The following are answers to questions received from contractors who attended the Financial Management in the CACFP Training conducted by Special Nutrition Programs (SNP) for Adult Day Care Centers and Child Care Centers. (Note: the questions appear exactly as they were submitted.)

**GENERAL QUESTIONS**

1. If you own a corporation with 2 different centers in 2 different locations, do you fill out the Form 1538 for each location? Do you complete one budget for the business?

   If both centers are participating in the CACFP you complete a Form 1538, Application and Agreement Between Contractor and Child Care Facility, for each center. The budget on the Form 1538 is center specific and only completed for unaffiliated centers. The budget on the Form 1536-B, Application and Management Plan for Child Care Centers, is for the entire organization’s nonprofit food service.

2. Where do you list contract Dietician or bookkeeping services related to CACFP?

   Bookkeeping is listed under “Financial Costs”, while a contracted dietitian is an “Organization Cost”.

3. Where does extermination (professional) costs go?

   Under Organization Costs.

4. What if all of your employees are leased by a payroll leasing agency?

   The costs are allowable under Professional Services.

5. Could a center contract for services such as the cook or even the caregivers? Some employment agencies call offering the services of said personnel.

   Yes, a center can contract for labor. The costs are allowable under Professional Services.

6. What would we do for software used for program only?

   The costs for software used in the CACFP only is allowable under Supplies and Equipment as a durable supply.

7. Where can the Food Service certification be charged to? Is there a standard as to who must have the I.D. card. People who prepare, serve or distribute.

   continued
The food service certification ID card is issued by the Health Department, therefore, you should contact them to find out which employees must have the card. You may claim the cost of obtaining the food service certification ID card under Organization Costs.

8. Do these changes apply to NSLP also?

National School Lunch Program contractors have a similar, but different set of Financial Management rules. The FNS Instruction 796-2, Rev. 3, only applies to CACFP.

9. With the constant change with the CACFP is the government looking into fully funding someone to help run the government program – CACFP? Too many small details for a small business to keep up with. Why is this program out? I thought it was to feed the poor. Give people a good healthy meal. Too many changes! Please design the CACFP and stand by it, with no more changes! Month, after month, after month, etc., some change occurs. Do you all realize that we are not government employees? The CACFP is not our only program.

The purpose of the CACFP is to help day care facilities provide nutritious meals to children and adults who attend their day care facilities. The CACFP reimbursement that you receive is intended to supplement your other funding sources. As with any other government program procedural changes occur and will continue to occur. Your Contract Manager is available to provide you with technical assistance whenever you have questions concerning the operation of the CACFP.

10. Does an organization have to submit a budget amendment when adding any additional facilities?

Generally the addition of a new facility would affect the revenue and expenses generated from the nonprofit food service account; therefore, you would need to amend the budget.

11. When filling out budget, can you just include food and nonfood?

Yes, you may include just food and nonfood in your budget. You may include any allowable food service expenses for which you will use food service revenue.

12. Can a contractor that has both CCMS & Head Start programs in the same facility where the Head Start is in the morning & the CCMS program is in the afternoon charge the food program for a given child twice? Note: The CCMS portion of the day is at least 6 hours.

You may only count a child once in the enrollment data you report each month on your Form 1532, Claim for Reimbursement. In addition, you may only claim 2 meals and one snack or 2 snacks and one meal per day per child.

13. An organization buys 2 PC’s worth $4000.00 (under the $5000.00 capital equipment). Organization decides to direct expense the PC’s with Prior Written Approval. At the end of the contract year, organization decides to discontinue CACFP. Does organization keep PC’s as part of their inventory of acquired equipment? If organization comes back into Program 1 year later, what prevents organization for acquiring 2 new PC’s again?

It is unlikely that a PC would be used strictly for food program activities, therefore, the cost of the PC would need to be pro-rated between program and nonprogram use. In addition, to be able to purchase the PC’s using food service funds, the PCs must be necessary and reasonable and the organization must be able to fund all other program requirements. If the PCs are purchased with food service funds and the organization decides to stop operating the CACFP, the organization may retain the PCs. The history on this contractor must be retained for 3 years and 90 days. If the contractor reapplied and tried to acquire two new PCs, the contractor would have to provide justification.
14. What can we do to simplify the food program?

Food Program requirements are based on state and federal requirements. Contractors who have suggestions to simplify the program are encouraged to submit comments whenever state or federal regulatory changes are proposed. Contractors may also submit recommendations for program improvements to SNP or USDA.

15. We cannot make clients put financial information on the Form 1531 – it is not mandatory. Why are we penalized for not getting this information?

You may claim reimbursement for all participants who are properly enrolled in your program. However, you will receive a lower reimbursement for participants who do not provide the income information needed to determine their eligibility for free or reduced price meals.

16. We will be opening a pilot program where we will be in collaboration with Head Start. In one area, a classroom will be strictly collaborative. In another area of our center, I will be leasing some classrooms to HS. However, I will be feeding these children under the CACFP. Must I ask for any level of approval for these areas and must I subtract these areas as an expense? How can this collaboration work with CACFP-CCC?

If you will be receiving any funding from Head Start that is specifically designated for food service you will need to deposit those funds in your nonprofit food service account. If you will be claiming a portion of the occupancy as a part of your approved budget you will need to ensure that you do not receive leasing fees for the same space that you are charging the nonprofit food service account. This would be “double dipping”. You should contact your Contract Manager for technical assistance concerning any specific questions you have concerning this collaboration. Note: You can claim meals served to all of the children, even those enrolled in Head Start, on the CACFP-CCC if they are properly enrolled for child care in your center.

17. How is it that we are expected to maintain a reputable/acceptable program if there may not be enough funding to go around?

The funding you receive is based on the number of meals you serve and the eligibility of the individuals enrolled for care. Your reimbursement is not affected by how many other organizations participate in the CACFP. Your CACFP reimbursement is a supplement only and not intended to fund your entire food service operation.

18. Is extra money given to us for staff in our yearly budget?

No, you receive a reimbursement based on the eligibility of participants (Free, Reduced or Paid) and the number of meals served. Your reimbursement is not based on the costs to operate the food service.

19. For record keeping/documentation of food costs, is it acceptable for our bookkeeper to keep receipts, invoices, canceled checks, etc., in her office which is located in a separate building on our Church campus? Or, do I need to keep duplicate copies in our center?

It is acceptable to keep all of the records in the bookkeeper’s office on the Church campus. However, the records must be available for review at all times, e.g. someone in the center must be able to get into the bookkeeper’s office.

20. Is it possible to create the application and disseminate it on a disc? This would eliminate the need to handwrite the application. Many centers use computers and no longer own typewriters.
Contractors may access and print most of the CACFP forms on the SNP website. However, contractors are not able to submit the forms electronically to SNP.

