

Assessing Costs in the Child and Adult Care Food Program (CACFP)

Introduction

Office of Management and Budget (OMB) Guidance under 2 CFR Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles”; requires grantees receiving Federal funds to consider the following factors when determining the allow-ability of costs:

- ✦ Be necessary and reasonable for proper and efficient administration of the Programs
- ✦ Be allocable to Federal awards applicable to the administration of the Programs
- ✦ Be authorized and not prohibited under State or local laws

Selected Items of Cost

An extensive list of allowable and unallowable administrative and operating costs is provided in the **CACFP FNS Instruction 796-2 (Rev. 4) Section VIII, I “Selected Items of Cost”**. Also, **Exhibit I “Costs Requiring Additional Approvals”** 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).

Typical costs considered allowable include:

- ✦ **Operating Costs**
 - ✦ Compensation for food service labor and office staff working solely for the CACFP
 - ✦ Food and Nonfood supplies (e.g., napkins, trays, utensils)
 - ✦ Food service nonexpendable equipment
- ✦ **Administrative Costs**
 - ✦ 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 4) conducting CACFO monitoring and training visits to sponsored facilities

Typical costs considered unallowable include:

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

A RESOURCE FOR CACFP INSTITUTIONS

Basic Guidelines for Determining Allowability of Costs

Helpful Tip

Costs can be allocated as either direct or indirect. Direct costs are those that are related entirely to the CACFP. Indirect costs are those that may be assignable to the CACFP and other non-Program objectives.



Helpful Tip

For costs not included in the list of unallowable costs in the FNS Instruction 796-2 (Rev 4), institutions and States have the discretion to determine the allow-ability of using nonprofit food service funds to pay for such costs following cost principle guidelines.

Additional Resources

CACFP FNS Instruction
796-2, Rev 4

CACFP Guidance for
Management Plans and Budgets
(Part 2 A,B)

Contact your State agency for
additional assistance and
support.

Determining Allow-ability of Costs Process

When considering proposed uses of nonprofit food service account funds for CACFP-related costs, the following is a list of assessment questions to assist institutions in determining if costs are allowable under Federal cost principles; i.e., necessary, reasonable, and allocable.

- ✦ What is the priority status for use of the nonprofit food service account?
 - ✦ Is the food service operation achieving its objective, the service of reimbursable meals?
- ✦ What product/service is being considered for acquisition?
- ✦ How does this product/service directly benefit the operation and/or improvement of the food service program and its priorities (i.e., encourage the service of reimbursable meals)?
- ✦ Is the cost essential to fulfill regulatory requirements for proper and efficient administration of the CACFP and are prior approval procedures being followed?
- ✦ What is the estimated cost of the product/service? Would a prudent person in like circumstances opt to incur the cost?
- ✦ If it is a shared cost between the CACFP and other non-program objectives, is the pro-rated portion assigned to the CACFP a fair measurement of the CACFP's benefit from incurring the cost?
- ✦ What alternative options through low/no cost ways to address the need have been taken (i.e., purchasing low/lower cost items; using the service of volunteers, etc.)
- ✦ Would the proposed cost divert nonprofit food service account funds from supporting food service operation staff time and effort, thus impair or diminish the delivery of the food service operation?
- ✦ Is the proposed cost for a capital expenditure other than the acquisition of real property (i.e., building, land) necessary for the operation of the CACFP?
- ✦ If applicable, is the proposed depreciation cost of nonexpendable equipment equitable considering the use of assets and the benefits to the CACFP?
 - ✦ Is the method of computing depreciation consistently applied for all like nonexpendable equipment?

Summarizing a Cost Assessment

To complete an assessment of a proposed cost, both the institution and State agency should summarize the assessment of the cost, including why the cost is allowable (i.e., necessary, reasonable, and allocable) in light of the responses to the questions above.

This summary would assist the institution in communicating a request and the State agency in communicating a decision for each proposed cost to the nonprofit food service account and provide supporting documentation upon request by FNS and/or a Federal/State auditor.

