



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

**FISCAL YEAR 2013
CHILD AND ADULT CARE FOOD PROGRAM
OPERATIONAL MEMORANDUM #37**

TO: Child and Adult Care Food Program Institutions

FROM: Kyle L. Guerrant, Director
Office of School Support Services

DATE: September 26, 2013

SUBJECT: Submitting Budgets and Items Requiring Specific Prior Written Approval

ACTION: Specific Prior Written Approval forms must be submitted with budget worksheet amendments

This memo provides clarification on proper procedures for submitting budgets to the Child and Adult Care Food Program (CACFP) that contain costs requiring prior approval (PA) or specific prior written approval (SPWA). Guidance for such requests is contained in the United States Department of Agriculture (USDA) Food and Nutrition Service's (FNS) guidance, Financial Management Instruction for the Child and Adult Care Food Program (CACFP), 796.2, revision 3. A link to this instruction can be found on our website, www.michigan.gov/cacfp, under Administration, Regulations and Instructions. To determine if an administrative cost requires preapproval, refer to the attached list of items requiring PA or SPWA.

Prior Approval

Costs requiring PA must be submitted to the Michigan Department of Education (MDE) in the budget worksheets (link attached) along with the amended CACFP application adjusted for these costs. Approval by MDE of the amended application constitutes approval of the PA costs.

Specific Prior Written Approval

Costs requiring SPWA must be submitted to MDE on budget worksheets along with Schedule N, Specific Prior Written Approval for Line Items on Administrative Budget (attached), along with the amended application adjusted for these costs. Approval of the amended application and a letter of approval of the SPWA constitute approval of these costs. These approvals must be received *before* costs are incurred or costs will be deemed unallowable.

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608 WEST ALLEGAN STREET • P.O. BOX 30008 • LANSING, MICHIGAN 48909
www.michigan.gov/mde • (517) 373-3324

Operational Memorandum #37
Page 2

When an application or application certification is submitted with any budget items containing costs requiring SPWA, the SPWA request must be submitted along with the amended application, even if the cost will not be incurred until later in the fiscal year.

If you have any additional questions concerning this memorandum, contact CACFP at 517-373-7391.

Attachments (3):

[Budget Worksheets – Sponsors of Centers](#) - link

Items requiring Prior Approval or Specific Prior Written Approval - attached
Schedule N from Budget Worksheets – Sponsors of Centers - attached

Schedule N

SPECIFIC PRIOR WRITTEN APPROVAL

Include items requiring approval during original budget submission.

See next tab for table of items needing approval

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Item	Budget Schedule	Quantity	Cost of Item	Detailed Justification (If more room is needed, please attach additional information.)
Westaff	No	1	\$14.45 x 30 hours/week @ 12 weeks = \$5,202.00	Hiring a temporary receptionist for 12 weeks.
(circle one) Approved / Disapproved by: (MDE)	Date:	Date:	Notes:	

EXAMPLE

Michigan Department of Education

Note: Page Numbers and Item Numbers reference FNS 796-2, Rev. 3, which can be found at <http://www.fns.usda.gov/cnd/care/Management/796-2.pdf>

A link is also available on the CACFP website under Regulations and Instructions

Topic or Cost	FNS 796-2, Revision 3, Section 2, Section 3, Section	FNS 796-2, Revision 3, Section	Description	Prior Approval	Specific Prior Written Approval	FNSRO Approval
Advertising & Public Relations Costs	20	3 a (2)	Public relation costs for pamphlets, news releases and other information services	YES		
Communications	23	8 a (1)	Cellular phones and pagers owned or leased by the institution		YES	
Contributions & Donation Costs	24	10 a	Costs required to make goods or services donated to the institution usable for the Program		YES	
FDCH Licensing Standards Costs	27	12 a (1,2 & 3)	Supplies such as smoke detectors & fire extinguishers; minor alterations such as adding handrails; and the costs of fire & safety inspections & licensing fees that are required to permit an income eligible day care home to meet licensing approval standards		YES	

This may be located at:
www.michigan.gov/cacfp
 under Financial Resources

Depreciation and Use Allowance	29	13 a (1) (b)	All space and facility depreciation methods other than 30 year straight line or method used and accepted for Federal income tax reporting purposes		YES	
Depreciation and Use Allowance	29	13 a(1) (c)	For publicly owned buildings, the amount assigned as the acquisition cost		YES	
Depreciation and Use Allowance	30	13 a (2) (a)	All equipment depreciation methods other than 15 year straight line depreciation or method used and accepted for Federal income tax reporting purposes		YES	
Depreciation and Use Allowance	31	13 d (1)	Unknown acquisition cost		YES	
Employee Morale, Health, & Welfare Costs & Credits	31	14	All costs in this category		YES	
Expensing Equipment and Other Property	33	16 a	The program's share of the cost for most equipment and improvements can be directly expensed (NOTE: see 16 b for unallowable costs.)		YES	