21. Are documentation forms which must be filled out and signed by the employee, such as the “Time Distribution Report” available in other languages? Spanish? Vietnamese is also prevalent in Houston. These are growing documentation concerns. Many food service workers are non-native recent additions to the workforce. Training materials? Training classes?

The sample Time Distribution Report is not available in other languages. You, as a contractor, are responsible for accommodating any translation needs of materials for use by your staff.

22. Will Texas ever have a computer program for the CACFP available to contractors?

It’s a possibility, but we have nothing planned at this time.

23. A sponsoring organization has affiliated centers under their organization for which they have to complete the Form 1538 for each Head Start. They check “Affiliated,” skip Section 1 and go to items 2 and 3. Question – why is it necessary to plug in the amount of money each affiliated center will receive? The main organization will be paying all bills for centers, not keeping each center separate.

Even in the situation where the sponsoring organization centralizes the financial operation for its affiliated facilities, the individual amount from each affiliated center is necessary to project/determine the total annual CACFP reimbursement for the contract. This projection is necessary for the sponsor to determine the percentage the sponsor will withhold from each CACFP reimbursement to apply to its allowable administrative costs. Admittedly, a sponsor of affiliated centers is part of the same legal entity as its affiliated facilities. Even so, the sponsor is still only permitted to retain up to 15% of each month’s total CACFP reimbursement to pay for its actual allowable administrative costs incurred in supporting the operation of the nonprofit food service in its sponsored facilities. Please note that a sponsor does not have to complete Item 3, Disbursement Record, of the Sponsoring Organization Disbursement Record, for its affiliated facilities. Also, on the Form 1538, dated July 2002, the sponsor does not complete Item 1, the detailed budget, for an affiliated center.

(FNS Ins. 796-2, Rev. 3; page 91 and Policy Alert CACFP CCC 2002-6)

24. When working with the budget worksheet, can computer generated worksheets be attached? Or an on-line form using a spread sheet developed?

You must complete the budget on the Form 1536-B/1536-C, but you may include additional worksheets or spreadsheets to support your entries.

25. Are field trips considered in the equipment, facility & supply costs when food is served by someone else?

No, the cost of a field trip is generally unallowable. Note: If your facility is self-prep and you take a field trip to a restaurant you may not claim reimbursement for the meals served or the cost of purchasing meals. If you prepare the meals at the center and then serve them off site the meals are reimbursable and the costs are allowable.

26. Why do we have to accept the CACFP supplemental money to operate a day care? Why is CACFP required for participation/license for Adult Day Care?

You are not required to accept any governmental subsidies to operate a day care center, nor are you required to participate in the CACFP to be licensed as an adult day care center. However, if you choose to receive DAHS funding you must comply with all of their policies and procedures. One of the DAHS policies is that if you
participate in DAHS you must participate in the CACFP. It is our understanding that DAHS requires you to participate in the CACFP to maximize available funding.

27. Is there a computer program we can use that would make paper work easier to keep track on and more accurate?

The Special Nutrition Programs (SNP) does not approve or endorse software packages for use by contractors in managing the CACFP. Contractors may purchase such software independently. However, SNP holds the contractor accountable for ensuring that the purchased software supports the contractor in operating the CACFP according to program requirements.

28. Will they develop a program where we can do training on the website?

SNP is exploring making some training available on the web. Contractors will be notified when and if such training is developed.

29. Section 1, compute step 1, slide 13: Only one method of figuring percentage. Is the state of Texas careful in choosing enrollment vs. license capacity? (Also, PAL CACFP CCC 2002-3 page 18).

The percentage that is being calculated on slide 13 is the percentage of Free, Reduced-Price, and Paid participants for a given month to determine the blended rate of reimbursement. This percentage has nothing to do with calculating the number of participants eligible for free and reduced-price meals to determine eligibility for the CACFP for a given month. If you have a question about blended rate percentages and eligibility percentages contact your Area Program Office.

30. Do I have to get approval on “everything” I buy with the food program money? Or is there a specific amount?

Yes, you must get approval for everything that you will buy with nonprofit food service account funds. The budget that you turn in as part of your application each year is where you request approval to spend nonprofit food service account funds.

31. Why must we get prior approval for a dietitian we’re required to hire to participate in Adult Day Care?

You are required to get prior approval for all costs paid with food service funds. You request prior approval by completing the annual food service budget, which is part of your CACFP renewal application.

32. For disclosures, is there a form or specific protocol for giving background information? How far in advance do you have to get written approval?

There is no specific protocol or form for giving disclosure information on related party transactions, less-than-arms-length transactions or ownership interests in equipment, supplies, vehicles and facilities. The application for CACFP that you complete each year will ask you to disclose any information needed for Special Nutrition Programs (SNP) to make an informed decision on the allowability of a cost. You must have specific prior written approval before claiming costs that require disclosure. The amount of time in advance that you must request specific prior written approval depends on the complexity of the relationship between the parties.

33. If you disclose that the spouse of an employee drives a delivery truck for a major food distributor from which you buy, does it need to be reported if he leaves that job?

Yes, you should submit a Form 1548, Application/Management Plan Change, when you have changes in your CACFP operation.
ADVERTISING

1. Are yellow pages allowable when you are advertising meals and snacks?

   Yes, the cost to advertise the availability of the CACFP in the yellow pages is an allowable expense.

   (Advertising, FNS Ins. 796-2, Rev. 3; page 20)

AUDITS

1. Our general auditor must audit the financial transactions and records including those related to CACFP. Is any % of auditor fees allowable?

   The cost for obtaining an organization-wide or program specific audit that meets the requirements of 7 CFR Part 3052 is allowable. If you do not expend $300,000 or more in federal funds annually, then you are not required by 7 CFR Part 3052 to obtain an audit. Cost for other audits incurred by an organization to meet State, local or organization needs are unallowable.

   Note: If your organization operates multiple programs, you may only claim the CACFP percentage for the audit cost.

   (Audits, FNS Ins. 796-2, Rev. 3; page 21)

COMMUNICATIONS

1. Internet fees for food program only, is this an allowable expense?

   Yes.

   (Communications, FNS Ins. 796-2, Rev. 3; pages 23)

DEPRECIATING & EXPENSING EQUIPMENT

1. If purchasing equipment over $5000.00 and we receive $3000.00 from CACFP funds, can the remaining $2000.00 carry over to the next month?

   There are two methods of charging the nonprofit food service account for equipment, depreciation and expensing equipment. General equipment must be depreciated and not directly expensed. You may use either 15 year straight line depreciation or the depreciation method used and accepted for Federal income tax reporting. With Specific Prior Written Approval, the program’s share of the cost for some equipment purchased by the organization (not an individual) can be directly expensed.

