



# Welcome!

## Indirect Costs

Presenter: Stephanie Robinson, MBA  
Administrator for F&N



TEXAS DEPARTMENT OF AGRICULTURE  
**COMMISSIONER SID MILLER**





# Meet our Speaker!

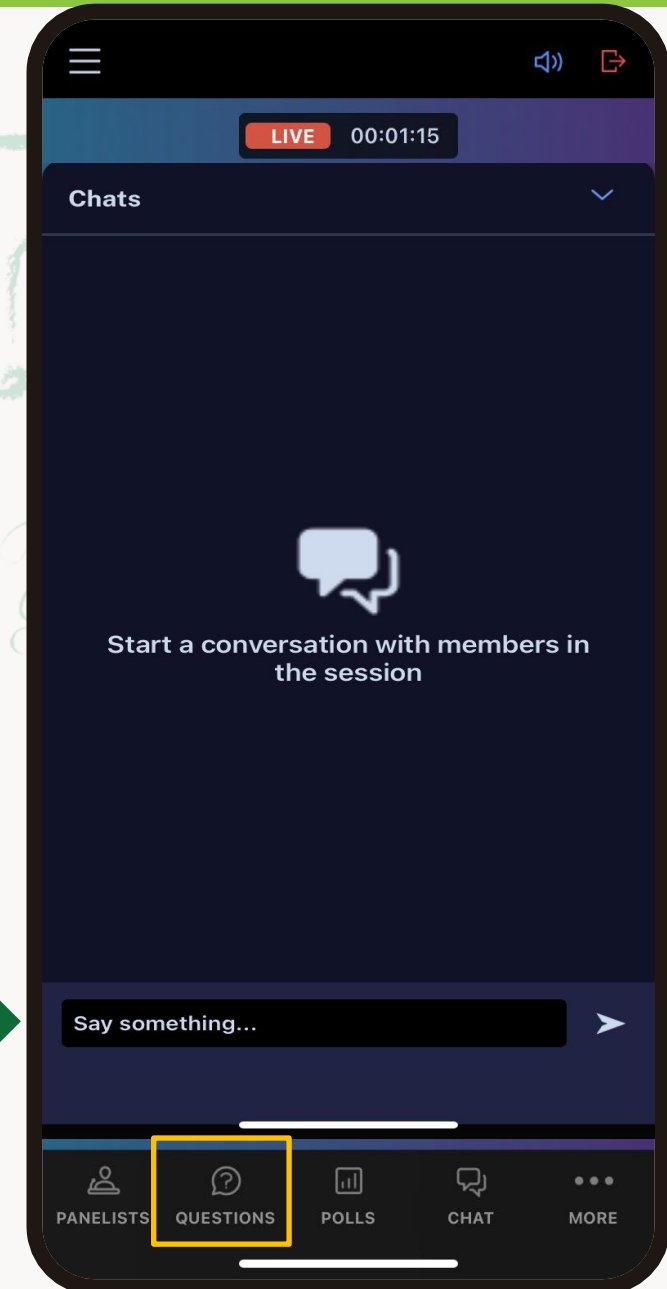
## Indirect Costs



**Stephanie Robinson, MBA**  
Administrator for F&N



# Submit ALL Questions Via The App





# Acknowledgement Statement

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.





# Session Overview

Review fundamental financial principles

Review feedback from the School Food Authority Survey

Emphasize financial responsibility and regulatory compliance



# Fundamental Financial Principles



# Federal Cost Principles



- Legislation and Policies
- Office of Management and Budget (OMB) Circulars
- Code of Federal Regulations (CFR)





