SECTION 4: Financial Management

Family day care homes, group homes, and sponsoring organizations participating in CACFP must demonstrate fiscal management and nonprofit food service.

- Financial Management and Nonprofit Documentation
- Factors Affecting Allowable Costs
- Allocation of Costs
- Typical Allowable Costs & Restrictions
- Allowable Costs with DHSS Approval
- Unallowable Costs
- Recovering Money
- Carry Over of Funds
- Financial Audits

Financial Management and Nonprofit Documentation

Meal Reimbursement Information: Meal reimbursement for family day care homes (FDCHs) or group homes is based upon the claiming category (free, reduced, or paid). The claiming category is determined by comparing family size and household income data to the income eligibility guidelines. The reimbursement rates are effective from July 1st through June 30th . The reimbursement rate for the breakfast, lunch, and snack meals includes the USDA-established cash-in-lieu of commodity rate. The current meal reimbursement rates are located on the Child and Adult Care Food Program (CACFP) website at http://health.mo.gov/cacfp under Rates.

Fiscal Management: The purpose of the financial management review is to verify all financial information related to the nonprofit meal service. The purpose is also to ensure costs charged to the nonprofit food service are used to meet CACFP meal requirements and that costs claimed for reimbursement under CACFP are allowable, meaning they are necessary and reasonable for the effective and efficient operation of the food service. All costs charged to the nonprofit food service must be listed in the budget approved by the state agency.

The review of the institution's financial management includes a review of all income and expenses of the organization, whether it is an independent (single) center or a sponsoring organization (SO) of multiple facilities. **Organizations and facilities must maintain and retain the required documentation.** Failure to maintain these records may be grounds for the denial of reimbursement.

Nonprofit food service is defined as food service operations conducted by the institution principally for the benefit of enrolled participants, from which all the program reimbursement funds are used solely for the operations of improvement of such food service. (CFR 226.2)

Operating Costs represent allowable expenses incurred by the institution for the preparation and service of meals under CACFP. Allowable operating costs include, but are not limited to, food and non-food supplies (e.g., napkins, cooking and eating utensils), compensation for food service labor costs, and costs for purchases or services.

Food Costs are expenditures for the food used in all meals under CACFP. Original, itemized food and milk records or receipts must be maintained to support monthly claims for reimbursement and to document nonprofit food service operations. Receipts must be machine-generated, dated, itemized, and legible. If meals are provided by a caterer or food service management company, the center must maintain original expense documentation of catered meals and any incidental food and non-food purchases.

The Department of Health and Senior Services-Community Food and Nutrition Assistance (DHSS-CFNA) will examine original food and milk receipts and invoices to determine if the center purchased adequate amounts of food and milk to meet the minimum meal pattern requirements and that the receipts support the menu for the review month. Food items, especially perishables, must be purchased or delivered on a regular basis due to their limited shelf life. Receipts should verify the purchase of menu items prior to the date the menu items are on the daily dated menu.

Fluid milk is a required meal component at breakfast, lunch, and supper meals. Program regulations require that at least the minimum amount of all components be served to allow the meals to be claimed for reimbursement. Unflavored whole milk must be served to children one year old. Unflavored low-fat (1%) or fat-free (skim) milk must be served to children 2 through 5 years old. Unflavored/flavored low-fat (1%) or fat-free (skim) milk must be served to children six years old and older.

Document the type of milk served on the menu. Inadequate milk purchase amounts and non-compliant milk purchase types will result in meal disallowances at CACFP monitoring reviews.

Milk purchase requirements for breakfast, lunch, and supper are as follows:

Amount	Servings per Gallon	Age of Participants
4 oz. or ½ cup	32 servings	1 through 2 years
6 oz. or ¾ cup	21 servings	3 through 5 years
8 oz. or 1 cup	16 servings	6 years and older

Food Service Labor Costs: Centers must document the cost of food service labor needed for the operation of the CACFP. This may include wages, salaries, employee benefits, and the share of taxes paid by the independent center necessary to perform the following tasks: menu planning and purchasing, meal preparation, serving, and clean-up of program meals; supervision of day-to-day food service operations, including supervision of children during the meal service; and on-site preparation of daily program meal service records.

Non-Food Supply Costs include small kitchen equipment, paper goods, such as napkins and straws, and cleaning supplies used directly for the food service operation. Itemized receipts must be kept on file as documentation.

Purchased Services – Indirect Costs are items such as prorated utilities (shared services), equipment rental, rental of facilities and minor repairs. Refer to the Sponsor's Budget tab on the CACFP web-based system for indirect expenses approved for your center. Independent centers and Sponsoring Organizations must submit updated budgets annually during the CACFP renewal process. CFNA will provide assistance on which records are needed to support these costs.

