TO: Child and Adult Care Food Program Sponsors  
FROM: Peggy Pawelek Brown, Manager  
Food and Nutrition Program  
DATE: June 20, 2002  
SUBJECT: Late Payment Charges

Late payment charges in contracts between Food Service Management Companies and School Food Authorities represent an unallowable cost pursuant to Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (Attachment B, 7) and OMB Circular A-122, Cost Principles for Non-Profit Organizations (Attachment B, 3). Child Nutrition Program operators subject to late payment charges cannot charge these costs to the nonprofit food service account. This prohibition extends to all Federal and nonfederal funds contained within the nonprofit food service account, not just Federal reimbursement payments. Therefore, Child Nutrition Program operators must use other sources of funds to pay late charges.