- ◎ **PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

**Authority:** 31 U.S.C. 503; 31 U.S.C. 6101-6106; 31 U.S.C. 6307; 31 U.S.C. 7501-7507.

**Source:** 89 FR 30136, Apr. 22, 2024, unless otherwise noted.

## 2 CFR 200 Subpart E – Cost Principles



# Identification of Allowable Costs (2 CFR 200.403)



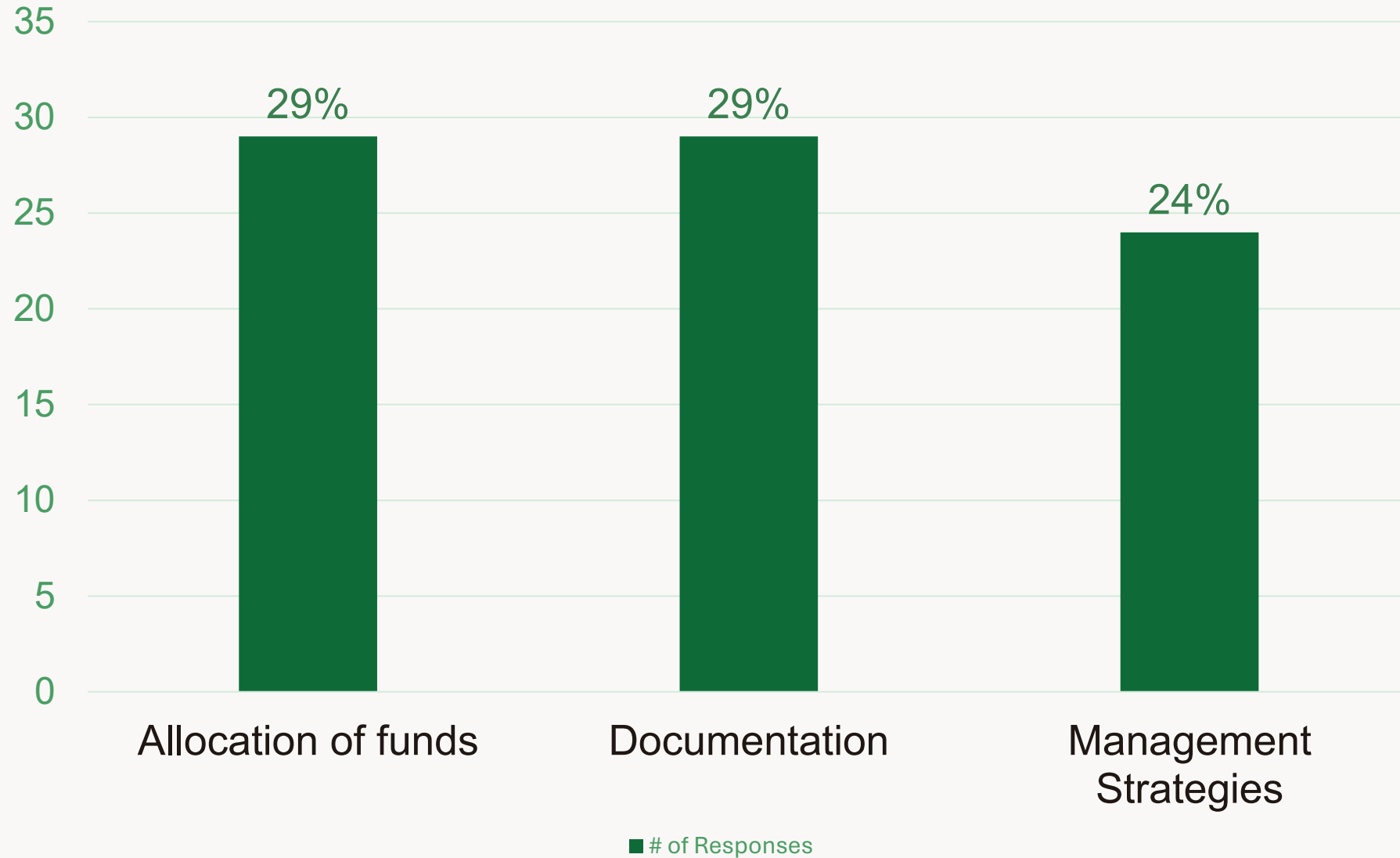
- Necessary
- Reasonable
- Allocable



# Survey Responses



## Top 3 Areas for Information on Indirect Cost





# What are Direct Costs?

Costs that can be identified specifically with a particular final cost objective and can be readily identified to a particular objective such as school food service. – 2 CFR 200.413

Media  
Promotional  
Materials for CN

Food for School  
Meals

CN Employee  
Salaries



# What are Indirect Costs?

Costs that support operations but are not directly tied to meals.

These are shared costs for the benefit of **multiple programs**, not billed solely to food services.

Payroll  
Processing

Accounting  
Services

Utilities

Information  
Technology



# Key Questions to Consider

1. Does the cost **benefit multiple programs** or just school food service?
2. Does the cost have a **direct relationship** to the operation of the school nutrition program (SNP)?
3. How are **similar costs** treated in other cost objectives?
4. How has this cost been **treated** in the past?



# Overview

Total Program

=

Direct  
Costs

+

Indirect  
Costs





SFAs must carefully consider whether certain types of costs should be categorized as direct or indirect costs.