Administrative Costs are expenses and allowable costs incurred by an organization in planning, organizing, and managing the food service operation under CACFP. These costs may include labor for management, fringe benefits, traveling, and other costs necessary to manage and implement the program [FNS Instruction 796-2, Rev. 4 (VII D 2)]. The portion of the administrative costs to be charged to the program may not exceed 15 percent of the meal reimbursements estimated or actually earned during the budget year [(7 CFR 226.16(b)(1)].

Miscellaneous Food Purchasing Information

CACFP food purchased with a Supplemental Nutrition Assistance Program (SNAP, formerly called Food Stamps) electronic benefit transfer (EBT) card is not allowed and demonstrates a lack of business integrity. SNAP Regulation program violations consist of having intentionally used, presented, transferred, acquired, received, possessed or trafficked authorization cards. The Family Support Division (Social Services) will be notified when CACFP purchases are made using an EBT card.

Food Sources: To claim reimbursement for meals or snacks, centers must supply all of the CACFP meal components, and the food must originate from a source that is in compliance with

Missouri Food Code laws located at https://health.mo.gov/safety/foodsafety/pdf/missourifoodcode.pdf. These traditional (approved) food sources include food purchased from food service distributors, supermarket chains, convenience stores, local grocers, and other retail stores selling food and non-food items in compliance with Missouri Food Code laws. Some examples of non-traditional (approved) food sources that may be used as part of a reimbursable meal include but are not limited to:

- **Center Gardens** - costs associated with growing food that will be used in the CACFP, either as part of a meal service or for activities related to nutrition education, are allowable. These costs may include seeds, fertilizer, labor, plot rental, etc. However, the center must maintain documentation of costs incurred.
- **Food Bank and Food Pantries** - nonprofit, faith-based and public centers may be eligible to purchase food from approved sources with appropriate documentation. Itemized receipts with the agency price per pound, for instance, price extension and food name, must be maintained. Contact CFNA to ensure food bank and pantry purchases are creditable.
- **Farmers Market or Roadside Produce Stands** are limited to the purchase of fresh and unpackaged, unprepared (whole, uncut) locally grown fruits, vegetables, in-shell nuts, and fresh herb sprigs. Garden donations of fresh produce grown in gardens other than the center garden may be used as part of a reimbursable meal and include these same items.

Refer to the USDA Food Buying Guide for Child Nutrition Programs (FBG) located at https://www.fns.usda.gov/tn/fbg; for additional information prior to purchasing items from approved and unapproved sources.

Income and/or Additional Funding: Sources of funding can vary by organization type, size, and structure. In addition to the reimbursement from CACFP, some institutions fund their operation from tuition fees and fundraising activities, while others may have other funding streams generated from activities outside of CACFP. Program income is the gross income generated from activities, local government sources, any center funds used to subsidize the food service program, any income for adult meals and any other income, including loans and donations to the food program. Regardless of the source, all income must be maintained in the nonprofit food service account and used only for approved costs. Please contact DHSS-CFNA if you need further guidance.

Documentation of Nonprofit Foodservice (CACFP-214): This form may be used to document monthly food service costs and expenses, the amount of labor, and indirect costs attributable to the food service. The CACFP-214 is located at www.health.mo.gov/cacfp - forms

How to use CACFP-214:

- Compare the total expenditure on food costs to the CACFP monthly reimbursement. If the food cost expenditures for the month are greater than the monthly CACFP reimbursement, the center does not need to document other operating costs. **If the food costs for the month are less than the monthly CACFP reimbursement, the center must document food service labor costs (+ non-food supplies, if needed) on form CACFP-214.**
  - NOTE: The food, non-food, and labor costs total typically exceeds the reimbursement, and no further action needs to be taken; however, if the

food costs + labor costs + non-food costs are less than the monthly CACFP reimbursement, then expendable and non-expendable must be calculated.

  - Expendable food service equipment has durability under two years and costs $5,000 or less.
  - Non-expendable food service equipment has a durability of two years or more with a cost exceeding $5,000.

- Add total labor costs, total food costs, non-food costs, and total indirect costs (if applicable) on CACFP-214 to get the “Grand Total” sum. Compare this amount to the monthly CACFP reimbursement, plus meal income (if applicable), to the program.

MISSOURI DEPARTMENT OF HEALTH AND SENIOR SERVICES
COMMUNITY FOOD AND NUTRITION ASSISTANCE (CFNA)
CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

Correct Example

DOCUMENTATION OF NONPROFIT FOODSERVICE

FACILITY NAME	CLAIM MONTH
ANN'S ANGELS GROUP HOME	**MARCH CLAIM $2,450.10**

POSITION TITLE/EMPLOYEE	SALARY PER HOUR	X	HOURS WORKED PER DAY ON FOOD SERVICE	X	DAYS WORKED PER MONTH	=	SUB TOTALS
Center Director	**$20.00 / hour**	X	**1 hour / day = $20.00**	X	**20 days/month**	=	**$400.00**
Teacher Aide	**$14.00 / hour**	X	**2.5 hours / day = $35.00**	X	**20 days/month**	=	**$700.00**
Cook	**$14.00 / hour**	X	**6 hours / day = $84.00**	X	**20 days/month**	=	**$1,680.00**
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
					TOTAL LABOR COST	=	**$2,780.00**