   (Depreciation & Expensing Equipment – FNS Ins. 796-2, Rev. 3, pages 30-34)

2. What if you buy a piece of equipment over $5000.00 and only want to charge a portion to food program?

   An organization may charge to the Food Service, as a direct cost, certain types of equipment at the time the item is purchased. With Specific Prior Written Approval, the program’s share of the cost for some equipment purchased by the organization (not an individual) can be directly expensed. You may never expense, either directly or through depreciation, the cost of improving rental space or facilities, the cost of equipment purchased by individuals, and the cost of equipment or other property donated to the institution. You may never directly expense the following items, but the institution’s acquisition cost for these items may be
depreciated: buildings, additions, alterations and improvements to buildings and land; general purpose equipment, including office equipment and furnishings; air conditioning equipment; reproduction and printing equipment; motor vehicles; and automated data processing equipment used for both program and general administrative purposes.

(Expensing Equipment, FNS Ins. 796-2, Rev. 3; pages 33-34)

3. If a piece of equipment is being depreciated on the DAHS Cost Report should we also depreciate this item on the food contract?

It is up to each individual organization to determine which allowable costs to charge to the nonprofit food service. Depreciation of the prorated share of equipment costs is allowable.

EXHIBIT A - RENTAL

1. For non-profit centers – church affiliated in particular. Center pays church rent. Is that not a less-than-arms-length transaction? Because church can influence the actions of the center. So church centers will need to get specific prior written approval if they budget rent. Contract Management would HAVE to know who rent is paid to at the time of app?

A less-than-arms-length transaction is one under which one party to the transaction is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to, those between divisions of an organization; organizations under common control through common officers, directors or members; and an organization and a director, trustee, officer, key employee of the institution or immediate family, either directly or through corporations, trusts or similar arrangements in which a controlling interest is held.

The renewal application completed by all CACFP contractors annually requires disclosure of less-than-arms-length transactions when such costs are included in the food service budget.

Note: If the center is sponsored by the church they may not pay rent to the church, only depreciation. If the center is a non-profit entity separate from the church then rent is allowable.

(Exhibit A, FNS Ins. 796-2, Rev. 3; page 3)

2. Can an owner that is incorporated rent from corporation?

All related party rental transactions for commercial space and facilities are subject to cost limitations. Costs under less-than-arms-length arrangements, no matter how represented, may not exceed the amount that would have been allowed had the item been owned by the institution. For space and facilities you can only charge the amount that results from applying 30 year life expectancy to the property’s acquisition cost less the value of land. The organization may claim depreciation, but not rent.

A less-than-arms-length transaction is one under which one party to the transaction is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to, those between divisions of an organization; organizations under common control through common officers, directors or members; and an organization and a director, trustee, officer, key employee of the institution or immediate family, either directly or through corporations, trusts or similar arrangements in which a controlling interest is held.

The renewal application completed by all CACFP contractors annually requires disclosure of less-than-arms-length transactions when such costs are included in the food service budget.
EXHIBIT B – FOOD COSTS

1. How does this apply when our facility is being catered?

Just like any other CACFP contractor you must operate a nonprofit food service. You will probably want to include in your food service budget “Food Cost.” Allowable food costs are the net price of the purchased and vended foods and meals used in the program.

(Facilities and Space, FNS Ins. 796-2, Rev. 3; pages 34-36)

FACILITIES & SPACE

1. Need to add handwashing sink in kitchen and put tile under the refrigerator, is this a capital improvement?

With Specific Prior Written Approval the cost of putting tile under the refrigerator is an allowable facilities and space cost because the tile is a necessary repair for the efficient and effective operation of the food program and is not a capital improvement. Costs to bring either owned or rented facilities into compliance with state and local requirements is not allowable. Therefore, the addition of a handwashing sink is not an allowable food program cost.

(Facilities and Space, FNS Ins. 796-2, Rev. 3; pages 34-36)

FOOD

1. Some food items, seasoning, cornchips, etc., are not CACFP allowable costs. Does this mean I cannot purchase this with my nonprofit food service account when that account is funded from other sources besides CACFP?

Allowable food costs are the net price of the purchased foods used in the CACFP. Seasoning and cornchips are allowable food items when they are used in the preparation of a reimbursable food item. You may purchase these items using your nonprofit food service account if you have included food in your approved budget.

(Food – FNS Ins. 796-2, Rev. 3; Exhibit B)

2. Purchased Services: If we contract with an Independent School District to provide meals for participants, does this require Specific Prior Written Approval?

No, you are not required to obtain Specific Prior Written Approval for food costs.

(Food, FNS Ins. 796-2, Rev. 3; Exhibit B)

3. How do you prorate the cost of food when you’re feeding your program staff or serving seconds to participants? Also, these are servings that are not being reimbursed by the government.

Allowable food costs are the net price of the purchased and vended foods and meals used in the program. Your program staff are part of your food program and therefore, the cost of preparing their meals is an allowable food expense. You must plan and prepare meals with the intent of serving no more than one of each approved meal type per participant per day. If you are preparing enough for second meals for your participants...
you will need to factor out the cost to prepare this excess food from your food service costs. You will need to
determine the cost to prepare each individual meal and then subtract the cost of the excess meals. If you are
only preparing enough to serve one meal to each participant, but just happen to have enough food to serve
some seconds because of a fluctuation in participation, you do not need to factor out the cost of the second
meals.

(Food, FNS Ins. 796-2, Rev. 3; Exhibit B)

INCOME TO THE PROGRAM

1. How do you pay for food in October (for example milk bill is due weekly) before October reimbursement is
received? Do you have to use other general revenue funds that can never be replaced?

If you do not have funds in your nonprofit food service account from the previous program year to pay for
allowable October expenses, you may do an internal transfer of funds to meet cash flow needs until your
reimbursement is received. For example: You transfer from your general revenue account $2000.00 to meet
cash flow needs in your nonprofit food service account. When your reimbursement is received you transfer
$2000.00 from your nonprofit food service account back to your general revenue account. Your organization
must have a written policy that allows for internal transfers to meet cash flow needs.

(Income to the Program, FNS Ins. 796-2, Rev. 3; page 95)

2. Our center sponsored a Spring Festival as a fundraiser. It included a silent auction, cake walk, a raffle, bingo,
game booths, music, and food. All items were donated including food items, cooking & serving by parents &
volunteers. The food was served through the two kitchen doors. The intent of the fundraiser was for general
use. Would money raised on food sales have to go into restricted funds?

Since the purpose of the Spring Festival was to raise money for the child care center and not for the food
service, none of the funds raised have to be put into the restricted nonprofit food service account.

