

GRAB AND GO LESSON

Basics for Using CACFP Funds on Allowable Costs

Compliance

Purpose: This handout provides the common types of allowable expenditures in the CACFP.

As an institution receiving funds to administer the Child and Adult Care Food Program (CACFP), your State agency requires a budget with your anticipated expenditures, or what you will spend, for operating the program. This tool is designed to assist operators in using Federal funds responsibly and efficiently. Knowing the types of expenditures that are allowable in the CACFP program and how they are determined allowable is essential for meeting the program requirements.

What Are Allowable Costs

FNS Instruction 796-2, Revision 4 provides specific details regarding allowable costs for the CACFP. In general, allowable costs in the CACFP are those that meet the definition of necessary and reasonable.

A *necessary cost* represents an activity or function that is ordinary, routine, and must be accomplished to fulfill regulatory requirements. The cost must be necessary for the operation of the CACFP, in total or in part. For example, having a foodservice manager to plan menus, purchase food, and supervise the cooks who prepare the CACFP meals would be considered a necessary cost. *In total* means that if not for the CACFP, the cost would not be incurred. *In part* means that the cost would be incurred for normal business purposes, but a portion can be attributed to the CACFP.

Allowable costs must also meet the definition of reasonable. In other words, the cost may not exceed what a practical (or prudent) person would pay under similar circumstances. For example, paying rental costs that are well above the fair market value price would not be reasonable.

Types of Common Operating Costs

Allowable CACFP costs fall into two general categories: operating costs and administrative costs. *Operating costs* are allowable expenses that are a part of serving meals to eligible participants in eligible centers.

Allowable food costs include the following:

- Foods used in CACFP meals served to participants, including the purchase price and any associated cost, such as delivery costs
- The cost of contracted meals prepared off-site
- Meals served to staff necessary to prepare and serve the meal to participants

Foodservice labor costs include all wages, salaries, benefits, and share of taxes paid for employees involved in:

- Menu planning, including a chef or dietitian
- Food purchasing
- Meal preparation, service, and cleanup
- Supervision of the day-to-day foodservice operation

It also includes time spent completing CACFP attendance and production records.

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Non-food supply costs include those supplies used in preparing a meal. Examples include:

- Small kitchen equipment that costs less than \$1000, like a blender
- Paper goods for providing meal service, such as napkins, plates, and plastic silverware
- Cleaning supplies for the food preparation and service areas, such as sponges and bleach

Allocated service costs are those that are shared by the CACFP and the center in general. These costs must be pre-approved by your State agency. Examples of allocated service costs include:

- Pest control
- Trash pick-up
- Rent or mortgage
- Utilities

Direct service costs are those that can be directly attributed to the CACFP. Such costs might include:

- Repair of the stove
- Kitchen plumbing repairs
- Health department foodservice permits
- ServSafe certification for foodservice staff

Finally, other operating costs include any equipment that costs more than \$1000, like a refrigerator.

Types of Common Administrative Costs

Administrative costs are allowable expenses that are a part of planning, organizing, and managing a program.

Administrative costs include the following:

- Administrative labor
- Other administrative costs

Administrative labor costs include all wages, salaries, benefits, and share of taxes paid for employees involved in:

- Planning, organizing, and managing the foodservice operation
- Completing CACFP application materials
- Compiling daily records to complete the monthly consolidated reimbursement claim
- Training
- Preparing the monthly reimbursement claim

Other administrative costs can include such things as:

- Audit expenses
- Checking account fees
- Pre-approved computer purchase
- Internet fees
- Cost of printing materials used in foodservice or providing nutrition education to foodservice staff

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Remember, to receive reimbursement for CACFP, your budget and expenditures must be allowable costs that are necessary and reasonable. For any questions you may have that were not covered in this lesson, contact your State agency or refer to FNS Instruction 796-2, Revision 4.

References

- U.S. Department of Agriculture, Food and Nutrition Service. (2013). *FNS Instruction 796-2, Rev. 4*. <https://www.fns.usda.gov/resources>
- U.S. Department of Agriculture, Food and Nutrition Service. (2013). *Guidance for management plans and budgets: A Child and Adult Care Food Program handbook*. <https://www.fns.usda.gov/resources>

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