INDIRECT COSTS	AMOUNT	X	PERCENT OF FOODSERVICE USAGE OR PERCENT OF FOODSERVICE SQUARE FOOTAGE	=	SUB TOTALS			GRAND TOTAL SPENT ON CACFP
Waste disposal	**$48.00**	X		=	**$48.00**		TOTAL FOOD COSTS **(MAINTAIN RECEIPTS)**	**$1,825.50**
Utilities	**$310.00**	X	**15%**	=	**$46.50**		TOTAL NON-FOOD COSTS **(MAINTAIN RECEIPTS)**	
		X		=			TOTAL LABOR COSTS	**$2,780.00**
		X		=			TOTAL INDIRECT COSTS (IF APPLICABLE)	**$94.50**
TOTAL INDIRECT COSTS				=	**$94.50**		**GRAND TOTAL**	**$4,700.00**

MO 580-1458 (7-12) DHSS- CACFP-214

MISSOURI DEPARTMENT OF HEALTH AND SENIOR SERVICES
COMMUNITY FOOD AND NUTRITION ASSISTANCE (CFNA)
CHILD AND ADULT CARE FOOD PROGRAM (CACFP)

DOCUMENTATION OF NONPROFIT FOODSERVICE

FACILITY NAME	CLAIM MONTH

POSITION TITLE/EMPLOYEE	SALARY PER HOUR	X	HOURS WORKED PER DAY ON FOOD SERVICE	X	DAYS WORKED PER MONTH	=	SUB TOTALS
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
		X		X		=	
					TOTAL LABOR COST	=	

INDIRECT COSTS	**AMOUNT**	**X**	**PERCENT OF FOODSERVICE USEAGE OR PERCENT OF FOODSERVICE SQUARE FOOTAGE**	**=**	**SUB TOTALS**			**GRAND TOTAL SPENT ON CACFP**
		X		=			TOTAL FOOD COSTS **(MAINTAIN RECEIPTS)**	
		X		=			TOTAL NON-FOOD COSTS **(MAINTAIN RECEIPTS)**	
		X		=			TOTAL LABOR COSTS	
		X		=			TOTAL INDIRECT COSTS (IF APPLICABLE)	
TOTAL INDIRECT COSTS				=			**GRAND TOTAL**	

MO 580-1458 (7-12) DHSS- CACFP-214

Factors Affecting Allowable Costs

To be allowable under the Child and Adult Care Food Program (CACFP), costs that are claimed must meet the following general criteria:

- Be necessary and reasonable for proper and efficient administration of the program.
- Be authorized or not prohibited under state or local laws or regulations.
- Comply with any limitations or exclusions outlined in federal laws or the governing regulations regarding the types or amounts of cost items.
- Not chargeable to or included as a cost to any other federally financed program in the current or prior period.
- Be treated consistently through the application of generally accepted accounting principles.
- Be allocated appropriately so that only the allowable share of the cost is assigned to the program.
- Be documented to demonstrate that costs:
  - Have been incurred
  - Are appropriate program costs
  - Comply with all applicable laws, regulations, and FNS Instruction 796-2, Revision 4
- Be reported on an accrual basis, cash basis, or modified accrual basis.

Allocation of Costs

Some costs benefit more than one objective or activity; however, only the share of the expenses that benefit the Child and Adult Care Food Program (CACFP) can be assigned as program costs. A variety of methods are available to allocate these costs. Nonprofit institutions typically segregate their expenditures into direct or indirect categories and further classify them as operating or administrative costs.

Direct costs are expenses that can be readily identified with a specific activity or program. For example, costs to conduct monitoring visits, review and approve income eligibility statements, and process provider claims are readily identifiable as activities that solely benefit the CACFP. On the other hand, indirect costs are incurred for joint objectives and cannot be readily identified with a specific program. For example, the benefit to CACFP from a receptionist who answers the phone for the organization or accounting staff who oversees the financial operations of the organization cannot be readily identified since the work of these individuals benefits multiple programs in the organization, and costs are not easy to assign to each program. The reporting for each type of cost, direct and indirect, has a different methodology.

Direct costs that solely benefit CACFP are charged totally to the program. Direct costs that benefit multiple programs must be allocated consistently and rationally based on the benefits received, and only the portion that benefits CACFP is chargeable to the program. For example, rental space costs could be directly allocated based on square footage, or internet charges could be directly allocated based on the number of outlets.