(Income to the Program, FNS Ins. 796-2, Rev. 3; page 6)

INDIRECT COSTS

1. For agencies that receive only CCDS, CACFP and private funds where would we get instructions for setting
cost allocation standards?

Indirect costs must be allocated on a consistent and rational basis. Your indirect cost rate must be developed
through a cost allocation plan approved by the cognizant Federal or State agency. The Texas Department of
Human Services Special Nutrition Programs does not develop or approve cost allocation plans. You should
contact the agency who provides you with CCDS funds to find out if they will develop and approve cost
allocation plans. If this agency does not develop and approve cost allocation plans then you may not budget
for or claim indirect costs.

(Indirect Costs – FNS Ins. 796-2, Rev. 3, page 12-13)

2. If an organization has a conferred indirect rate (by the federal government), can this rate be used as indirect
rate for administrative cost? Child Care Associates has a conferred indirect rate of 11.1%. Rate is conferred
by Department of Health and Human Services in conjunction with Department of Labor (Head Start Program).
This rate is also accepted by local Workforce Boards for state federal child care (CCMS).
Yes, you may use an indirect cost rate that has been developed through a cost allocation plan approved by the cognizant Federal or State Agency.

(Indirect Costs, FNS Ins. 796-2, Rev. 3; pages 12-13)

LABOR

1. Cook is needed 9:00 a.m. to 2:00 p.m. every day (5 hrs/day req’d). If she is off a day, someone has to fill in for her (still 5 hr./day). If cook is needed to sub for a teacher in the afternoon, I keep her over. But, this does not change the fact that she has only 5 hrs/ CACFP. I want to be able to use Time Distribution Report – Alternate Certification Statement in lieu of daily record. Bottom line – someone works 5 hrs. in CACFP.

We understand that completing the Time Distribution Report on a daily basis can be time consuming. However, the Alternate Certification Statement can be used only when the employee worked 100% of their time in the food service and did not deviate from their fixed work schedule. If there is no “fixed work schedule,” then the Alternate Certification Statement cannot be used.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

2. Our cook’s time is split (50/50) between an Adult Day Care contract and a Child Care Centers contract. 100% of time is spent on food service. Does she need to fill out a time distribution or can they check 100% box?

Your cook may sign the Alternate Certification Statement if she spends 100% of her time on the CACFP, even if part of the time is spent on the CACFP for Adult Day Care and the other part of the time is spent on the CACFP for Child Care Centers. Note: The Alternate Certification Statement can be used only when the employee worked 100% of their time in the food service and did not deviate from their fixed work schedule.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

3. If the cook is on paid vacation or sick leave and I have a substitute cook, can I claim both expenses?

If the cook’s salary is the only labor cost that you include in the budget, then the cook’s salary is the only expense that you can claim. If another employee did cooking duties in the absence of the cook you would not claim a portion of that substitute cooks salary. If your approved budget included a cook and a substitute cook, then you could claim both the cook’s salary and the substitute cook’s salary.

(Labor – FNS Ins. 796-2, Rev. 3; pages 42-58)

4. If cook(s) goes overtime, would they need to fill out a monthly time distribution report, or just sign the alternate certification statement?

The cook would need to complete a Time Distribution Report on a daily basis if they work outside of their fixed work schedule. The Alternate Certification Statement can be used only when the employee worked 100% of their time in the food service and did not deviate from their fixed work schedule.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

5. Under what circumstances does a staff (i.e. cook, caregiver) accrue compensatory time? Is this paid when used? At what rate? Note: The U.S. Department of Labor states compensatory time is not allowed.
Payment of overtime, holiday pay for work performed on a nonwork holiday and compensatory leave is allowable with Specific Prior Written Approval for each instance. You must have a written compensation policy which includes the organization’s policy and payment schedule for regular compensation, overtime, compensatory time, holiday pay, benefits, awards, severance pay and payroll tax withholding. The compensation policy must also reflect the requirements of the US Department of Labor’s FLSA for all FLSA nonexempt employees. According to the US Department of Labor, compensatory time is not allowable if the employee is required to take it rather than overtime.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

6. Can staff sign in/out when doing CACFP duties?

You may require your staff to sign in/out when doing CACFP duties, but this may not be adequate documentation to meet the requirement for claiming labor costs. To establish the portion of costs that may be claimed as program labor, a daily log or other time distribution method must be used. This report must be completed by the employee, prorated based on the hours worked for program and nonprogram activities, separate for each employee, done after-the-fact, and in 30-minute increments.

(Labor – FNS Ins. 796-2, Rev. 3, pages 46-47)

7. I understand the need for USDA to have the burden of proof for documentation in order to prevent future cases of fraud. Question concerning Time Distribution Report. Did you think about the fact that by having to document every 30 minutes for staff on every day is a violation of minimum standards? A child care staff person must spend their time with children. They are not even allowed to build a bulletin board or develop a lesson plan while supervising children. By forcing them to document every 30 minutes we are redirecting their attention away from children. On the other hand they are participating with serving the children food and cleaning afterward. So it makes sense to document their time in the budget. If we document that now we must violate minimum standards to document the whole day (every day) every 30 minutes. Please consider revising the documentation to limit the Time Distribution Report to time spent working the food program with a copy of the time care attached.

Texas Department of Protective and Regulatory Services minimum standard #3300(B)(1)(h) states the following:

The following are staff responsibilities: Staff counted in the child/staff ratio must: be free from other duties except those directly involving the care and supervision of children, which includes keeping the group’s area clean. Administrative and clerical functions that take staff’s attention away from the children, meal preparation, or janitorial duties must not be included in the responsibilities of staff while the staff is counted in the child/staff ratio.

The documentation of the Time Distribution Report by staff does not contradict this minimum standard. If you choose to claim labor costs for staff that are responsible for the supervision of children you will need to arrange for these staff members to have time to complete the Time Distribution Report when they are not counted in the child/staff ratio.

8. Your examples of compensation policies were overly complex for my size agency, would you have access and provide us with a more basic version of a compensation policy for small agency?

All organizations must establish and maintain a written compensation policy for every element of compensation charged to the program. If you do not charge labor to the food service, then you do not have to maintain a written compensation policy. At a minimum, the written compensation policy must apply to any individual or group of individuals employed by the institution and identify:
• rates of pay (this can be a range, e.g., cooks will be paid between $5.50 and $7.00 based on experience and
time of service);
• hours of work, including breaks and meal periods; and
• the organization’s policy and payment schedule for regular compensation, overtime, compensatory time,
holiday pay, benefits, awards, severance pay and payroll tax withholding.