CACFP Financial Management Summary

Frequent CACFP Costs (in order of importance)

| Cost | Is it Allowable? ¹ | Support Documentation Required | What is Unallowable? ² |
|--|---|--|--|
| Food Supplies | Yes, if used in CACFP reimbursable meals | <ul style="list-style-type: none"> Dated and itemized receipt and/or invoice. Must show method of payment or account code charged Co-mingled receipts must have food purchased for CACFP highlighted or marked in some way <i>Recommend</i> 40-50% of reimbursement be used for food costs | <ul style="list-style-type: none"> Coffee and other items for staff Food purchased for non-CACFP activities (i.e. Family Night; Holiday party; Art Projects; Cooking activities outside of CACFP meal) Personal food supplies |
| Kitchen Supplies (Nonfood) | Yes, if primary use is for the CACFP food service Costs must be included in the approved CACFP budget | <ul style="list-style-type: none"> Dated and itemized receipt and/or invoice. Must show method of payment or account code charged Co-mingled receipts must have kitchen supplies purchased for CACFP items highlighted or separately identified in some way | <ul style="list-style-type: none"> Center supplies (i.e. Toilet paper; supplies for classroom activities) Personal items |
| Contract/Vended Meals | Yes, if CACFP vendor contract has been approved by DPI. <i>If using a Food Service Management Company (FSMC) must use approved FSMC company contract including CACFP language</i> | <ul style="list-style-type: none"> Monthly invoice from vendor showing the number of reimbursable meals ordered/delivered. Must show method of payment Delivery/Fuel charge is allowable and can be included in total cost On CACFP Financial Report: report total costs on <i>Operational Contracted Services</i> line (Sponsor) or on <i>Other Food Service Costs</i> line; specify the cost is a vendor cost (Independent) | <ul style="list-style-type: none"> Unapproved Vendor Related party vendor if not disclosed to DPI |
| Wages/Salary for Food Program Operational Personnel (Kitchen Staff) | Yes, if it is an employee of the organization and is directly funded with CACFP reimbursement | <ul style="list-style-type: none"> Timesheets documenting the number of hours worked in a time period If employee works in other areas of the center, a log of number of hours worked in the kitchen for the CACFP must accompany the timesheet. Only those CACFP hours can be paid with CACFP funds | <ul style="list-style-type: none"> Employees not performing CACFP operational labor Individuals not employed by the organization Volunteers Wages for time spent on non-CACFP work (i.e. 100% of wages if only work 50% time on CACFP) Employees paid in cash |
| Kitchen Equipment Purchase/Rental | Yes | <ul style="list-style-type: none"> Dated and itemized receipt and/or invoice Must show method of payment or account code charged Documentation that proper procurement procedures were followed per Federal Regulations | <ul style="list-style-type: none"> Not approved in budget Unnecessary item for agency Unreasonable cost |

¹ Allowable – Can be paid with CACFP Funds. All costs must have received prior approval from DPI on the CACFP Budget. Refer to Guidance Memo #11 for more information.

² Unallowable – Cannot be paid with CACFP funds.

Frequent CACFP Costs (in order of importance) - continued

| Cost | Is it Allowable? ¹ | Support Documentation Required | What is Unallowable? ² |
|--|---|--|---|
| Employee CACFP Travel/ Mileage | Yes, if travel is CACFP related | <ul style="list-style-type: none"> Travel log which includes (at a minimum): date(s) of travel; employee name; purpose (i.e. grocery shopping); # of miles traveled Mileage reimbursement/allocation cannot exceed the current federal rate Agency-written policy on employee reimbursement of mileage | <ul style="list-style-type: none"> Personal travel Gas receipts Mileage reimbursement in excess of federal rate |
| Wages/Salary for Food Program Admin. Personnel | Yes, if it is an employee of the organization | <ul style="list-style-type: none"> Timesheets documenting the number of hours worked in a time period If employee works in other areas of the center, a log of number of hours worked on CACFP administration must accompany the timesheet. Only those CACFP hours can be paid with CACFP funds No more than 15% of CACFP Meal Reimbursement can be used for administrative costs | <ul style="list-style-type: none"> Employees not performing CACFP administrative labor Individuals not employed by the organization Volunteers Wages for time spent on non-CACFP work (i.e. 100% of wages if only work 50% time on CACFP) Employees paid in cash |
| Other Food Program Costs (less frequent) Kitchen Rental Utilities Single Audit Cost | Yes | <ul style="list-style-type: none"> Kitchen Rental: Copy of rental agreement; documentation of square footage of kitchen space to entire space Utilities: Copy of bills; documentation of square footage of CACFP space to entire space Single Audit Cost: Receipt/invoice from accountant. Only the percentage of CACFP dollars to overall dollars can be charged | <ul style="list-style-type: none"> Costs not included or specified in the approved CACFP budget Unsupported or undocumented costs Costs unnecessary or unreasonable to the CACFP |

