Assessing Costs in the Child and Adult Care Food Program (CACFP)

A RESOURCE FOR CACFP INSTITUTIONS

Basic Guidelines for Determining Allow-ability of Costs

Introduction

Office of Management and Budget (OMB) Guidance under 2 CFR Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles”; requires grantees receiving Federal funds to consider the following factors when determining the allow-ability of costs:

- Be necessary and reasonable for proper and efficient administration of the Programs
- Be allocable to Federal awards applicable to the administration of the Programs
- Be authorized and not prohibited under State or local laws

Selected Items of Cost

An extensive list of allowable and unallowable administrative and operating costs is provided in the **CACFP FNS Instruction 796-2 (Rev. 4) Section VIII, I “Selected Items of Cost”**. Also, **Exhibit I “Costs Requiring Additional Approvals”** is a helpful chart which itemizes each allowable cost and specifies the type of approval required (Prior State Agency Approval, Specific Prior Written State Agency Approval, and FNS Regional Office Approval).

Typical costs considered allowable include:

- **Operating Costs**
  - Compensation for food service labor and office staff working solely for the CACFP
  - Food and Nonfood supplies (e.g., napkins, trays, utensils)
  - Food service nonexpendable equipment
- **Administrative Costs**
  - Planning, organizing, and managing a food service operation under the CACFP to accomplish: 1) reviewing and submitting facility applications to the State agency for CACFP participation approval; 2) reviewing and approving income eligibility statements; 3) providing nutrition education to CACFP staff; 4) providing CACFP training for institution staff and facilities; and 4) conducting CACFO monitoring and training visits to sponsored facilities

Typical costs considered unallowable include:

- Losses arising from uncollectable accounts including when reasonable efforts have been made to collect them
- Payment of overclaims, fines, and/or penalties resulting from Program violations
- Entertainment (e.g., social activities, amusements)
- Costs not included in the CACFP’s budget as approved
- Capital expenditures (e.g., acquisition of land and buildings, the alteration of existing facilities)
- Initial purchase of ve
- Non-business purcha services, etc.)

Helpful Tip

Costs can be allocated as either direct or indirect. Direct costs are those that are related entirely to the CACFP. Indirect costs are those that may be assignable to the CACFP and other non-Program objectives.

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

Determining Allow-ability of Costs Process

When considering proposed uses of nonprofit food service account funds for CACFP-related costs, the following is a list of assessment questions to assist institutions in determining if costs are allowable under Federal cost principles; i.e., necessary, reasonable, and allocable.

- What is the priority status for use of the nonprofit food service account?
  - Is the food service operation achieving its objective, the service of reimbursable meals?
- What product/service is being considered for acquisition?
- How does this product/service directly benefit the operation and/or improvement of the food service program and its priorities (i.e., encourage the service of reimbursable meals)?
- Is the cost essential to fulfill regulatory requirements for proper and efficient administration of the CACFP and are prior approval procedures being followed?
- What is the estimated cost of the product/service? Would a prudent person in like circumstances opt to incur the cost?
- If it is a shared cost between the CACFP and other non-program objectives, is the pro-rated portion assigned to the CACFP a fair measurement of the CACFP's benefit from incurring the cost?
- What alternative options through low/no cost ways to address the need have been taken (i.e., purchasing low/lower cost items; using the service of volunteers, etc.)
- Would the proposed cost divert nonprofit food service account funds from supporting food service operation staff time and effort, thus impair or diminish the delivery of the food service operation?
- Is the proposed cost for a capital expenditure other than the acquisition of real property (i.e., building, land) necessary for the operation of the CACFP?
- If applicable, is the proposed depreciation cost of nonexpendable equipment equitable considering the use of assets and the benefits to the CACFP?
  - Is the method of computing depreciation consistently applied for all like nonexpendable equipment?

Summarizing a Cost Assessment

To complete an assessment of a proposed cost, both the institution and State agency should summarize the assessment of the cost, including why the cost is allowable (i.e., necessary, reasonable, and allocable) in light of the responses to the questions above.

This summary would assist the institution in communicating a request and the State agency in communicating a decision for each proposed cost to the nonprofit food service account and provide supporting documentation upon request by FNS and/or a Federal/State auditor.

Helpful Tip

For costs not included in the list of unallowable costs in the FNS Instruction 796-2 (Rev 4), institutions and States have the discretion to determine the allow-ability of using nonprofit food service funds to pay for such costs following cost principle guidelines.

Additional Resources

CACFP FNS Instruction 796-2, Rev 4

CACFP Guidance for Management Plans and Budgets (Part 2 A,B)

Contact your State agency for additional assistance and support.