(Labor – FNS Ins. 796-2, Rev. 3, pages 42-58)

9. I plan to include only the cook’s salary in the program costs which is generally allowable. However, on
occasion the cook doesn’t show up and I cook or the Head Teacher cooks. Should I just include us on the time
and attendance report as I would the cook?

Time and Attendance Reports are required to justify labor costs charged to the program. These reports must
identify the total time actually worked by the individual employee, not just the time spent on CACFP activities.
Time and Attendance Reports are different from Time Distribution Reports. If the cook’s salary is the only
labor cost that you include in the budget, then the cook’s salary is the only expense that you can claim. If
another employee did cooking duties in the absence of the cook you would not claim a portion of that
substitute cook’s salary. If your approved budget included a cook and a substitute cook, then you could claim
both the cook’s salary and the substitute cook’s salary.

(Labor – FNS Ins. 796-2, Rev. 3; pages 42-58)

10. I have a cook whose wife is also an employee. Does this qualify as a situation in which I need to disclose the
related-party or less-than-arms-length status for Labor Cost purposes?

Less-than-arms-length and related party transactions are not applicable to labor costs. Therefore, you may
employ family members and, with the proper documentation, claim their time spent on the food service as a
labor cost.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

11. Does compensation plan have to be in a singular document? What if requirements are covered in several
documents? (i.e., Personnel Policies, Policies, Job descriptions, etc)

No, your written compensation policy may be in several documents. However, you must make all of these
documents available to your Contract Manager upon request.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

12. If a teacher is out ill, does the substitute teacher need to complete a time distribution report for that day? Also,
if the administrator or admin. assistant replaces the teacher who is out ill, does she complete the form and is it
legal for her to still claim CACFP hours as admin. cost when she catches up on her paperwork?

Time Distribution Reports must be completed by all full-time and part-time employees who are listed in the
approved food service budget, and must account for the total activity for which each employee is compensated.
A separate report for each employee who is in the approved budget is required. If your approved food service
budget has expenses for “teachers”, “substitute teachers”, “administrator” and “administrative assistant,” then
each of these employee types will be completing their own Time Distribution Report. You will claim labor
expenses based on these completed time distribution reports.

(Labor – FNS Ins. 796-2, Rev. 3; pages 42-58)
13. Do cooks who are 100% CACFP need to complete a time distribution report?

Yes. However, they may be able to sign a certification statement instead of completing the Time Distribution Report on a daily basis. Refer to your CACFP Handbook for additional guidance.

(Labor, FNS Ins. 796-2, Rev. 3; page 42-58)

14. Section 4, page 9, slide 27: I am the owner, director, and supervisor. I cook, clean, do lunch, breakfast & p.m. snack, do all the shopping (at night & weekends). On the time distribution reports will I have to do myself 18 hrs a day & weekends in 30 min. times. I am 100% and salary. Do I sign off for myself also?

You would complete the Time Distribution Report according to your work schedule. If your work schedule is 18 hours a day, then you will complete the Time Distribution Report to reflect this. However, based on your description of duties, you do not spend 100% of your 18 hr. day on food service duties and therefore, would only budget for and claim a portion of your salary based on the Time Distribution Report. If you do not have a Board of Directors, then you would sign the Report as the employee and the supervisor.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

15. If the director is related to the owner, does the owner have to get prior approval for the director’s salary that CACFP pays for (administrative & operational)?

Less-than-arms-length and related party transactions are not applicable to labor costs. Therefore, you may employ family members and, with the proper documentation, claim their time spent on the food service as a labor cost. As with any other cost you will need prior approval to claim the employed family members time spent in the food service.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

16. I am the director. I claim the food reimbursement every month. Would I be able to claim my time to do all the paper work?

Yes, the amount of time spent gathering and processing food program paper work is an allowable expense. You must ensure that you include the “Director” position in the approved budget and that you keep all required documentation to claim labor.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

17. Time distribution alternate certification statement – fixed work schedule: My cook (100% CACFP) is normally scheduled form 7:00 a.m. to 1:00 p.m. She only does CACFP duties so it is 100%, but some days she leaves early if she finishes duties early and some days she may stay a little after 1:00 p.m. if the dishes are taking longer or she is making preps for next day. Could she still sign the alternate certification statement if it says, “I did not work outside the hrs. of my fixed schedule?”

No, your cook would need to complete a Time Distribution Report on a daily basis if they work outside of their fixed work schedule. The Alternate Certification Statement can be used only when the employee worked 100% of their time in the food service and did not deviate from their fixed work schedule.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

18. Could the caregiver (operation’s tasks) section be incorporated into individual time sheets? Many tasks take less than 30 min. Can they be added together?
The requirements for Time and Attendance Reports and Time Distribution Reports are different. However, if you wish to develop a report that captures all the elements of both you may. The amount of time spent performing food service tasks should be rounded up or down to the nearest half hour. You may combine tasks if they are both food service tasks, e.g., cooking/serving children, cooking/cleaning kitchen.

(Labor – FNS Ins. 796-2, Rev. 3, pages 42-58)

19. Our cook sometimes comes in on her off time to be a sub caregiver. Does this make a difference as far as the time distribution sheet? She still fulfills her cook duties, but comes in other times too. Can she still sign the Alternate Certification Statement?

No, she must complete the Time Distribution Report daily. The Time Distribution Report must be completed by all full-time and part-time employees and must account for the total activity for which each employee is compensated.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

20. What is considered a “substantial increase” in salary? For example, is it a substantial increase if I pay our cook $9.50/hr. during his probationary period, and then raise his salary to $10.00/hr. or $10.50/hr. when he demonstrates proficiency in his job (does CACFP paperwork, all ordering, inventory, cooking, etc.)? This salary is comparable to other salaries in our center.

All organizations must establish and maintain a written compensation policy for every element of compensation charged to the program. You are only required to establish and maintain a written compensation policy for the positions that are charged to the program. At a minimum, the written compensation policy must apply to any individual or group of individuals in your approved food service budget and identify:

- Rates of pay (this can be a range, e.g., cooks will be paid between $5.50 and $7.00 based on experience and time of service);
- Hours of work, including breaks and meal periods; and
- The organization’s policy and payment schedule for regular compensation, overtime, compensatory time, holiday pay, benefits, awards, severance pay and payroll tax withholding.

Your written compensation policy should include your procedures for granting raises. A raise that results from a successful completion of a probationary period or on an annual basis would be acceptable. A “substantial increase” would be one in which you are granting the increase to maximize CACFP reimbursement or an increase that is not in line with similar employees in the community.

(Labor – FNS Ins. 796-2, Rev. 3, pages 42-58)

21. Are Child Care credits (e.g. 50% discount of care) considered allowable fringe benefits?

No.

