace the lost meal reimbursement check, including placing a stop payment on the lost check, if applicable, and reissuing a new meal reimbursement check.

Tracking Report of Outstanding Provider Payments

Each sponsor must submit, to the DPI, within 90 days of the end of the federal fiscal year, a completed *Outstanding Provider Check Tracking Report - Summary and Detail* form. This form will list all provider payments from the recently completed fiscal year that have still not been cashed by the provider and have not been resolved or replaced by the sponsor. A copy of the form is required to be sent along with a check in the total amount of outstanding checks collected at the end of the program year. The reimbursement check **must** be made payable to the **Department of Public Instruction**. The check and the completed report must be sent to: *Wisconsin Dept. of Public Instruction Business Office, PO BOX 7841 Madison, WI 53707-7841 Attn. Account Receivables*. A copy of the completed form should also be sent via e-mail to cari.muggenburg@dpi.wi.gov.

[Outstanding Provider
Check Tracking Report -
Summary and Detail](#)

Request for Repayment of Returned Funds

If a provider requests repayment of a lost meal reimbursement check after the unresolved balance has been returned to DPI, the sponsor is required to reimburse the provider for the lost payment. The provider must make the request, in writing, to the sponsor for a replacement payment indicating the reason for repayment. The sponsor must then submit to DPI a request for a replacement payment. The sponsor should send all requests for a replacement payment from DPI via email to sent via e-mail to cari.muggenburg@dpi.wi.gov. The email should contain the following:

1. A copy of the written request for a replacement check submitted by the provider to the Sponsor.

2. A copy of the original *Outstanding Provider Check Tracking Report – Summary and Detail* that was submitted to DPI with the funds related to the provider payments. The payment that is to be replaced should be highlighted.
3. A completed [paper claim form \(PI-1452\)](#) found in [Guidance Memo N](#) that corresponds to the requested payment. The word “Amended” should be written at the top of the claim form and should be completed for the claim month the provider payment was originally paid.

Record Retention

Accounting records and documentation for program revenues and costs must be retained for three years plus the current year to which they apply. For instance, the 2020-2021 federal fiscal year food service records must be retained until October 1, 2025.

Interest-Earning Accounts

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.

Single Audit Requirements

The Code of Federal Regulations, Title 2-Agriculture, Part 200 (2 CFR Part 200) establishes audit requirements. Specifically, Subpart F- Audit Requirements requires an annual single or program audit if nonfederal entities, with a fiscal year beginning on or after December 26, 2014, expend \$750,000 or more in a year in total federal awards. The audit threshold applies to all federal grant awards combined. Agencies that do not meet this threshold are not required to obtain a single audit, however, if the board requires a single audit to be completed, when one is not required by regulations, it cannot be funded with CACFP funds.

Copies of all completed single audit reports are required to be submitted to the Federal Audit Clearing House. A copy of the last completed single audit report, including any management letters and corrective action plans, must be uploaded into the CACFP contract.

Fiscal Action Assessed to a Sponsoring Organization

DPI can take fiscal action on any agency that fails to comply with the regulatory requirements for participation in the CACFP. Fiscal action 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 DPI audit) or a federal audit (i.e. OIG audit).

Federal regulation allows a disregard threshold, currently \$600.00 for overpayments to child or adult care institutions participating in the Child and Adult Care Food Program (CACFP). A disregard threshold in the amount of \$600.00 will be placed on any fiscal action found as a result of a DPI program review or audit on provider meal reimbursement. *However, no overpayment will*

be disregarded where there is substantial evidence of violations of criminal law or civil fraud statutes, or for any disallowed administrative expense.

If the DPI assesses fiscal action, greater than \$600.00 in provider reimbursement or for any dollar amount of administrative reimbursement, the entire debt must be repaid in full within 30 days from the date of the *Notice of Fiscal Action*. All payments are required to be submitted by check for the full amount of the fiscal action. The check should be made payable to the **Department of Public Instruction** and mailed to the following address: *Wisconsin Dept. of Public Instruction Business Office, PO BOX 7841 Madison, WI 53707-7841 Attn. Account Receivables*. Payment of any fiscal action that was due to an error of the sponsoring organization must be paid using **non-CACFP** funds.

Payment is due in full within 30 days from the date of the *Fiscal Action Notice*. If not paid in full within 30 days interest, found at the [U.S. Treasury Department Current Value of Funds Rate](#), the agency will be charged on any fiscal action balance in excess of \$5.00 beginning with the date of the *Notice of Fiscal Action*. If you appeal the payment demand, all collection activities will stop, however interest will continue to accrue. If the hearing officer upholds our demand for payment, you will owe the total balance of the fiscal action and the interest that has accrued. If the hearing officer does not uphold the DPI decision or reduces the amount of our repayment demand, any interest that has accrued on the fiscal action amount will be waived. Collection activity will resume after the hearing officer issues a decision on your appeal.

Appeal Procedures

Your agency may appeal any of the findings that resulted in the fiscal action, in accordance with CACFP regulation 7 CFR 226.6(k). If you decide to appeal the overclaim, all appeal procedures must be followed as failure to do so may result in the denial of your request for an appeal.

[Appeal Procedures and Appeal Request Form](#)