Additional Required Financial Documentation to be Maintained by Organization

- General ledger (monthly reporting of CACFP costs and income) – *can use DPI General Ledger form or accounting software program*
- Profit and Loss statement – accounting form that reports total expenses and revenue in the organization during a given period of time (i.e. monthly, annually)
- *CACFP Financial Report (Annually for Independent centers; and Quarterly for Sponsoring Organizations)* must be completed by required deadline(s)
- CACFP Budget Summary – part of the CACFP online contract for all agencies. *Note: Sponsoring organizations are required to complete and maintain the CACFP detailed budget (Attachment G)*

¹ Allowable – Can be paid with CACFP Funds. All costs must have received prior approval from DPI on the CACFP Budget. Refer to Guidance Memo #11 for more information.

² Unallowable – Cannot be paid with CACFP funds.

CACFP Financial Management Resources

Financial Recordkeeping Checklist for the CACFP

- ✓ Accrual/Cash Accounting System in place
- ✓ Be able to generate **monthly** financial reports:
 - Profit/Loss Statement
 - General Ledger/Check Register
- ✓ Keep a **weekly** file (not shoebox) of the following:
 - Timesheets w/ CACFP time
 - Receipts/Invoices of food program supplies. Highlight non-CACFP items.
 - CACFP general ledger forms (if not retaining own documentation)
- ✓ Separate respective revenue received:
 - CACFP Reimbursement
 - W-2
 - Tuition
 - Headstart
- ✓ Keep a **monthly** file (not shoebox) of the following:
 - Receipts paid/incurred
 - Bank statements
 - Cancelled Checks
 - Acknowledgements of funds received
 - Timesheets (including payroll documentation)
 - Travel logs (if applicable)
 - Copies of monthly reimbursement claims and acknowledgement of online claim submissions
- ✓ **Annually** keep the following:
 - Tax form 990
 - Tax forms
 - Audit report (if applicable)
- ✓ Maintain a Nonprofit Food Service Program
 - Verify to DPI by submitting Quarterly/Annual CACFP Financial Report(s) by required due dates

CACFP Financial Report Due Dates:

- *Submit the CACFP Financial Report on or before the required due date.*
- **Independent agencies** annual due date is **November 1st**.
- **Sponsoring Organizations** the quarterly due dates are: 1st Quarter – **March 1st**; 2nd Quarter – **June 1st**; 3rd Quarter – **September 1st**; and 4th Quarter – **December 1st**.

Five Nuggets of CACFP Financial Management

1. All Food Program Costs Paid with CACFP Reimbursement must have received PRIOR DPI approval.
2. Know where everything is pertaining to your CACFP reimbursement. Where are funds deposited? What center account is used to pay for Food Program expenses? Where are receipts, invoices, ledgers, bank statements and payroll records kept?
3. CACFP is a federal program. The funds will not cover 100% of the expenditures incurred in your agency's food program. Must have another source of income to cover the program costs.
4. Not all food supplies can be donated. Fresh fruits/vegetables, milk and dairy products are very rarely included in a "donation" and these are usually the most expensive and greatly needed components to the CACFP meal service
5. Attach a copy of the support documentation to a copy of the annual CACFP financial report that was submitted so you remember how you arrived at the figures. Maintain on-site for 3 years plus the current year.

Financial Management Resource Links

Budget Form, Contract, Aids Register:

<http://dpi.wi.gov/community-nutrition/cacfp/contract-info>

Financial Guidance, Regulations, Forms, Resources:

<http://dpi.wi.gov/community-nutrition/cacfp/guidance-memo>

CACFP Reimbursement Rates:

<http://dpi.wi.gov/community-nutrition/cacfp/pay>

CACFP Financial Report Instructions:

Sponsors:

http://dpi.wi.gov/sites/default/files/imce/community-nutrition/pdf/quarterly_cacfp_fin_train_sponsors.pdf

Independent:

http://dpi.wi.gov/sites/default/files/imce/community-nutrition/pdf/annual_cacfp_fin_train_indep_cntr.pdf