(Labor – FNS Ins. 796-2, Rev. 3, pages 42-58)

22. Do fringe benefits include part of the FICA & Medicare taxes, worker compensation and insurance?

Fringe Benefits are the employer’s share of costs including vacation leave, military leave, health benefits, life and disability insurance, paid non-work holidays and retirement benefits.
23. Cooks that are paid 100% and USDA clerks that are paid 100% do they need to fill out a time distribution sheet?

Yes, all labor costs that are charged to the program must be supported by Time Distribution Reports.

(Labor – FNS Ins. 796-2, Rev. 3; pages 42-58)

24. I can’t see why you would discourage providers from using labor or a cost in the CACFP application. Daily timestudies within 30 minute increments is not feasible.

It is not our intention to discourage you from claiming allowable costs in your nonprofit food service budget. It is our intent to give you all the necessary information to choose whether or not you want to claim a certain cost based on the documentation requirements. If you do choose to claim labor costs, you must complete all the necessary documentation, i.e. Time Distribution Reports, for this cost to be allowable.

(Labor – FNS Ins. 796-2, Rev. 3; pages 42-58)

25. On the Time Distribution Report, for employees that only work 1 hour to 2 hours a day. Do we still have to document every ½ hour through out the day?

Yes.

(Labor, FNS 796-2, Rev. 3; pages 42-58)

26. How does “less-than-arms-length” and “related party transactions” affect the small day care center that employs family members or relatives to work in the day care?

Less-than-arms-length and related party transactions are not applicable to labor costs. Therefore, you may employ family members and, with the proper documentation, claim their time spent on the food service as a labor cost.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

27. Do we have to send our compensation plan to our Area Program Manager for prior written approval for review/approval?

No, staff will review your written compensation policy at your next administrative review. However, your Contract Manager may request a copy of your written compensation policy if they have a question about the labor amounts in your budget.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

28. Since all cooks fill out a signed time sheet on a bi-weekly basis and they work 8 hrs. for CACFP, they would be eligible to use the “Alternate Certification Statement.” Can we add the “Alternate Certification Statement” to the current existing timesheet to lessen paperwork?

We have no set form that must be used to fulfill the requirements for documenting the time distribution for individual employees.

(Labor – FNS Ins. 796-2, Rev. 3, pages 42-58)

29. Has it been considered to have a minimum amount of wage cost before you are required to produce a time distribution report? Example: minimum time for staff 15% - 20%, cooks 95% - 100%. If you budget for more than this you must keep time distribution reports.
The Special Nutrition Programs (SNP) does not know the criteria used by the United States Department of Agriculture (USDA) to develop the requirement for Time Distribution Reports.

(Policy Alert CACFP CCC 2002-3 or Policy Alert CACFP ADC 2002-2)

30. Do we have to include our staff on the yearly budget? Can we use cook and Admin. Director only?

No, you do not have to include labor in your annual food service budget. Yes, if you choose to include labor costs it can be for selective positions.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

31. Our cook is also our grandmother. Do we need to send a disclosure in for this? We pay her a set dollar amount that I believe would be fair to anyone else that would be our cook.

Disclosure is not required for labor costs, even when individuals employed by the organization are related.

32. Do I have to tell my contract manager every time I give or want to give a raise?

No, you do not have to tell your Contract Manager every time that you give a raise. However, your policy on when you give raises must be part of your written compensation policy. You may not give an employee a raise that is intended to maximize reimbursement.

(Labor, FNS Ins. 796-2, Rev. 3; pages 42-58)

33. Compensation Policy – Is it necessary to create a compensation policy if only the cook is listed as part of the labor cost for the CACFP? Are we required to give & list employees positions (caregivers)/salaries if they are not included as part of our CACFP budget?

Yes, all organizations must establish and maintain a written compensation policy for every element of compensation charged to the program. You are only required to establish and maintain a written compensation policy for the positions that are charged to the program. At a minimum, the written compensation policy must apply to any individual or group of individuals in your approved food service budget and identify:

- Rates of pay (this can be a range, e.g., cooks will be paid between $5.50 and $7.00 based on experience and time of service);
- Hours of work, including breaks and meal periods; and
- The organization’s policy and payment schedule for regular compensation, overtime, compensatory time, holiday pay, benefits, awards, severance pay and payroll tax withholding.

(Labor – FNS Ins. 796-2, Rev. 3, pages 42-58)

LESS-THAN-ARMS-LENGTH TRANSACTIONS

1. Conflict of Interest – In disclosure as a Pastor much of my business is done with individuals I’ve been “in relationships” for some years. I have been doing business with certain vendors that give me great rates. Am I to disclose all family, friends even foes who I’d like to continue doing business with each year?

Yes, all organizations participating in the CACFP are required to disclose and identify related party transactions, less-than-arms-length transactions, ownership interest in equipment, supplies, vehicles and facilities, or disclose any other information that inhibits us from making an informed assessment of the allowability of a particular cost.
2. Does a church & a day care have a disclosure problem of less than arms length?

All organizations participating in the CACFP are required to disclose and identify related party transactions, less-than-arms-length transactions, ownership interest in equipment, supplies, vehicles and facilities, or disclose any other information that inhibits us from making an informed assessment of the allowability of a particular cost.

All related party rental transactions for commercial space and facilities are subject to cost limitations. Costs under less-than-arms-length arrangements, no matter how represented, may not exceed the amount that would have been allowed had the item been owned by the institution. For space and facilities you can only charge the amount that results form applying 30 year life expectancy to the property’s acquisition cost less the value of land. The organization may claim depreciation, but not rent.

A less-than-arms-length transaction is one under which one party to the transaction is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to, those between divisions of an organization; organizations under common control through common officers, directors or members; and an organization and a director, trustee, officer, key employee of the institution or immediate family, either directly or through corporations, trusts or similar arrangements in which a controlling interest is held.

The renewal application completed by all CACFP contractors annually requires disclosure of less-than-arms-length transactions when such costs are included in the food service budget.

(Exhibit A, FNS Ins. 796-2, Rev. 3; page 3)
(Rental, FNS Ins. 796-2, Rev. 3; pages 68-74)
(Policy Alert CACFP CCC 2002-10)

3. If the Bldg. Owner, also a decision maker in the child development center, how much rent can the Bldg. owner charge the center, per month for rent?

All organizations participating in the CACFP are required to disclose and identify related party transactions, less-than-arms-length transactions, ownership interest in equipment, supplies, vehicles and facilities, or disclose any other information that inhibits us from making an informed assessment of the allowability of a particular cost.

