

# CACFP Administrative Handbook

## Table of Contents

### 21. Administrative Funds

Budget .....	21-1
Budget Forms .....	21-1
Income.....	21-2
Expenditures.....	21-2
Budget Revisions .....	21-2
Allowable and Unallowable Costs .....	21-2
Specific Prior Written Approval (SPWA).....	21-3
Shared Costs.....	21-3
Purchases and Leases Over \$1,000 .....	21-4
Computer Equipment and Software .....	21-4
Contract & Lease Agreements .....	21-4
Mileage.....	21-4
Administrative Payments & Expenses .....	21-5
Advanced Payments .....	21-5
Start-Up and Expansion Payments .....	21-6
Actual Costs.....	21-6
Encumbering Funds .....	21-6
Carry Over Funds.....	21-6
Final Expenditure Report.....	21-7

## 21. Administrative Funds

All CACFP sponsors must maintain a financial management system to document sound financial practices, ensure good internal controls, and provide information needed for audits. Each sponsor is also required to follow federal regulations for expending CACFP funds, including FNS 796-2, Rev. 4. and 2 CFR 200, <http://www.fns.usda.gov/sites/default/files/796-2%20Rev%204.pdf>. Refer to Chapter 7 for information regarding financial management.

Additional guidance for financial management and administrative funds can be found in the USDA Handbook for Management Plans and Budgets, [http://www.fns.usda.gov/sites/default/files/CACFP%20Management\\_PlansHandbook.pdf](http://www.fns.usda.gov/sites/default/files/CACFP%20Management_PlansHandbook.pdf)

### Budget

Regulations require each sponsor to develop a budget. The budget is based on last year's expenditures, contractual obligations, and the upcoming year's anticipated work plan. A sponsor must have an approved budget to receive CACFP reimbursement and administrative funds.

An original budget with supporting justifications, forms and applicable documentation must be submitted by the sponsor annually in KN-CLAIM. KSDE will evaluate the budget packet, request clarification as needed, and approve the amounts which have been properly justified. During the year, a sponsor will submit applicable documentation to receive specific prior written approval for certain costs. When a line item increases or decreases by 10% or more, the sponsor will need to submit a budget revision with supporting justifications prior to expending funds. Near the end of the Program year, the sponsor will submit a final budget to adjust line items to reflect actual costs. If the sponsor has unspent funds and has the proper approvable documentation, the sponsor can spend the money, encumber the money, or carry over the money.

### Budget Forms

The following forms can be found at [www.kn-eat.org](http://www.kn-eat.org), CACFP, Administration, Program Certification, Sponsor of Homes Budget Forms.

- ◆ Budget Worksheet
- ◆ Operation Expense
- ◆ Wage/Salary Form
- ◆ Overtime/Compensatory Time/Paid Work Time Form
- ◆ Budget Justifications
- ◆ Depreciation Schedule
- ◆ Request to Purchase or Lease
- ◆ Out-of-State Travel

## Income

The income for a sponsor of family day care homes is primarily CACFP Administrative Funds which are earned by the amount of participating homes on a monthly basis (number of homes times current rate). In projecting a budget for the upcoming year, the sponsor uses current participation information and may include a small increase. In evaluating the income amount, KSDE may approve a budget that is within 5% of the number of participating homes in May. A percentage of 5% or higher requires the sponsor to submit a justification for approval.

Sponsors who are required to have a single audit are eligible to apply for funds. Refer to *Chapter 8, Reviews, Audits, Deficiencies, and Appeals*.

CACFP regulations require sponsors to have other sources of funds to continue to pay employees and suppliers during periods of temporary interruptions in CACFP payments and/or to pay debts when financial claims have been assessed against the sponsor. The source and amount must be specified in KN-CLAIM at annual program certification.

## Expenditures

**No** expenditure from CACFP administrative funds for a Program year can be made unless included in the approved budget. The budget categories include the following:

- ◆ Category 1 – Operation Expenses
- ◆ Category 2 – Wages/Salaries
- ◆ Category 3 – Contractual Services
- ◆ Category 4 – Provider Services
- ◆ Category 5 – Office Costs
- ◆ Category 6 – Computer/Data Processing
- ◆ Category 7 – Communication
- ◆ Category 8 – General Travel Expenses
- ◆ Category 9 – Training for Staff, In-state
- ◆ Category 10 – Training for Staff, Out-of-state

For details regarding the budget categories above, refer to KSDE's KN-CLAIM Certification Guide for Homes Sponsors found at [www.kn-eat.org](http://www.kn-eat.org), CACFP, Administration, Program Certification.

## Budget Revisions

The approved budget may be revised by the sponsor at any time during the program year. A revised budget must be submitted when any line item(s) increases or decreases by 10%. Justifications for the applicable line items must be submitted with each budget revision.

## Allowable and Unallowable Costs

Details on allowable and unallowable costs are contained in FNS 796-2, Rev. 4 (<http://www.fns.usda.gov/sites/default/files/796-2%20Rev%204.pdf>) and *Chapter 7, Financial Management*. An allowable cost has multiple criteria including being necessary, reasonable, and well-documented. In addition, **all** costs must have specific prior written approval or prior written approval from KSDE to be an allowable cost.

