

BUDGET BASICS TRAINING – TOPIC: DIRECT AND INDIRECT COSTS



Acknowledgment Statement

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You understand and acknowledge that:

- ❑ the training you are about to take does not cover the entire scope of the program; and that
- ❑ you are responsible for knowing and understanding all handbooks, manuals, alerts, notices and guidance, as well as any other forms of communication that provide further guidance, clarification or instruction on operating the program.

Training Objectives

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By the end of this training, participants will be able to:

- ❑ Define direct and indirect costs.

Training Outline

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- ❑ Introduction
- ❑ Direct and Indirect Costs
- ❑ Conclusion

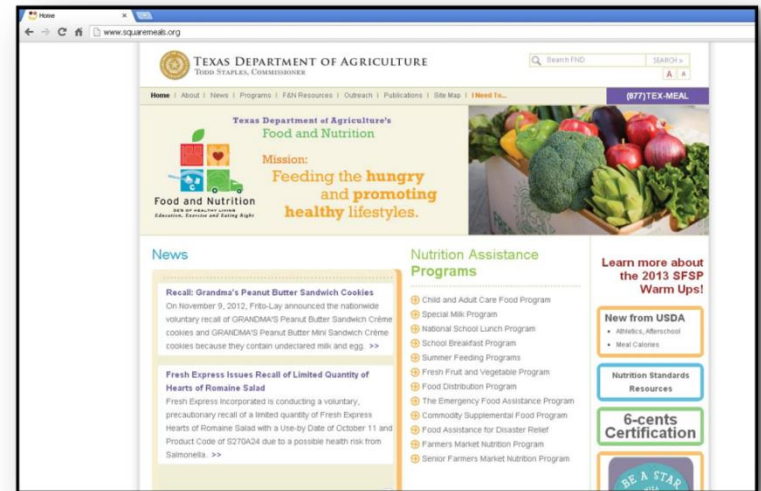
References for this Training

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- ❑ FNS Instruction 796-2, Revision (Rev.) 4, Financial Management – Child and Adult Care Food Program
 - <http://www.fns.usda.gov/sites/default/files/796-2%20Rev%204.pdf>

- ❑ CACFP Handbooks

- TDA Square Meals Website
<http://www.squaremeals.org>



Under F&N resources, select Tools & Links, then select Links and choose FNS Instruction 796-2 under the Government heading

Direct and Indirect Costs

Allowable Costs

Direct Costs

Indirect Costs

Allowable costs can be either direct or indirect

Allowable Costs



Direct Costs

Direct Costs are easily identified and assigned to the CACFP

Direct costs are costs incurred specifically for a program or other cost objective, and can be readily identified to a particular objective, such as food service.

Examples: Food, wages/salaries of staff working solely in the food service.

Allowable Costs

Indirect Costs cannot be easily identified or assigned to the CACFP



Indirect Costs

Indirect costs are costs typically incurred for the benefit of multiple programs, functions, or other cost objectives, and therefore cannot be readily or specifically identified with a particular program or other cost objective.

Allowable Costs

Examples: Administrative overhead (may include, but not limited to, fringe benefits, accounting, payroll, purchasing, facilities management, utilities).

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graph TD; A[Allowable Costs] --- B[Indirect Costs];
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Indirect Costs

Only the share of costs that benefit the CACFP can be assigned to the CACFP. If the CE claims indirect costs, the rate must be part of their cost allocation plan. A cost allocation plan is a written explanation of how costs are classified.

Cost Categories

Administrative
Costs

Operating Costs

Can be either direct or indirect costs

Administrative and operating costs can be either direct or indirect costs

Cost Categories



Administrative
Costs

Administrative costs are allowable expenses related to planning, organizing and managing a food service under CACFP, and allowed by TDA F&N.

Examples: Salaries, wages, and fringe benefits for staff that approve income eligibility forms, provide training, and monitor sites.

Cost Categories



Operating Costs

Operating costs are allowable expenses for serving meals to eligible participants in eligible sites.

Examples: Food, nonfood supplies, foodservice equipment.

QUESTION

How are direct costs different from indirect costs?



Answer: Direct costs are incurred specifically for a program or other cost objective and can be readily identified to a particular objective, such as food service. On the other hand, indirect costs typically incurred for the benefit of multiple programs, functions, or other cost objectives and therefore cannot be readily or specifically identified with a particular program or other cost objective.

Direct costs are easily identified and assigned to the CACFP. However, indirect costs cannot be easily identified or assigned to the CACFP.

Conclusion



Costs can be **direct** or **indirect**

Acknowledgment Statement

You understand and acknowledge that:

- ❑ the training you have completed does not cover the entire scope of the program; and that
- ❑ you are responsible for knowing and understanding all handbooks, manuals, alerts, notices and guidance, as well as any other forms of communication that provide further guidance, clarification or instruction on operating the program.



TEXAS DEPARTMENT OF AGRICULTURE COMMISSIONER SID MILLER

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