All related party rental transactions for commercial space and facilities are subject to cost limitations. Costs under less-than-arms-length arrangements, no matter how represented, may not exceed the amount that would have been allowed had the item been owned by the institution. For space and facilities you can only charge the amount that results form applying 30 year life expectancy to the property’s acquisition cost less the value of land. The organization may claim depreciation, but not rent.

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The renewal application completed by all CACFP contractors annually requires disclosure of less-than-arms-length transactions when such costs are included in the food service budget.
MATERIALS & SUPPLIES

1. If you purchase a year’s supply of paper out of your agency’s center operations account, can you direct expense it out to your CACFP account per month by writing a check to the centers operations monthly?

Costs of expendable supplies and materials, such as paper, actually used within one month are an allowable cost. You may write a check each month out of your nonprofit food service account to pay for this expense, if you have an approved line item in the budget (Materials and Supplies).

(Materials and Supplies – FNS Ins. 796-2, Rev. 3, page 62)

2. Can expendable supplies be documented and rolled over from general account each month?

Yes, if you have an approved line item in the budget (Materials and Supplies) you may purchase a bulk amount of expendable supplies out of the general revenue account and then bill the food service account monthly for the amount used in the nonprofit food service within the month. Be sure to keep adequate documentation to explain your billing practice.

(Materials and Supplies; FNS Ins. 796-2, Rev. 3, page 62)

3. Can the purchase of a stove & refrigerator be claimed and bought using CACFP funds? If so what % can be claimed?

Yes, if you have an approved line item in the budget (Materials and Supplies) you may charge the cost of the stove and/or refrigerator to the nonprofit food service account at the time of purchase. You may charge the entire cost of the stove and/or refrigerator if the item will be used exclusively in the CACFP. If the item will be used for other purposes, you may charge only a percentage based on use. Note: If the cost of the stove or refrigerator, individually, is over $5000.00 you will need to have an approved line item in the budget for Equipment and follow those documentation requirements.

(Materials and Supplies – FNS Ins. 796-2, Rev. 3; page 62)

MONITORING NONPROFIT FOOD SERVICE STATUS

1. Concerning CACFP contractors who have food catering contracts with other CACFP contractors: When we require a non-profit food service account to be set up, do we require the above CACFP contractor to include their income and costs from their catering business? Should the contractor enter costs of their catering business in section 2 #1 of the Supplemental Budget form? Do they also enter their income from the catering business in section 2 #3? If yes, does that mean the contract manager would monitor/oversee the catering business?

When an organization does not operate the food service for its own enrolled participants or when its total food service is not conducted principally for the benefit of its own enrolled participants, the nonprogram and program components of the food service operation must be segregated. Through this separation, the organization must ensure that the nonprofit food service program component does not support any nonprogram food service activities. The organization must maintain accounting records documenting proper cost allocation between the program and nonprogram components of its food service operation and your contract manager
must ensure through the review process that all CACFP reimbursements are used solely for conducting nonprofit food service operations.

(Monitoring Nonprofit Food Service Status – FNS Ins. 796-2, Rev. 3, page 5 & 6)

2. If a school has a Head Start class & operates CACFP in it and a separate claim is filed to USDA for meals served, should the revenue/reimbursement received from Head Start claim be included in the FY2003 food service budget?

Only those Head Start funds that are specifically designated for food service must be deposited into the restricted nonprofit food service account. Note: All funds received from the CACFP must be included in the restricted nonprofit food service account, even if those funds are based on the participation of Head Start children.

(Monitoring Nonprofit Food Service Status, FNS Ins. 796-2, Rev. 3; pages 5-7)

3. Can contractor transfer funds monthly into non-profit food service account to pay monthly food service expenses? Do not want to transfer in more than necessary, because once mixed the funds can only pay for allowable food service costs.

Yes, monthly transfers are acceptable for a contractor who has expenses in the approved budget that exceed the CACFP reimbursement and must supplement the nonprofit food service account. As noted in the question, once a transfer is posted to the food service account the funds become restricted and can only be used for allowable food service expenses.

(Monitoring Nonprofit Food Service Status – FNS Ins. 796-2, Rev. 3, pages 5-7)

4. If using CCMS funds to pay for what was not covered by CACFP do we have to show how those CCMS funds are being used?

If the CCMS funds are deposited or posted into the food service account, then the use of those funds must be for allowable food service activities and must be appropriately tracked and documented.

(Monitoring Nonprofit Food Service Status – FNS Ins. 796-2, Rev. 3, pages 5-7)

5. Is it necessary to have a separate fund for CACFP program on general ledger or is cost worksheet for each month sufficient for cost allocation purposes?

You must have a separate account or a separate accounting system, e.g., separate “code” on the general ledger, to track all food service revenue and expenses. A cost worksheet would not be sufficient documentation.

(Monitoring Nonprofit Food Service Status – FNS Ins. 796-2, Rev. 3, page 5-7)

6. If clearly evident costs associated with the food program surpass the revenues from USDA, is it necessary to show/prove less evident costs associated with the food program?

All participating organizations must operate a nonprofit food service principally for the benefit of enrolled participants and maintain records documenting the operation of that food service. The revenues from USDA, e.g., your monthly CACFP reimbursement, may not be the only funds that are in your nonprofit food service account. When completing your annual food service budget you must show expenses that equal or exceed food service revenue. Example: If your annual budget show expenses for food and cook labor and these two expenses will exceed your food service revenue then you do not have to include any other expenses that may be more time consuming to document.

(Monitoring Nonprofit Food Service Status – FNS Ins. 796-2, Rev. 3, page 5-7)
7. Why shouldn’t a revised 4502 be sufficient to show how funds are used?

Form 4502 is used to compile allowable operating and administrative costs accrued during the month of the claim. It is not sufficient to show the operation of a nonprofit food service. It does not capture revenue or net food cost.

(Monitoring Nonprofit Food Service Status, FNS Ins. 796-2, Rev. 3; pages 5-7)

8. When there are excess monies in the non-profit CACFP account that should be spent (over 3 mo. net cash resources) and we want to use it to replace materials such as cracked dishes – is a budget amendment necessary?

If you do not already have a line item in the approved budget for materials and supplies – dishes, then you would need a budget amendment approval prior to expending the funds.

9. Can we use Form 4502 operating cost to show all management of CACFP income and expenses?

You may use the Form 4502 to show all management of CACFP income and expenses, however, this would not alleviate the responsibility of maintaining a nonprofit food service account which shows all food service revenue and expenses.

10. How often do you have to change/amend budget if you deviate from projected budget?

You must maintain a nonprofit food service account which includes all CACFP reimbursement as well as all other income specifically identified and restricted for use in the nonprofit food service. You should contact your Contract Manager to get guidance on when to submit an amended budget. Generally, if the amount in the line item is within a month of depletion you should amend your budget to add funds to the line item.