Indirect costs are derived by developing an indirect cost rate using information from the previous period to create a method to project indirect costs for the current period. The indirect cost rate is the ratio of indirect costs to a direct cost base obtained from the previous year's audited costs. The resulting percentage is applied to the direct cost base of the current period to derive current-year indirect costs. The direct cost base includes salaries, fringe benefits, and hourly wage costs. Indirect costs must be allocated consistently and rationally, and the indirect cost rate must have been developed through a cost allocation plan (CAP) approved by the Department of Health and Senior Services-Community Food and Nutrition Assistance (DHSS-CFNA). DHSS-CFNA must approve the CAP at the time of application and be reviewed at least once a year.

Typical Allowable Costs and Restrictions

To be allowable, costs must conform to relevant federal, state, and local laws and regulations, FNS Instruction 796-2, Revision 4, and other policies and procedures. Such costs must receive consistent treatment by applying generally accepted accounting principles. Each item of cost must be uniformly assigned as either direct or properly allocated so that only the allowable share of the cost is assignable to the program. In both cases, explanations of the relationship of the cost to the Child and Adult Care Food Program (CACFP) (if not self-evident) should be included in the documentation. Costs must not be assignable or included as a cost to a prior or future period. Costs must be net of any applicable credits.

Costs must be supported by documentation that adequately demonstrates that costs:

- Have been incurred.
- Are program costs.
- Comply with all applicable laws, regulations, and FNS Instruction 796-2, Revision 4.

The organization must identify related party transactions, less than arms-length transactions, ownership interests in equipment, supplies, vehicles, and facilities, or disclose any other information to the Department of Health and Senior Services-Community Food and Nutrition Assistance (DHSS-CFNA) to provide the ability for an informed assessment of cost allowability. Deliberate failure to do so will result in disallowance of the cost. It may also subject the institution, its principals, employees, consultants, or others to the administrative and legal remedies available to DHSS-CFNA and Food and Nutrition Services (FNS).

Listed below is a partial list of allowable costs. (FNS Instruction 796-2, Rev. 4)

1. **Administrative Salary and Benefits** – Salaries and benefits of administrative personnel (clerical, accountants, and others) necessary to support organizational activities are allowable. Each element of an individual's compensation must be reasonable for the services provided by the individual and conform to the institution's written compensation policy. Payroll records are required to document these costs. Distribution of salaries and wages of employees chargeable to the CACFP must be supported by appropriate time and attendance reports.

   Labor costs associated with personnel who work part-time in the CACFP and part-time in other duties must be prorated based on hours worked for program and non-program activities. A separate time distribution report for each employee is required. The reports must reflect an after-the-fact determination of the actual activity of each employee.

2. **Travel Expenses** – Travel costs are transportation, lodging, meals, and related costs incurred by an organization's employees, officers, directors, or trustees performing program work. Costs for program travel require prior approval and may be charged on an actual, per diem, or mileage basis, provided that the method used results in charges consistent with those normally allowed by the institution in its non-program operations. It is recommended that expenses reimbursed be limited to the federal meals, lodging, mileage, and incidental travel expenses for the appropriate location as prescribed by the United States General Services Administration (GSA) in their Meal and Lodging Travel Guide (CONUS) (www.gsa.gov, under Programs, per Diem Rate).

   Such costs include:

   - **Meals and Lodging:** Reasonable costs incurred for meals and lodging will be reimbursed. Meal limit allowances per CONUS include taxes and tips. Lodging limit allowances per CONUS do not include taxes. Receipts for meals under $25.00 are not required. Receipts for lodging shall be obtained and attached to travel expense forms. The DHSS will only reimburse lodging costs that are documented with an appropriate receipt.

- **Mileage:** If vehicles owned by the sponsoring organization (SO) or any of its employees, officers, directors, or trustees are used for program administrative duties, the organization may use actual costs or a mileage allowance. Actual costs are the program's share of costs for operating the vehicle, including gas, oil, routine maintenance, and, as applicable, depreciation, use allowance, or leasing fee. The mileage allowance is the full cost of operating the vehicle, excluding the driver's salary, parking, and toll fees. The official mileage allowance for the state of Missouri is updated when the Internal Revenue Service (IRS) mileage is updated. Sponsors will be notified in writing when mileage reimbursement rates are updated. The state mileage rate is less than the rate assigned by the IRS for tax purposes. SOs may elect to pay the IRS mileage rate; however, the difference between the State of Missouri rate and the IRS rate must be paid from non-program funds. Documentation to support mileage costs charged to the program must include:

    a. Records of the date of each trip, driver's name, mileage, the origin and destination, parking receipts, and the reason for each trip.

    b. The employee must sign these records, and an authorizing official must certify in writing that records documenting all travel costs and mileage claimed have been reviewed to ensure reasonable costs.

