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**Memorandum**

To: Institutions Participating in the Child and Adult Care Food Program

From: Arnette Cowan, Head   
Special Nutrition Programs

Subject: Assessing Costs in the Child and Adult Care Food Program

The attached tip sheet on “Assessing Costs in the Child and Adult Care Food Program (CACFP)” provides guidance on the process State agencies and sponsors should use when considering proposed uses of the nonprofit food service account funds for CACFP-related costs.

State agencies and institutions have the discretion to determine the allow-ability of institutions to use nonprofit food service account funds to pay for costs following cost principle guidelines. In determining what proposed costs and related activities may be supported by the nonprofit food service account, an institution and State agency should assess the allow-ability of costs by considering the activity’s impact in supporting the operation and/or improvement of the CACFP. In doing so, an institution and State agency must consider whether the proposed cost is reasonable, necessary, and allocable in accordance with 2 CFR Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles”.

The cost principles serve an extremely important function in considering proposed costs and assisting program operators in better understanding how nonprofit food service account funds are being used. The cost principles must be used for the purpose of cost determination and are not intended to dictate the extent of financial assistance for a particular cost objective.

If you have questions, please contact your regional consultant.

c: SNP Staff

Attachment

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

## 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 vehicles
- ✦ Non-business purchased communication costs (e.g., personal cell phones, internet services, etc.)

### A RESOURCE FOR CACFP INSTITUTIONS

*Basic Guidelines for Determining Allowability of Costs*

#### 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.