(Monitoring Nonprofit Food Service Status, FNS Ins. 796-2, Rev. 3; pages 5-7)

11. We currently have a “general” restricted account. I could have anything from educational material to toys in that account. Do CACFP funds need a separate sub account? If not then how should we show the expenses coming from that money only? Labor costs wouldn’t be able to be applied to that money because payroll has its own account. This issue can be difficult to show on a balance sheet or income statement.

Yes, CACFP reimbursement and all other food service revenue needs to be maintained in a separate account or separate line item in your accounting system, e.g. sub account. If you use a separate account system, ensure that it is readily identifiable for your Contract Manager when they review your center operation.

(Monitoring Nonprofit Food Service Status, FNS Ins. 796-2, Rev. 3; pages 5-7)

12. Item #3 on Supplemental Budget. Do we include Head Start funds? Example: we pay for food costs out of Head Start also. Does the Supplemental Budget include the total cost of food paid from USDA account and Head Start account?

If you receive Head Start funds that are specifically designated for food service, you must include the amount in item #3, other income to the food service account. If you do not receive a specific amount of Head Start funds that must be used for food service, then you do not have to include any of the Head Start funds in item #3.

(Monitoring Nonprofit Food Service Status, FNS Ins. 796-2, Rev. 3; pages 5-7)
13. If a program has not had a restricted income account for CACFP funds in the past, how should they begin if contract year begins October 1st and fiscal year begins January 1st? Should they deposit the reimbursement for October as the first money into that account or should they or could they start sooner? What about advance funds?

If you have not had a separate account or accounting system for food service revenue and expenses, you should implement one immediately, but not later than October 1, 2002. Advance funds are food service funds and must be deposited into the food service account.

**PURCHASED SERVICES**

Can a contractor put a line item in the budget for “Equipment Repairs” as they know they have had refrigerator, stove, etc., repairs every year? Or must a contractor request an amendment specifically for “dishwasher repair” when the dishwasher breaks?

You may include a line item under purchased services for the projected amount of repairs or upkeep of administrative and food service equipment. You will need to keep documentation, e.g. service invoice, of actual expenses that you expend and claim.

(Purchased Services – FNS Ins. 796-2, Rev. 3; page 67-68)

**RENTAL**

How do you split the pro-rated cost for items like rent between admin? & operations, and why is it necessary?

When charged as a direct cost, the rental costs for facilities must be allocated between program and nonprogram use and between administrative and operations space. Follow these procedures to identify the maximum food program share of the cost for space.

First, prorate the rental cost by the ratio of square footage of program administrative space. Then, prorate the rental cost by the ratio of the actual number of hours of program administrative use to the total number of hours that the space is used. You will follow the same procedure to determine the allowable program operations space cost.

Your Contract Manager can help you with these calculations.

(Rental, FNS Ins. 796-2, Rev. 3; pages 68-74)

**RENTAL/DEPRECIATION**

If you are paying a mortgage on a building, can you budget – expense the CACFP portion of the building being used as the kitchen? What percentage is allowed? What about depreciation on that percentage?

Yes, you can budget as depreciation the portion of the building being used for the kitchen. Follow these procedures to identify the maximum food program share of the cost for space.

a. Determine the maximum amount for depreciation that can be claimed for the building using a 30 year straight line method.

b. Next, prorate the maximum depreciation amount by the ratio of square footage of kitchen space to the total square footage of space in the building.

c. Lastly, prorate by the ratio of actual number of hours of kitchen use for the CACFP to the total number of hours the kitchen is used for all programs.
Note: You cannot prorate the mortgage payment. You can only prorate the depreciation.

Your Contract Manager can help you with these calculations.

(Depreciation & Rental, FNS Ins. 796-2, Rev. 3; pages 29-31 and 68-74)

RENTAL/EQUIPMENT

If you lease ADP equipment, can you pro-rate the equipment as a direct expense?

Yes. The rental cost for equipment owned by a third party when a bona fide arms-length written rental agreement exists is an allowable cost. The rental cost must be prorated between program and nonprogram use.

(Rental Cost – FNS Ins. 796-2, Rev. 3, page 69)

RENTAL/TRAVEL

If you are accounting for a vehicle that is leased that is strictly CACFP used and you usually account for fuel expense for that vehicle plus two other vehicles – used for CACFP shopping, training, & monitoring sites – is fuel cost only allowable for the non-leased vehicle?

No, you may charge the actual program share of costs for operating the vehicle including gas, oil, routine maintenance and leasing fee. You may not, however, use a mileage allowance, set amount like .28 per mile, when a lease fee is charged for the same vehicle.

(Rental & Travel – FNS Ins. 796-2, Rev. 3; pages 68-74 & pages 76-79)

SPECIFIC PRIOR WRITTEN APPROVAL

1. Are there time limits set on getting Specific Prior Written Approval?

SNP must grant the organization Specific Prior Written Approval of both the cost and the amount of the cost before the cost is incurred. SNP must have sufficient time to evaluate the request.

2. (Specific Prior Written Approval, FNS Ins. 796-2, Rev. 3; pages 16-17)

With Specific Prior Written Approval, a letter is required to explain justification. If you have more than one cost item requiring Specific Prior Written Approval, do you need to write more than one letter or may you combine all of your cost items that need Specific Prior Written Approval on one letter?

You will request Specific Prior Written Approval using the Application and Management Plan Form (1536-B, or 1536-C) and not a letter. If costs in your budget require Specific Prior Written Approval your Contract Manager will respond to you with an approval letter that identifies the item and cost amount.

TAXES

Sales tax is chargeable, but according to IRS standards property tax (County and School) is also a write off. Yet no mention is made. This includes real property, personal property and vehicles.

Taxes or payments in lieu of taxes that the organization is legally required to pay as a result of operating the CACFP are allowable. Unallowable taxes include: (1) personal income taxes; (2) corporate income taxes; (3)
taxes resulting from nonprogram operations; (4) special assessments on land that represent capital improvements; (5) any taxes for which exemptions are available, whether or not the exemption is exercised; and (6) penalties and interest payments resulting from late filings or payments when these costs result from complying with specific CACFP provisions or written instructions from FNS.

(Taxes, FNS Ins. 796-2, Rev. 3; pages 74-75)

TRAVEL

When you travel to a particular destination and you live 2/3’s of the way to the destination versus the full destination being the center location, how many miles can be charged?

Cost for program travel require prior approval and may be charged on an actual, per diem, or mileage basis. If you are charging travel based on mileage, you would charge the number of miles from your home to the destination. You must ensure that you keep proper documentation for travel and transportation costs.

(Travel, FNS Ins. 796-2, Rev. 3; pages 76-79)