- **Out-of-State Travel Expenses:** With prior approval, travel expenses and registration fees may be claimed for persons attending out-of-state conferences that relate solely to the CACFP. With specific written prior approval, the prorated share of travel and registration fees is allowable when the CACFP is only a portion of a larger child and adult care-related agenda. The number of staff that can attend out-of-state conferences must have been budgeted in the current fiscal year before attending. The following criteria are recommended as guidelines:

Number of Homes Claimed Per Sponsorship	Number of Staff Who May Attend Out of State Meetings
1-500	Two Staff
501-1,500	Three Staff
1,501-2,500	Four Staff
2,501-3,500	Five Staff

If a SO intends to send staff to the Technical Assistance Conference or the Sponsors Association Conference, more than the maximum number of staff members indicated above may attend, provided the cost of all travelers does not exceed the total reasonable expenditures for the number of people listed above.

- **Travel Wholly Within a Single Day:** If travel is wholly within a single day, reimbursement for lunch while away from the institution/office will be determined by sponsor policy. If an employee leaves home on official business before 6:00 a.m. and/or cannot return home until after 7:00 p.m., meal allowances may be made for breakfast and/or dinner for the traveler.

- **Reimbursement Disallowances:** When overnight accommodations are When overnight accommodations are furnished at no extra cost to the traveler (i.e., room provided as part of the registration fee), no reimbursement may be claimed for lodging. When meals are included in a registration fee, transportation fare, and official function or are otherwise furnished at no additional cost to the traveler, no reimbursement may be claimed for such meals.

- **Inclusions and Exclusions as to Authorized Expenses:** In addition to meals and lodging, the following expenses incurred as a necessary part of approved travel may be claimed.

a. Registration fees (receipt required).

b. Commercial transportation cost paid by the traveler (may include up to 17% tip for taxi. Receipt required if over $35.00 for each ride in a commercial vehicle.).

c. Parking fees (when reimbursing for actual costs, but not for mileage allowance. Receipt required if over $10.00).

d. Mileage for approved use of private vehicle.

e. Road toll charges (when reimbursing for actual costs, but not for mileage allowance).

f. Tips – a reasonable amount for porters and bellhops. (Tips paid with meals are included in the meal allowance and cannot be claimed separately).

The following expenses are **not** authorized for reimbursement:

- Entertainment expenses.
- Personal expenses.
- Travel insurance.
- Alcoholic beverages

3. **Supplies** – This category includes durable and expendable materials and supplies that do not meet the equipment definition. Durable supplies are defined as items having a life expectancy of more than one year and an acquisition cost of less than $5,000 per unit, or the organization's definition of equipment. With specific prior written approval, durable supplies can be directly expensed. Allowable costs include the costs of durable supplies at the time of purchase or expendable program materials and supplies used within one month or less at the time of sale. When expendable material and supply purchases exceed one month's usage, allowable material and supply costs are limited to the price of the items used for the program during the month.

4. **Printing and Reproduction** – The cost of printing and reproduction is allowable to the extent that expenditures are made to meet program needs.

5. **Postage** – Costs incurred for postage stamps, express mail, or other postal services.

6. **Office Equipment Depreciation and Use Allowance (Nonexpendable Equipment)** – Depreciation is the expense associated with the physical deterioration and consequential loss in the value of the program's office equipment. This loss in value may be claimed as an allowable operating cost. Equipment is a nonexpendable item with more than one year of useful life and an acquisition cost of $5,000 or more per unit. Depreciation shall not be allowed on any item considered to be fully depreciated. All depreciation charged to the program must be documented. All records for the entire depreciation period must be retained during the life of the equipment and for three years after the end of the federal fiscal year during which an equipment item is fully depreciated. Records must be retained beyond this point if audit findings have not been resolved. Depreciation is based on acquisition cost, the life expectancy of the item, and the costs of improvements, alterations, or repairs that extend the item's useful life. The acquisition cost for computing depreciation must exclude the cost or any portion of the equipment paid by or donated by the Federal Government or others, regardless of where the title was originally vested or where it presently resides. Also, if an item of equipment is acquired by trading in another item and paying any additional amount, "acquisition cost" means the amount received for trade-in plus the additional outlay. However, if the trade-in item is either fully or partially depreciated, then that portion of the already depreciated trade-in value cannot be included in the acquisition cost. The cost of depreciation on idle or obsolete equipment is unallowable.

   Adequate property records must be maintained. Any generally accepted method of computing depreciation may be used. However, computing depreciation must be consistently applied for all assets for all federally sponsored programs. The depreciation method must result in equitable charges considering the use of assets and the benefits to the program.

For less than arms-length transactions for equipment leased, the allowable lease cost is the amount that results from applying a five-year life expectancy to the acquisition cost for automobiles and ADP equipment and a 15-year life expectancy for other equipment.

A use allowance can only be applied to items the institution has fully depreciated before being used by the program. The maximum annual rate for use allowances for equipment cannot exceed 6-2/3% (0.56% per month) of the acquisition cost.