Facilities & Space Costs	35	17 a (3)	The costs for rearrangement & alterations to facilities owned by the institution that are necessary for efficient and effective program operations but do not result in capital improvements (NOTE: see unallowable costs.)	YES	
Insurance	37	21 a (1) (a)	Costs of other insurance, not required by the SA, that is maintained by the institution in connection with the general activities of the Program when the type, extent, and cost of coverage are in accordance with general State or local government policy and sound business practices	YES	
Insurance	37	21 a (1)(b)	Costs of insurance or contributions to any self insurance reserve covering the risk, loss, or damage to Federal Government property to the extent that the institution is liable for such loss or damage	YES	

Insurance	37	21 a (1) (c)	Contributions to a reserve for self insurance to the extent that the reserve meets State insurance requirements and the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks	YES	
Interest, Fund Raising, & Other Financial Costs	38	22 a (1) (a) i	Stop payment charges for facility advance and reimbursement payments and other Program disbursements, whether by check or EFT	YES	
Interest, Fund Raising, & Other Financial Costs	38	22 a (1) (a) ii	Program account reconciliation and analysis fees, including the allocated share of fees charged for commingled accounts	YES	

Interest, Fund Raising, & Other Financial Costs	38	22 a (2)	Interest incurred after 10/1/98, for non-profit private institutions and after 10/1/80, for public institutions on institutional debt used to acquire or replace allowable equipment or other property or make allowable improvements (NOTE: See unallowable costs.)		YES	
Interest, Fund Raising, & Other Financial Costs	40	22 c (1)	Arms length transactions involving loans or financial transactions (NOTE: See section on information required when requesting specific prior written approval.)		YES	
Interest, Fund Raising, & Other Financial Costs	41	22 c (2)	Less-than-arms-length transactions involving loans or financial transactions (NOTE: See section on information needed when requesting specific prior written approval.)		YES	YES

Labor Costs	48	23 d (1)	Compensation to members of nonprofit institutions, trustees, directors, associates, officers or the immediate families thereof		YES	
Labor Costs	49	23 d (2)	Stipends to compensate board members for the costs of attending corporate meetings when Program business is conducted		YES	
Labor Costs	49	23 d (3)	Any change to an institution's compensation policy that results in a substantial increase in the institution's level of compensation to an individual or all employees		YES	
Labor Costs (Overtime, Holiday Pay, and Compensatory Leave)	51	23 h	Payment of overtime, holiday pay for work performed on a nonwork holiday and compensatory leave (NOTE: See section regarding exceptions.)		YES	

Labor Costs (Incentive Pay and Awards)	53	23 i	Incentive payments and awards (except for awards of minimal value, see i (6).)	YES					
Labor Costs (Severance Pay)	55	23 j	Severance pay when it does not constitute excess compensation and is required by law, written employer/employee agreement, written policies of the institution, or the terms of a negotiated written labor relations agreement	YES					
Labor Costs (Deferred Compensation)	58	23 k (11)	Amendments or modification to approved deferral plans	YES					
Legal Expenses & Other Professional Services	59	24 a (1)	The sponsoring organization's cost to pursue administrative and judicial recovery of funds due from sponsored facilities	YES					

Legal Expenses & Other Professional Services	59	24 a (2)	The institution's costs for services performed by individuals who are not officers, employees or members of the institution		YES	
Management Studies	62	26 a	The cost of studies directly related to the program that are performed by entities other than the institution itself		YES	
Materials & Supplies	63	27 (c) (2)	Durable supply and expendable materials (not equipment)	YES		
Meetings & Conferences	64	28 a (1)	Travel & registration fees for attending meetings and conferences devoted solely to the CACFP	YES		
Meetings & Conferences	64	28 a (2)	Prorated share of travel & registration fees when CACFP is only a portion of a larger child and adult care-related agenda		YES	
Membership, Subscriptions, & Professional Organization Activities	65	29 a (4)	Costs of public and not for profit institutions memberships in civic or community organizations			YES

Participant Training & Other Participant Support Costs	66	30 a (1)	Training-administrative costs (NOTE: see section for a list of these costs.)	YES		
Participant Training & Other Participant Support Costs	66	30 a (2)	Training-operating costs (NOTE: see section for a list of these costs.)	YES		
Participant Training & Other Participant Support Costs	67	30 a (3)	Facility appeal costs (NOTE: see section for more information.)	YES		
Proposal Costs	67	32	Costs of preparing proposals on potential FNS Child Nutrition Programs grants		YES	
Publication, Printing, & Reproduction	68	33	All allowable costs	YES		
Purchased Services – Other	68	34 a (1) (a)	Arms-length transactions for the maintenance, repair or upkeep of administrative and food service equipment that neither adds to its value nor prolongs its intended life	YES		

Rental Costs	73	36 d	Special lease arrangements - capital leases, sale-with-lease-back leases, less-than-arms-length transactions involving space/building rental, and lease with option to purchase. These also require special consideration.		YES	
Termination Costs	76-77	38	The institution's necessary and reasonable costs of ceasing CACFP operations.		YES	
Travel	77-80	39	Costs for program travel require prior approval and may be charged on actual, per diem or mileage basis provided the method used results in charges consistent with those normally allowed by the institution in its nonprogram operations.	YES		