How does Child Nutrition pay its share for indirect costs?

1. Shared Cost Allocation

2. Restricted or Unrestricted Rate



# Cost Allocation for Shared Indirect Costs

A method used to divide shared costs fairly so each department pays its proportionate share.

Allocation must be based on actual benefit received, not an estimation or convenience.

The allocation method must be consistent, and costs must be proven to be allowable, necessary, allocable, and reasonable.



# Cost Allocation for Shared Indirect Costs

1. Identify the shared cost

2. What is measurable & fair?

3. Apply the formula

4. Document the method



## Let's Practice



The school's electric bill is \$10,000 per month. The kitchen uses 20% of the school's total square footage.

Could this be an indirect cost?



# Cost Allocation for Shared Indirect Costs

1. Identify the shared cost

\$10,000 Bill

3. Apply the formula

$\$10,000 \times 20\%$

2. What is measurable & fair?

Square footage

4. Document the method

“The 5 W’s + H”



# Indirect Cost Rate Method

**USDA**



United States Department of Agriculture

Food and  
Nutrition  
Service

SP60-2016

## Indirect Costs

**Guidance for State Agencies & School  
Food Authorities**

## Indirect Cost Rates



The US Department of Education (USDE) has given TEA authority to issue indirect cost rates for independent school districts (districts), open-enrollment charter schools, and certain other government entities. To recover any indirect costs, these grantees must request and receive a new indirect cost rate for every school year.

Grantees that receive their indirect cost rates from TEA use the rates to recover their organization-wide administrative costs of managing federal grants, such as costs related to accounting, budgeting, purchasing, auditing, and payroll processing. TEA allows these grantees to use indirect cost rates to recover the organization-wide administrative costs of managing state grants as well.



# Types of Rates

## Indirect Cost Rates



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Restricted

Unrestricted





# Types of Rates

## Restricted Rate

Designed for programs where federal funds cannot be used to replace existing non-federal funds.

Ensures that federal funds add to resources dedicated to educational programs, rather than substituting them.



# Types of Rates

## Unrestricted Rate

Used for programs that do not have limitations on the amount of indirect costs that can be charged.

Allows a district to recover the complete cost of running its federal program.



# USDA SP60-2016

USDA



United States Department of Agriculture

Food and  
Nutrition  
Service

## Indirect Costs

Guidance for State Agencies & School  
Food Authorities

- Indirect costs can be charged to the child nutrition fund

### ***But only if:***

- The SFA has an approved **unrestricted** or **restricted** indirect cost rate agreement
- Charges are documented, consistent, and compliant
- The direct cost base does not include costs in the indirect cost pool



