

# **BUDGET BASICS TRAINING – TOPIC: LEVELS OF APPROVAL FOR COSTS**



# Acknowledgment Statement

2

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

3

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

- ❑ Define levels of approval for costs.

# Training Outline

4

- ❑ Introduction
- ❑ Levels of Approval for Costs
- ❑ Conclusion

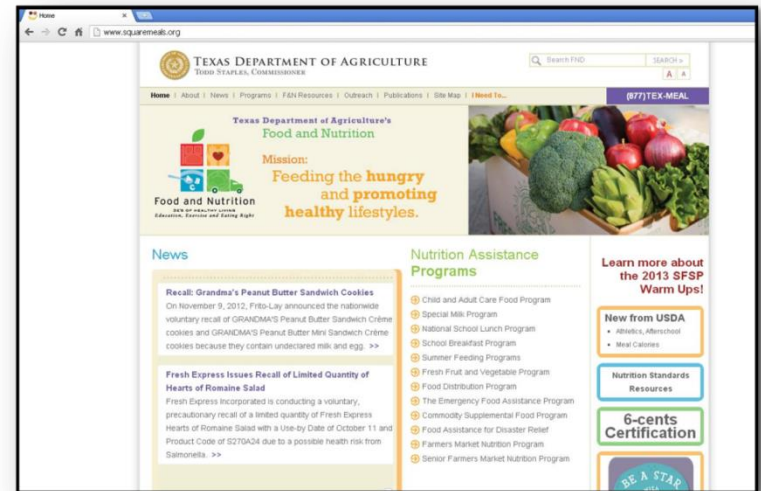
# References for this Training

5

- ❑ 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

# Levels of Approval for Costs

# Levels of Approval

All costs listed on a CACFP budget must be approved by Texas Department of Agriculture (TDA) Food & Nutrition (F&N). Each of these costs will require at least one level of approval.



# Three Levels of Approval for Costs



Requires Prior Approval

Requires Specific Prior Written Approval

Requires Food and Nutrition Service Regional Office (FNSRO) Approval





See FNS Instruction 796-2,  
Rev. 4 for cost categories  
requiring prior approval,  
specific prior written  
approval, and FNSRO  
approval



# Requires Prior Approval

- ❑ Most cost categories require prior approval
- ❑ Costs are approved with the approval of the budget unless specifically denied in writing
- ❑ Budget approval does not guarantee allowability of any particular cost or funding of the budget line item



## Requires Specific Prior Written Approval

- ❑ Some administrative and operating costs require specific prior written approval. Non routine costs can sometimes be necessary and reasonable for proper and effective CACFP operations.
- ❑ These costs must be requested in writing and approved by TDA F&N before the costs are incurred and before inclusion in the budget. TDA F&N may request for additional documentation prior to approval.
- ❑ TDA F&N will approve or deny these specific requests in writing.
- ❑ Costs must not be included in the budget until approved by TDA F&N. Once approved the Contracting Entity (CE) can amend its budget.



## Requires Food and Nutrition Service Regional Office (FNSRO) Approval

- ❑ TDA F&N determines if the cost requires FNSRO approval, and will forward it to FNSRO for final approval
- ❑ See FNS Instruction 796-2, Rev. 4, Financial Management – Child and Adult Care Food Program to find cost categories and specific circumstances which would require specific prior written approval/FNSRO approval

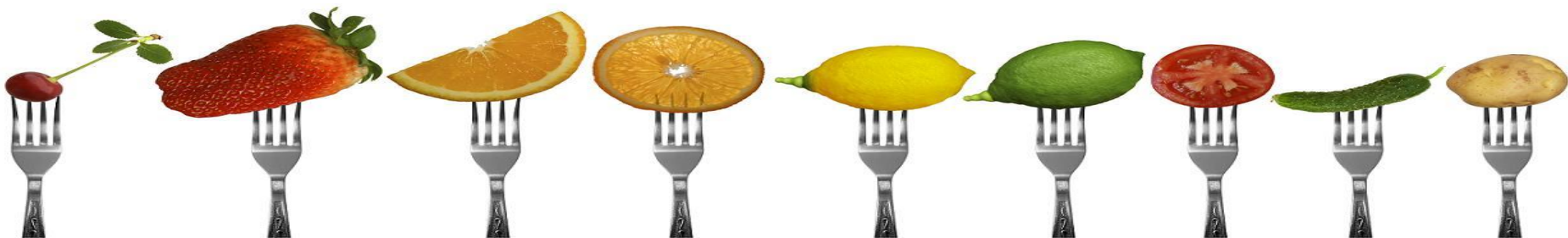


# Examples of Costs Requiring Prior Approval (Not All Inclusive)

Net cost of food used and the net cost of delivered meals

Travel and registration fees for attending meetings and conferences devoted solely to the CACFP