## Specific Prior Written Approval (SPWA)

Several types of expenditures must receive specific prior written approval. This means that in order for the item to be an allowable CACFP administrative expense, **the sponsor must have written approval from KSDE to purchase a specific item in advance** of the purchase. Items that have not received specific prior written approval are considered unallowable, cannot be paid with CACFP administrative funds, and cannot be included on the monthly claim as an expenditure or on the Final Expenditure Report.

- ◆ Expenses requiring SPWA may not be incurred until the sponsoring organization has obtained written approval in advance from KSDE of both the total cost and the amount of the cost that can be charged to CACFP.
  - If the cost changes, specifically an upward change, Sponsors must re-request SPWA for the new amount.
  - Cost incurred above the amount approved for SPWA will be disallowed.
- ◆ When an institution does not request SPWA before incurring the cost, the cost must be disallowed and will result in a recovery of administrative funds.
- ◆ SPWA is not granted in the budget approval unless noted in the approval letter.
- ◆ Sponsors can request SPWA at anytime during the program year.
- ◆ All contracts including lease, agreements, and insurance policies must receive SPWA prior to signing.
  - Without SPWA those costs are unallowable for CACFP.
  - Corrective action will be issued.

SPWA guidance and expenditures requiring **SPWA** can be found at <http://www.fns.usda.gov/sites/default/files/796-2%20Rev%204.pdf>, Exhibit I and in the [USDA Handbook for Management Plans and Budgets](#).

## Shared Costs

All shared costs must be allocated to determine the portion of the total cost that is applicable to administer the CACFP to day care homes. The method used for allocation must be submitted with the budget for KSDE approval. The Operation Expense forms determine the shared cost based on square footage and is applicable to utilities and other directly-related building costs. Documentation for program labor must include time logs and only the CACFP duties associated with homes may be funded by CACFP administrative funds. Personal use of business equipment must be paid with non-CACFP funds based on the percentage used (such as personal minutes on a sponsor’s cell phone).

To document other shared costs, the Shared Costs Form states the full cost of the item, the calculation of the CACFP percentage, the CACFP percentage, and the CACFP cost. For example:

<i>Line Item</i>	<i>Expense name</i>	<i>Total cost</i>	<i>CACFP percentage calculation</i>	<i>CACFP percentage</i>	<i>CACFP cost</i>
40	Phone (office)	\$12,000	6 FTE in CACFP / 10 FTE in agency	60%	\$7,200

## Purchases and Leases Over \$1,000

Any purchase over \$1,000 requires KSDE approval prior to purchase/lease. A minimum of three weeks prior to purchase, submit a completed Request to Purchase form and a minimum of 2 or more comparable bids for the requested item. State the first and second choices of bids. KSDE will review to ensure the cost is allowable, reasonable and necessary.

Any purchase over \$20,000 must follow the procurement process to obtain bids. Refer to *Chapter 7, Financial Management*.

## Computer Equipment and Software

All computer hardware and software requires KSDE approval prior to purchase/lease. A minimum of three weeks prior to purchase, submit a completed Request to Purchase form and a minimum of 2 or more comparable bids for the requested item. State the first and second choices of bids. KSDE will review to ensure the cost is allowable, reasonable and necessary. If renewing software, such as antivirus software, supporting documentation must be submitted.

## Contract & Lease Agreements

All contracts or agreements awarded under the CACFP may not exceed a term of one year, and options for the yearly renewal of a contract may not exceed 4 additional years. Renewal terms should be established in the initial contract with a yearly addendum used to document such renewal. All contracts shall include a termination clause whereby either party may cancel for cause with 60-day notification. Contracts or leases must include one of the following clauses:

- ◆ In the event Federal funding is no longer available,
  - this contract will be null and void, or
  - the (insert organization name) will assume responsibility for this contract.

## Mileage

If any CACFP administrative funds are used for transportation costs (home visits, trainings, etc.) the following elements must be included in the mileage documentation, Form 21-D (FNS 796-2, Rev. 4):

- ◆ The date and times of day for each trip charged to the program
- ◆ The traveler's name
- ◆ The origin and destination of each trip
- ◆ Miles driven
- ◆ The purpose for each trip
- ◆ A responsible official of the sponsor must certify in writing that records documenting all travel and mileage cost have been reviewed for reasonableness and allowability.
- ◆ All program and non-program costs must be separately identified. (Example: an employee travels to another city to attend a KAEYC meeting, and conducts a CACFP home visit on the way to the meeting. Only part of the costs for this trip could be charged as a CACFP cost; the other part would have to be paid from other non-CACFP funds.)

In addition to the mileage form, all pertinent receipts for tolls, parking, lodging, etc. must be kept on file. USDA states that this is for all transportation costs paid from administrative funds. This would include agency, leased and/or personal vehicles.

Transportation costs must be necessary and reasonable. For example, it would not be reasonable to drive 60 miles (120 miles round trip) to purchase office supplies. In order to make the trip reasonable, consider

- ◆ conducting home visits on the way to and from the store where office supplies are purchased, or
- ◆ purchasing supplies on the same day a training event is held in that town.