7. **Contracted Services** – Contracted services can either be identified as Legal or Other Professional Services or as Purchased Services-Other. Different criteria relating to allowability govern each category. The Legal or Other Professional Services category includes the costs of legal and professional services performed by persons who are members of a particular profession or possess a special skill and are not officers or employees of the institution. With specific prior written approval, allowable costs include the sponsoring organization's cost to pursue administrative and judicial recovery of funds due from sponsored facilities with certain restrictions, and the costs for other professional services that are required in the administration of the program have been properly procured and include contract terms that are adequate for the services required. Allowable costs include the organization's cost for administrative appeals under the CACFP regulations. With prior approval, allowable costs for the Purchased Services-Other category include arms-length transactions for maintenance and repair of equipment to maintain an efficient operating condition and the costs of utilities, purchased security, janitorial services, etc., that are not included in space or labor costs. With specific prior written approval, allowable costs for the Purchased Services-Other category include less-than-arms-length transactions, maintenance and service repair contracts on program equipment, and all other purchased service costs needed for program operations.

8. **Training and Professional Development**– Costs for providing program training and technical assistance for staff or providers are allowable. Training and professional development for staff could include costs for conferences, subscriptions, and memberships in professional organizations. With prior approval, the registration and travel costs for staff to attend meetings and conferences devoted solely to CACFP are allowable. Costs for the organization's subscription to periodicals related to the program are allowable. Costs for organizational memberships in professional organizations related to the CACFP are allowable with certain restrictions. Allowable costs for training for program participants could include:

   a. Rental costs for meeting room space.

   b. Fees for speakers who are not employees, officers, directors, trustees, or immediate family members to discuss program requirements.

   c. Costs for meals served to participants, but not to guests, when the training is presented concurrently with the meal service.

   d. Costs for materials and supplies for the training. The following costs are unallowable:

      - Costs for motivational speakers.
      - Costs of social events, entertainment, flowers, door prizes, and gifts.
      - Travel and transportation costs for FDCH providers to attend the training.
      - The costs for substitutes for FDCH providers when training is conducted during normal hours of operation.

9. **Telephone/Other Communications** – Costs incurred for telephone services, including cellular telephones, fax, license fees for electronic mail software, internet services, and messenger services, including pagers, used for program operations are allowable.

10. **Office Rent/Use Allowance** – The rental cost of space in privately or publicly owned buildings used for the benefit of the program is allowable, subject to the conditions stated below. The total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality. The cost of space incurred by the organization during periods of non-occupancy is a special consideration item and requires specific prior written approval.

    The rental cost of space in a privately owned building, such as a private home, is allowable to the extent the rate is reasonable and a bona fide arms-length rental exists. When charged as a direct cost, rental costs must be allocated between program and non-program use. To compute, prorate the ratio of the square footage of program space to the total square footage of the rented space. The result must be further prorated by the actual number of hours of program use to the total number of hours that space is used.

    For example: The monthly rental fee for a private residence is $500. 25% of the square footage is used for the operation of the CACFP. The actual number of hours of program use to the total number of hours is 50%. Result: The total monthly rental fee of $500 would be prorated by 25% to reflect the space used for the program, and that amount would be further prorated by 50% to reflect the time used for the program ($500 X 25% x 50% = $62.50 per month). However, if the 25% square footage were used solely for the CACFP, then further cost proration for time would not be necessary, and the total rental cost attributable to CACFP would be the full 25% ($500 x 25% = $125 per month).

    Similar costs for publicly owned buildings newly occupied on or after October 1, 1980, are allowable where "rental rate" systems or equivalent systems that adequately reflect actual costs are employed. Such charges must be determined based on actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operation and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. Rental fees cannot include costs originally financed by the Federal Government for purchase or construction.

    Facilities and space costs for less than arms-length transactions have specific guidance. When a private residence owned by the organization or a related party is used for program purposes, the expenses claimed must meet all IRS requirements for business use of a home. They must be supported by the records used to meet the IRS requirements for documenting the business use of a home. For less than arms-length transactions for space and facilities that are leased, the allowable lease cost is the amount that results from applying a 30-year life expectancy to the property's acquisition cost, less the value of the land.

    Whether privately or publicly owned, buildings can be depreciated using a 30-year straight line or the depreciation method used and accepted for federal income tax reporting purposes. Depreciation is based on acquisition cost, the life expectancy of the item, and the costs of improvements, alterations, or repairs that extend the useful life of the item. The acquisition cost upon which depreciation is based must exclude the value of the land.

    A use allowance can only be applied to items that have been fully depreciated by the organization before being placed into use for the program. The maximum annual rate of use allowances for buildings cannot exceed 2% of the acquisition cost, less the value of the land.

11. **Utilities** – If the cost of utilities such as electricity, gas, and water are not included in the rental fee, they may be charged to the program according to the same proration procedures above used to charge the rental fee itself.

12. **Other Miscellaneous Costs** – This category includes goods or services not identified in earlier defined cost categories. These should be itemized and may include:

    - **Accounting:** The cost of establishing and maintaining accounting and other information systems required for the management of the program is allowable. However, the cost of maintaining central accounting records to meet corporate, incorporation, and tax requirements is unallowable.