# Unrestricted Indirect Cost Rate Methodology

1. Identify district activities and costs

3. Classify costs as direct or indirect

5. Divide indirect cost by direct cost base

2. Remove capital and excluded costs

4. Exclude unallowable indirect costs



# Unrestricted Indirect Cost Calculation

## Indirect Calculation Chart

### Unrestricted Indirect Cost Rate Calculation

**Indirect Cost Pool**  
(Sum of Allowable Indirect Costs)

÷

**Direct Cost Base**  
(Allowable + Unallowable Direct  
Costs)

=

**Unrestricted  
Indirect Cost Rate**



# Common Challenges

Incorrect rate applied

Unallowable Costs in  
the Indirect Cost Pool

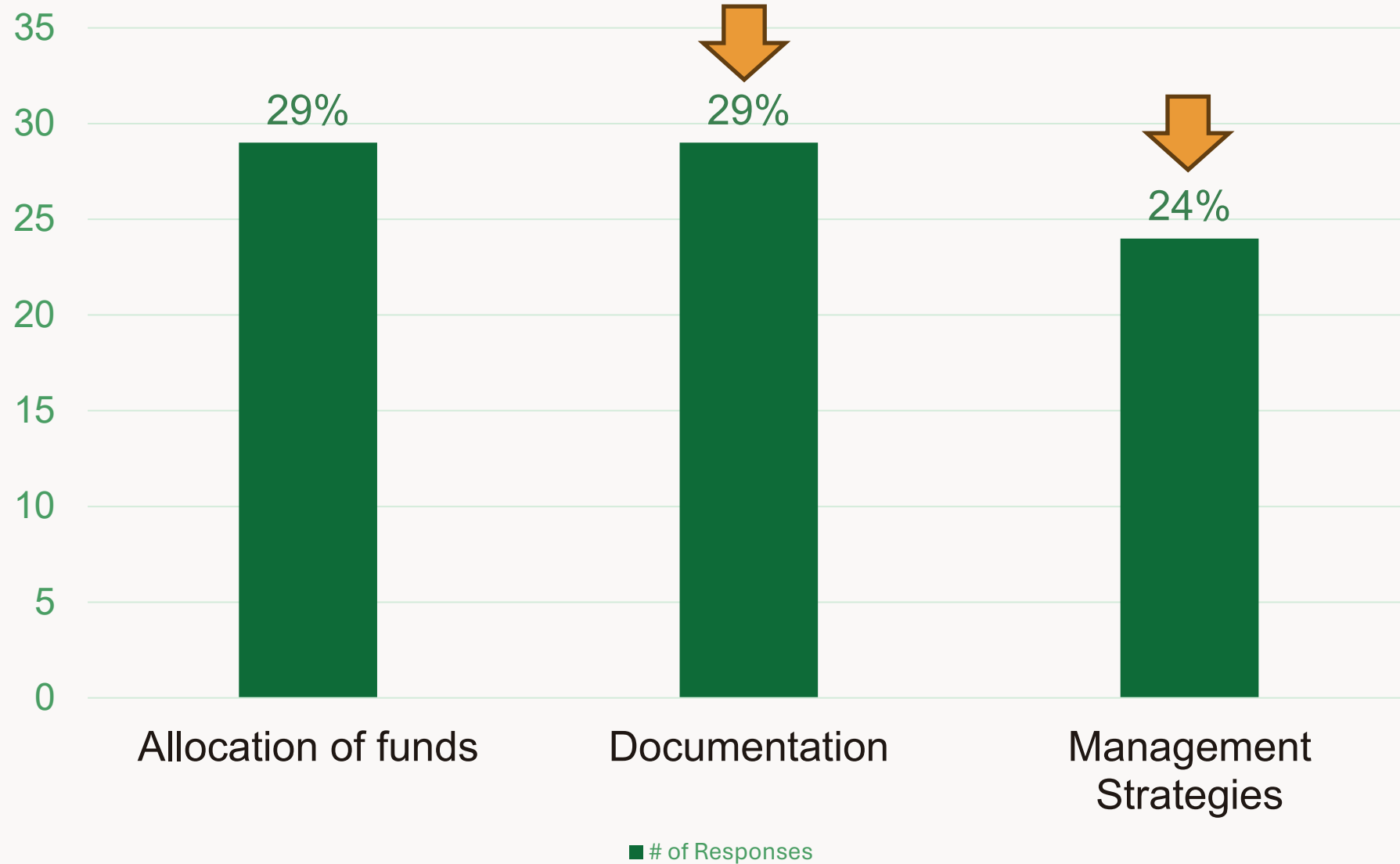
Inconsistent application  
across all programs

Inadequate methods of  
documentation

Double-dipping



## Top 3 Areas for Information on Indirect Cost



The background of the slide features a light blue grid with several colorful pushpins (yellow, red, blue) pinned to it. The text 'Documentation & Management Strategies' is overlaid on this background.

## **Documentation & Management Strategies**

- Monitor nonprofit school food service account fund balance regularly
- Run projections to identify if it will negatively affect the fund balance





The district should have a uniform and written process for cost allocation before deciding to apply an indirect cost method to the school food service account.

- Documented Procedures
- Documented Methodologies
- Tracking Mechanisms
- Payment Processing System
- Records Management System



When done correctly, indirect costs can also indirectly support the child nutrition program.

Indirect costs help ensure the smooth operation and sustainability of the food service program by covering essential overhead expenses or administrative services.



# Additional Resources

## University of F&N Courses at ESCs or Online

- NSLP Financial Coding
- Financial Management for Directors & Managers
- KPI Series: Financial & Inventory Management
- Administrator's Reference Manual Section 16



## Future Training Work Group Interest





# Submitted Question Review



# Leave Us Feedback In The App!



2:03

LTE 95%

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Session feedback

1. Session Rating \*

★ ★ ★ ★ ★

2. The content is relevant to my current role and applicable to my daily work

☐ Agree

☐ Disagree

3. I feel confident in applying the knowledge gained in this presentation. \*

☐ Agree

☐ Disagree

4. The presenter's delivery of the content was effective. \*

☐ Agree

☐ Disagree

5. The session was engaging and interactive.

☐ Agree

☐ Disagree

6. The presenter encouraged questions and discussions.

☐ Agree

☐ Disagree



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