POLICY ALERT

Date: May 10, 2002       Reference #: CACFP DCH 2002-06
To: Child and Adult Care Food Program-Day Care Homes (CACFP-DCH) Sponsors
Subject: Financial Management
Effective: April 1, 2002

Financial Management Provisions - Notification #2

This Policy Alert revises and/or clarifies information contained in Policy Alert CACFP DCH 2002-5.

Revisions:

In Policy Alert CACFP DCH 2002-5, Page 2 of 9, the definition of Indirect Costs has been revised to read as follows:

Indirect Costs: Costs that are incurred for a common purpose in the organization, but a portion cannot be easily assigned to the nonprofit food service. If your organization will be claiming indirect costs, the rate must be part of your cost allocation plan. A cost allocation plan is a written explanation of how costs are classified.

In Policy Alert CACFP DCH 2002-5, Page 3 of 9, remove the following cost item:

Nonfood Supplies and Minor Kitchen Equipment - Nonprofit food service funds may be used for items such as straws, napkins, and dishwashing soap, and for equipment that costs less than $500 and has a life expectancy of less than two years. You must keep receipts, invoices, and bills to document these purchases.

This cost item is no longer part of the financial management provisions. It has been replaced with Materials and Supplies. You may claim operating costs for materials and supplies as follows:

Materials and Supplies - Includes durable supplies and expendable materials and supplies.

- Durable Supplies - have a life expectancy of one year or more and include stoves, dishwashers, microwaves and garbage disposals. Durable supplies are charged to the nonprofit food service account at the time of purchase.
- Expendable Materials and Supplies - have a life expectancy of less than one year and include straws, napkins, paper plates and dishwashing soap. Expendable materials and supplies are charged to the nonprofit food service as they are used each month.

You must keep receipts, invoices, and bills to document these purchases.

Clarifications: In Policy Alert CACFP DCH 2002-5, Page 5 of 9, the information on the cost item Equipment has been expanded as follows:

Equipment - Cost more than $5000.00 per unit and has a useful life of at least one-year. Instead of using depreciation,
an organization, with specific prior written approval, can charge the nonprofit food program for certain types of equipment at the time the items are purchased. You must keep invoices, bills of sale, purchase orders, leases, contracts and procurement documents to meet documentation requirements.

In Policy Alert CACFP DCH 2002-5, Page 5 of 9, the Time Distribution Report documentation requirements for Administrative Labor Costs has been expanded as follows: Employees who spend 100% of their time on food service activities may sign a certification statement monthly when they do not deviate from their regular work schedule. All other employees must complete Time Distribution Reports as outlined in Policy Alert CACFP DCH 2002-5. Attached is a sample Time Distribution Report that may be used by your organization.

In Policy Alert CACFP DCH 2002-5, Page 9 of 9, the information on the cost item Travel has been expanded as follows:

Travel - Travel costs are expenses for transportation, lodging, subsistence and related costs for employees, officers, directors or trustees performing nonprofit food service work. Costs for nonprofit food service travel may be charged on an actual, per diem or mileage basis provided that the method used results in charges consistent with those normally allowed by the organization in its nonprogram operations. SNP cannot require that you use the State, Federal GSA or IRS mileage and travel rates instead of the rates used for non-federally funded travel. However, we can limit the amounts charged for mileage or other travel costs when the amount requested is unreasonable or when the requested rate will divert needed financial resources from activities required to meet CACFP requirements.

On page 3 of the Supplemental Budget Form cost item, Utilities, is listed under Budget Line Item #2 Facilities and Space and #5 Purchased Service. If your charge for utilities is part of your charge for space costs, i.e., the utilities are included in the rent cost, then the cost is documented under #2 Facilities and Space. If your charge for utilities is separate from your charge for space costs, then the cost is documented under #5 Purchased Services.

Lastly, Depreciation and Use Allowance needs to be removed as a cost category on the Supplemental Budget Form. Any charge you have for depreciation or use allowance will be documented under the cost category where the item falls, e.g., Facilities and Space.

If you have any questions regarding this Policy Alert, please contact your Area Program Office.

Attachment

Texas Department of Human Services · 701 W. 51st Street · Austin, Texas 78751
P.O. Box 149030 · Austin, Texas 78714-9030
(888) 834-7406 · (888) 425-6889 (TDD)

Privacy Policy · Disclaimer · Public Information Policy & Procedures (Open Records)
Questions about DHS: contact@hhsc.state.tx.us
Site Feedback: contact@hhsc.state.tx.us

Updated: July 30, 2002