



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



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**FISCAL YEAR 2005
CHILD AND ADULT CARE FOOD PROGRAM
OPERATIONAL MEMO #45**

TO: Child and Adult Care Food Program Institutions

FROM: Mary Ann Chartrand, Director
Grants Coordination and School Support

DATE: September 29, 2005

SUBJECT: **Reaffirming FNS' Position on Rebates, Discounts, and Other
Applicable Credits in Cost Reimbursable Contracts**

The United States Department of Agriculture, Food and Nutrition Service, strongly encourages, but does not require, that all cost reimbursable contracts include provisions to ensure that School Food Authorities (SFA) are only charged net, allowable costs. The Michigan Department of Education and SFAs may impose compliance with net cost requirements through contractual terms. This position applies to all cost reimbursable contracts not just School Food Authority – Food Service Management Company (SFA-FSMC) cost reimbursable contracts.

As long as the SFA has conducted a proper procurement and both parties have met their obligations under the terms of the contract, the renewal option is generally exercised, except where prohibited by applicable law or regulations. Should either party determine revisions to the contract are needed, non-material changes are generally made when the contract is renewed. Usually, an SFA will incorporate changes resulting from its experience under the current contract and FNS and State agency guidance, recommendations, and policy changes in its next invitation for bid/request for proposal. *Neither party may make or impose material changes to an existing contract during the contract year or as part of the annual contract renewal process. All material changes require rebidding.*

If you have questions, call the CACFP office at (517) 373-7391.

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