The direct costs for publication, printing, reproduction of materials related solely to the program





## Examples of Costs Requiring Specific Prior Written Approval (Not All Inclusive)

All less-than-arms-length transactions (More on this topic coming up)

Payment of overtime, holiday pay for work done on a non-work holiday and compensatory leave

The prorated share of travel and registration fees when the CACFP is only a portion of a larger child care-related agenda

All financing arrangements

# Examples of Costs Requiring FNSRO Approval

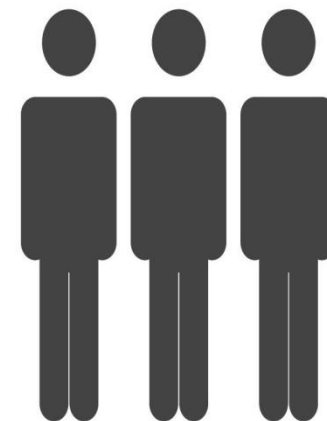
All less-than-arms length transactions (More on this topic coming up)

Costs of public and not for profit institution memberships in civic or community organizations



# What is a Less-Than-Arms-Length Transaction?

A transaction under which one party to the transaction is able to control or substantially influence the actions of the other(s)



- For example, related parties:
  - Divisions of the organization
  - Organizations under common control
  - Officers, trustees, board members and their family members
- Others (friends, partners, significant others)



# Is a Less-Than-Arms-Length Transaction allowable?

A less-than-arms length transaction may be allowable if the CE followed all procurement guidelines, and all “potential suppliers” of the needed product/service/item had the same information and opportunities in the process, and the transaction was approved by TDA F&N PRIOR TO ANY AGREEMENT BEING SIGNED BY THE RESPECTIVE PARTIES

Approval of these types of transactions will be reviewed and evaluated on a case-by-case basis

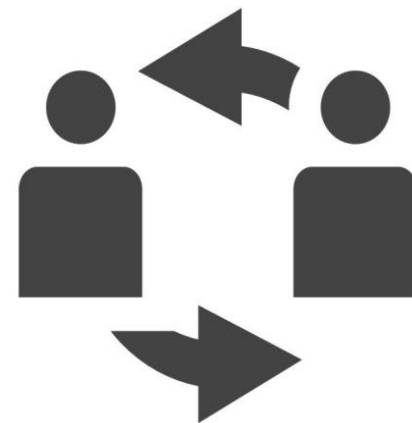
# What does FNS Instruction 796-2, Rev. 4 VIII (B) state?

“The failure of the institution to identify related party transactions, less-than-arms-length transactions, ownership interests in equipment, supplies, vehicles and facilities or disclose any other information to the State agency that inhibits the State agency’s ability to make informed assessment of the allowability of a particular cost will result in the disallowance of the cost and may subject the institution, its principals, employees, consultants or others to the administrative and legal remedies available to the State agency and FNS.”

# What is an Arms-Length Transaction?

A transaction between a buyer and seller where both are acting in their own best interests to get the best price.

Likely, the seller wants the highest price possible, and likewise the buyer wants to pay the least possible. This ends up determining the fair market value (for example, the price of a home that a buyer and a seller agree upon to the best of their ability and their own personal interests).



The majority of private party real estate transactions proceed in this way.

# Is this an Arms-Length Transaction? Why or why not?

A father sells his home to his son.

Answer: No. In this case, the father would likely give the son a large discount and the home would sell far below market value.



# Important Notes Regarding Costs

- ❑ Budget approval does not guarantee allowability of any particular cost or funding of the budget line item
- ❑ Costs must still be documented
- ❑ TDA F&N may request additional information/documentation from the CE to provide proof of sources and amounts reported and/or requested
- ❑ See FNS Instruction 796-2, Rev. 4 for guidance on cost categories requiring prior approval, specific prior written approval, and FNSRO approval

# QUESTION

What are the three levels of approval for costs?



**Answer:** The three levels of approval for costs are: requires prior approval, requires specific prior written approval, and requires FNSRO approval.

# Conclusion



Levels of approval for costs are: requires **prior approval**,  
requires **specific prior written approval**, and  
requires **FNSRO approval**

See FNS Instruction 796-2, Rev. 4 Financial Management –  
Child and Adult Care Food Program to find cost categories,  
to determine allowable and unallowable costs, direct and  
indirect costs, and those that require different levels of  
approval

Administrative and operating costs requiring specific prior  
written approval must be requested in writing and approved  
by TDA F&N before the costs are incurred



# Acknowledgment Statement

25

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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(1) mail: U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
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(2) fax: (202) 690-7442; or

(3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

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