- **Advertising:** Advertising media includes newspapers, magazines, radio and television programs, direct mail, web pages, trade papers, imprinted buttons, pins, banners, and similar goods. Allowable advertising costs are those which are solely for solicitation of bids for procurement of program goods and services (including rental), recruitment of personnel to work in the program, disposal of scrap or surplus materials acquired in the performance of the grant agreement, and other purposes approved by the DHSS and/or USDA.
- **Legal Expenses:** The cost of legal services performed by persons who are not officers or employees of the organization required in the administration of the program is allowable with specific prior written approval. The cost of maintaining a legal staff to perform general responsibilities and costs incurred in connection with organization and reorganization are unallowable. Legal expenses related to the organization's costs for administrative appeals pursuant to the CACFP regulations are allowable and include:
    a. Costs for in-house or properly procured private counsel.
    b. Costs for professional services, such as an accountant or consultant, administrative and clerical services.
    c. Costs of directly related services provided by the institution's employees, officers, and trustees not otherwise claimed as labor costs.
- **Payroll Preparation:** The cost of preparing payroll and maintaining necessary related wage records is allowable to the extent that the expenditures are made for program purposes and are not further included in indirect costs.
- **Public Information Service Costs:** Public information service costs include the cost associated with the development of pamphlets, news releases, and other forms of information services.

  Public information service costs for the following are allowable:
    a. Inform or instruct individuals, groups, or the general public about the CACFP.
    b. Increase an institution's CACFP participation.

  Prior approval is required for such direct costs.
- **Procurement Service:** The cost of procurement services, including solicitation of bids, preparation and awarding of contracts, and all phases of contract administration in obtaining supplies and services for the program, is allowable.

Allowable Costs with DHSS Approval

Purchase of Equipment

The Department of Health and Senior Services-Community Food and Nutrition Assistance (DHSS-CFNA), in its role as an awarding agency, will review written requests for the purchase of nonexpendable equipment costing more than $5,000 as a direct cost to the Child and Adult Care Food Program (CACFP). Such a request is not required if the proposed equipment purchase has been approved in the sponsoring organization's (SO) annual budget. Nonexpendable equipment is defined as items costing more than $5,000 and having a useful life expectancy of more than one year. The equipment must be purchased in accordance with CACFP procurement regulations. Specific transfer and disposition instructions apply when the equipment or other property has a fair market value of $5,000 or more per unit. If the cost of the equipment is more than $5,000, the federal government will maintain an interest in this property until its final disposition. Property records containing the following information must be maintained for all equipment purchases.

- A description of the equipment, including serial numbers.
- Information to calculate the federal share of the equipment.
- Acquisition date and cost.
- Location, use, and condition of the equipment.
- All pertinent information on the ultimate transfer, replacement, or disposal of the equipment.
- Every two years, at a minimum, a physical inventory shall be conducted, and the results reconciled with the property records to verify existence.
- If the equipment is eventually to be sold, selling procedures shall be established, which will provide for competition to the extent practicable and result in the highest possible return to the federal government. Equipment with a unit acquisition cost of less than $1,000 may be retained, sold, or disposed of without further obligation to the federal government. For equipment with a unit acquisition cost of $1,000 or more, whether retained or sold, the federal government shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the federal share of the equipment. The sponsoring organization shall inform DHSS-CFNA of its plan to dispose of equipment with a unit acquisition of $1,000 or more.

  Refer to 7 CFR Part 3016.31-.33 and 3019.30-.37 as appropriate for additional information on recordkeeping, transfer, and disposition instructions.

Automated Data Processing (ADP)

The cost of data processing equipment for the program is allowable. This cost may include rental of equipment or depreciation on equipment not purchased with federal

funds. The acquisition of equipment, whether by outright purchase, lease agreement, or other method of purchase, is allowable with specific prior written approval. If ADP equipment has been purchased from an alternate funding source, CACFP cannot be charged rental. However, an annual use allowance based on 6 2/3% of the total acquisition cost would be allowable.

Capital Expenditures

The cost of facilities, equipment, or other capital assets and repairs that materially increase the value or useful life of capital assets is unallowable. Still, it may be eligible for depreciation or allowed as a direct expense. When assets acquired with Food and Nutrition Services (FNS) funds are sold, no longer available for use in FNS sponsored programs, or used for purposes not authorized by FNS, then FNS' equity in the asset will be refunded in the same proportion as its participation in the cost. Only the net cost of the newly acquired assets is allowable when any assets are traded on new items.

Occupancy of Space under Rental Purchases or a Lease with Option to Purchase Agreement

The cost of space facilities or land procured under such arrangements is not allowable.

