

Michigan Department of Education  
**Child and Adult Care Food Program**

**Costs Reported in the Claim**

Must be ...

- **necessary** (generally recognized as ordinary and necessary for CACFP operation and fulfill program requirements and administrative efficiency),
- **reasonable** (what the “prudent” person would do in these circumstances),
- **allowable** or not prohibited by laws and regulations,
- **current** (not included as a cost to a prior or future year),
- **not claimed as cost in another program,**
- **treated consistently for payment,**
- **the net cost** (price after all credits, etc. have been applied),
- **allocated properly** (so the portion assigned to the program is correct),
- **documented** (to support the cost).

## **Administrative Expense**

Administrative costs are the portion of administrative salaries and expenses charged to the CACFP. The following is a partial listing of expenses that may be pro-rated for inclusion in CACFP administrative costs on the claim.

- Pro-rated cost for salaries & benefits spent on CACFP for:
  - Administrator
  - Bookkeeper
  - Secretary
  - Multi-Site Monitor
  - Other personnel directly involved at administrative level for CACFP (sites & sponsoring org. office)
- Costs associated with training & monitoring activities

Remember, sponsoring organizations may not charge greater than 15% of the meal reimbursement earned during the budget year for administrative costs. If a facility exceeds 15% administrative costs for the fiscal year, they will be asked to reinvest the overcharged amount into the food service operation for the next fiscal year. Documentation must be kept on file for all expenditures.

Check the management tool on the Status Report which shows monthly and cumulative administrative cost reimbursements with % of meal reimbursement.

## **Direct Labor Expense**

Direct Labor is the cost of labor directly involved in food preparation and service of reimbursable meals and/or snacks, including supervision of children while eating, and clean up. Staff generally claimed for direct labor may include: cook, cook helper, teachers, teacher aide.

Direct Labor comprises the following costs:

- salaries and wages,
- employment taxes and fringe benefits,
- overtime compensation, holiday pay and compensatory leave,
- incentive payments and awards, and
- severance pay.

Direct Labor costs must be documented with Time and Attendance/Time Distribution forms maintained daily and signed by the employee and supervisor.

Refer to FY 2002 Operational Memo #4 for minimum requirements for documenting any labor charged to the CACFP.



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## **Allowable and Non-Allowable Costs**

### **ALLOWABLE COSTS**

(Related to Food Service)

Appliances under \$5000  
(toaster, blender, small microwave)  
Baby bottles and nipples  
Bibs  
Bleach/sanitizing solution  
CACFP training tools  
Cookbooks  
Cookware (pots, pans, etc)  
Cups  
Dish cloths  
Dish soap  
Food costs for meals/snacks claimed  
Food storage containers  
Kitchen aprons, hair nets, uniforms  
Laundry soap for washing aprons, bibs,  
etc.  
Napkins  
Paid staff time spent on food service  
duties  
Paper plates  
Place mats  
Pot holders  
Spray bottles for sanitizing solution  
Table cloths  
Thermometer for refrigerator/freezer  
Trash can and lid for food service  
Utensils (forks, spoons, etc.)

### **NON-ALLOWABLE COSTS**

(Not Related to Food Service)

Candy and gum  
Cigarettes  
Classroom activity items  
Clothing  
Coffee and cream  
Diapers  
Facial tissue  
Floral arrangements  
Food costs for meals/snacks not  
claimed  
    or not approved on site application  
Food not for day care children (parent  
and/or staff meetings)  
Food served to non-program persons  
Hand soap  
Holiday decorations  
Paper towel for bathroom or classroom  
Personal purchases  
Pet food  
Pop and bottle deposits  
Toilet paper  
Toothpaste  
Toothbrushes  
Toys  
Value of donated foods  
Volunteer or non-paid staff

Note: This list is not all-inclusive; it reflects frequently asked questions about allowable and non-allowable costs.

## Indirect Expense

- Includes CACFP portion of rent, utility bills, janitorial services, and garbage pickup. Copies of paid bills, receipts, etc. must be available for review.
- To determine the CACFP indirect expense:

**Step 1:** Enter the number of hours per week children are fed.

**Step 2:** Enter the square footage applicable to CACFP and the total square footage of the building.

**Step 3:** List each indirect expense (rent, utilities, janitorial, etc.) and the monthly cost of each.

### Step 1

Number of hours per week children are fed	Divided by number of hours in the week	Equals percentage of time per week children are fed
	168	0%

### Step 2

Square feet applicable to CACFP (kitchen, dining, food storage, etc.)	Divided by the total square footage of the building	Equals percentage of space for CACFP activities

### Step 3

Item	Amount
Total	

### Step 4

Total cost of items for the claim month	Multiplied by % of time children are fed	Multiplied by % of CACFP square feet	Equals CACFP portion of indirect expenses
\$0.00	0%		

\*Note: This form is available on CNAP under Other Forms and Information and will automatically calculate these figures for you.

**Unfunded Expenses for October  
FY 2006**

<u>Cost</u>	<u>Amount</u>	<u>Funding Source</u>
Administrative	\$ 96	tuition
Direct Labor	\$148	Head Start
Non-food	\$ 35	Head Start
Indirect	\$ 73	tuition
Food	\$300	\$200 – CACFP \$100 - tuition

## Developing a Depreciation Schedule

Depreciation divides the cost of capital goods greater than \$5,000 in value into the number of years of its life.

- Food service equipment - 15 years;
- Heavy vehicles - 6 years;
- Light vehicles - 4 years;
- Space and facilities - a 30 year straight line depreciation or the depreciation method used and accepted for tax purposes.

Multiply the number of years the item is being depreciated by 12 (if you claim less than 12 months, use the number of months you actually claim) and divide the cost of the item, including delivery and installation, by this number to find the amount to enter on the claim monthly.

For further information on depreciating space and facilities, refer to FNS Instruction 796-2 Rev. 3 page 29.

Enter each depreciation amount on a Depreciation Schedule, total them and use this amount on your monthly claim until something is added or taken from the schedule. When the amount changes, use it until another change is made.

Depreciation Schedule Example

Equipment/Vehicle Or Electronics	Date of Purchase	Date of Expiration	Cost	Monthly Depreciation Value	
Delivery Van	11/08/04	11/08/08	\$11,500	\$240*	
Convection Oven	09/12/05	09/12/20	\$5,273.90	\$29**	
<b>TOTAL</b> (use each month)				\$269	

\* 4 years depreciation multiplied by 12 claim months divided into \$11,500 = \$240 monthly depreciation

\*\*15 years depreciation multiplied by 12 claim months divided into \$5,273.90 = \$29 monthly depreciation