## **Administrative Payments & Expenses**

Sponsors will receive homes times rates for the calculation of the payment of administrative funds. Administrative reimbursements will be determined by multiplying the number of family day care homes submitting a claim for reimbursement during the month by the appropriate annually adjusted administrative reimbursement rate.

Sponsors are responsible for correctly accounting for costs and for maintaining records and sufficient supporting documentation to demonstrate that costs claimed have been incurred. In addition, costs must have been properly procured and received proper KSDE approval (specific prior written approval, etc.) according to guidance from the CACFP Administrative Handbook and/or FNS Instruction 796-2, Rev. 4.

A nonprofit fund for CACFP must be maintained. If the sponsor receives advance funds, the advance amount is reconciled monthly with the claim payment. If the sponsor carries over 10% or less into the next program year, the amount will be reconciled at the end of the carry over program year. Accounting for the advances and carry-over is critical. Sponsors need to continually monitor each of these sub-accounts closely to ensure that spending is within the amount earned.

For more information on Advanced Payments and Carryover, refer to KN-CLAIM CACFP Certification Guide for Home Sponsors found at [www.kn-eat.org](http://www.kn-eat.org), CACFP, Administration, Program Certification.

## **Advanced Payments**

An advanced payment is financial assistance made available to a sponsor for its CACFP costs that will be incurred in the forthcoming month. Using data from prior reimbursement claims and the approved budget amount, KSDE will project advanced payments. New Day Care Home Sponsors may elect to receive an advance of administrative funds for up to 12 months at the time of program initiation. Since Home Sponsors must be financially viable to administer the CACFP advance requests for more than 12 months for new Sponsors or any advance request made by Day Care Home Sponsors other than at the time of Program Initiation must be submitted for review by the Kansas State Department of Education.

KSDE will review advances and claims on a monthly basis and may adjust advances upward or downward based on administrative funds actually earned. Each year KSDE will reconcile Administrative funds earned against advances. Whenever this process indicates that excessive advances have been authorized in a prior federal year, KSDE will request full repayment. If the sponsor terminates from the CACFP, the full advance is due to KSDE.

If KSDE has an audit, or other evidence of extensive program deficiencies or other reasons to believe that a sponsor will not be able to submit a valid claim for reimbursement, advanced payments will be withheld until the claim is received or the deficiencies are corrected.

## **Start-Up and Expansion Payments**

Prospective sponsoring organizations of day care homes, participating sponsoring organizations of child care centers or outside-school-hours care centers, independent centers, and participating sponsoring organizations of less than 50 homes which meet the criteria outlined in 7 CFR 226.12(b) may apply for expansion payments to initiate or expand program operations in day care homes in low-income or rural areas. Sponsors requesting Start-Up or Expansion funds must complete the “Application for Start-Up and Expansion Funds” and submit to the KSDE for review.

## **Actual Costs**

All CACFP expenditures must be documented with source documents (i.e., receipts, invoices, statements, etc.). Before a cost can be reported as an administrative expense, funds must actually be expended. See further guidance on allowability and prior KSDE approval requirements in FNS 796-2, Rev. 4; *Chapter 7 Financial Management*.

## **Encumbering Funds**

Program year costs that are obligated but not spent by September 30 should be encumbered. The Home Sponsor Encumbrance Form and Guidance are distributed by KSDE. If the sponsor needs to encumber funds the Encumbrance Form must be completed and returned prior to the end of the program year (as specified in the instructions). KSDE will process the request and approve or deny the costs before the middle of October. If approved, paid encumbrances are reported on the Home Sponsor Encumbrance Form, Final Expenditure Report and the (revised) September claim.

## **Carry Over Funds**

A maximum of 10 percent (%) of administrative payments may be carried over to the succeeding program year. If the 10% is not spent during the succeeding year, the unused funds must be returned to KSDE. Carry over funds should be used on a first-in, first-out (FIFO) basis to avoid repayment of the carry over funds at the end of the carry over year.

- ◆ The program year is October 1 through September 30
- ◆ The administrative payments are based on the total amount of participating homes times the reimbursement rates for each month of the Program year.
- ◆ The amount spent must be correctly accounted for and documented as a CACFP cost to demonstrate that the costs are allowed and comply with regulations and guidance.
- ◆ The amount carried over must be accounted for in the sponsor's budget for the succeeding fiscal year.

## **Final Expenditure Report**

At the end of the Program year, the sponsor will report actual CACFP expenditures on the Final Expenditure Report (FER).

Expenditures reported on the FER are the amounts actually paid for products and/or services for the CACFP administration of the day care home provider component. All expenditures must have supporting documentation which includes, but is not limited to: detailed time sheets, paid billing statements, copies of fund transfers describing the transfer, and other documentation of an actual expenditure made from CACFP administrative funds. All expenditures must be final (paid by September 30, or encumbered and paid by mid-December) to be considered allowable CACFP expenditures.

All items, requiring specific prior written approval and prior written approval, must be approved prior to September 30 to be an allowable cost for that program year.