Rearrangements and Alterations

Costs incurred for rearrangement and alterations of facilities owned by the organization that are necessary for efficient and effective program operations, but do not result in capital improvements, are allowable with specific prior written approval. Such costs that result in capital improvements are unallowable, except in some cases, these costs may be depreciated

Insurance and Indemnification

Costs of insurance required or approved and maintained are allowable. Costs of other insurance in connection with the general conduct of activities are allowable with specific prior written approval, subject to the following limitations: type, extent, and cost of coverage will be in accordance with general state or local government policy and sound business practices.

Contributions to a reserve for self-insurance are allowable with specific prior written approval to the extent the reserve meets state insurance requirements, and the type of coverage, the extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

Actual losses (which could have been covered by permissible insurance through an approved self-insurance program or otherwise) are unallowable unless expressly provided in the state agency-organization agreement. Losses not covered under nominal deductible insurance coverage, if otherwise in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools that occur in the ordinary course of operations, are allowable, up to a total of $100 annually.

Management Studies

The costs of management studies to improve the effectiveness and efficiency of ongoing programs performed by entities other than the organization itself are allowable with specific prior written approval. The costs of studies performed by the organization's officers, employees, or family members are unallowable.

Unallowable Costs

Claims for Child and Adult Care Food Program (CACFP) administrative reimbursement may not include any of the following unallowable costs:

Bad Debts – Any debts and losses arising from uncollected accounts, late payment charges, insufficient fund charges, related collection costs, legal fees, and other claims.

Contingencies – Contributions to a contingency reserve or any similar provision for unforeseen events.

Contributions and Donations – Federal funds may not be used as contributions or donations.

Entertainment – Amusements, social activities, and incidental costs such as meals, beverages, lodging, rentals, transportation, and gratuities.

Fines and Penalties – Costs resulting from failure to comply with federal, state, and local laws and regulations.

Interest and Other Financial Costs – Interest for reacquiring equipment or other property held by the organization or a related party through repurchase or refinancing operations, associated legal and professional fees, interest on borrowed capital and fees, and charges in lieu of unallowable interest.

Legal Expenses – Unallowable when incurred for the prosecution of claims against the federal government or the grantee. An example of the latter would be legal expenses incurred when attempting to collect unallowable costs claimed for reimbursement by a former employee of the sponsoring organization (SO).

Political or Partisan Costs – Grant funds may not be used for partisan or political advocacy or lobby efforts.

Under Recovery of Costs Under Grant Agreements – Any excess of costs over the federal contribution under another grant agreement.

General Business Expenses – Costs related to organization and reorganization, stock offering and stock redemption costs, costs incurred to meet or maintain the organization's incorporation or not-for-profit status, and costs for filing federal and state income tax forms.

Recovering Money

A sponsoring organization (SO) will utilize the following policies and procedures for retrieving money paid to family day care home (FDCH) and group home providers. Such collections, for example, may occur due to the FDCH's transition to a group home or recovery of an overclaim due to SO monitoring.

1. Send a letter, certified mail, or return receipt requested, stating the amount owed to the SO with supporting documentation. Submit a copy to the Department of Health and Senior Services – Community Food and Nutrition Assistance (DHSS-CFNA). The letter must state the home provider may:

   A) Send the SO the specified amount of money within 30 calendar days of the date of the letter.

   OR

   B) Send the SO a letter within 30 calendar days of the date of the letter, stating that she/he intends to continue caring for children and remain in the Child and Adult Care Food Program (CACFP) and that she/he prefers to have the amount owed deducted from future months reimbursements.

2. The SO will respond within two weeks to the home provider's choice of action to be taken. If the home provider asks for deductions from the claim for reimbursement for subsequent months, the SO may:

   A) Deduct up to the full amount of each subsequent month's reimbursements until the total debt owed is paid back.

   OR

   B) Deduct a negotiated portion (i.e. 25%, 50%) of the claim, acceptable to the SO and the home provider, of each succeeding month's reimbursements until the debt is repaid.

3. If there is no response within 30 calendar days, the SO will send a copy of the letter, certified mail, return receipt requested, with "Second Notice" and a new due date (30 calendar days from the date of the letter) and copy the state agency. The SO will call the FDC provider within one week after sending the second letter to urge them to respond immediately and will document the call.

4. If there is no response to the "Second Notice" within the additional 30 calendar days, the SO may discuss the case with DHSS-CFNA regarding collection. There will be no collection attempts by DHSS-CFNA; however, further action may be warranted with the approval of DHSS-CFNA.

Carry Over of Funds

Sponsoring Organizations of Homes may carry over a maximum of 10% of administrative payments into the succeeding fiscal year. The 10% maximum on the amount of administrative funds that may be carried over must be based on the total amount of homes multiplied by rates of administrative payments received by the sponsor over the fiscal year. Administrative funds remaining at the end of the fiscal year that exceed 10% of that fiscal year's administrative payments must be returned to the Department of Health and Senior Services (DHSS). If the 10% carryover funds are not expended in the succeeding fiscal year, the sponsor is required to return the unused funds to DHSS.

An annual budget is required, and the amount carried over must be accounted for in the budget for the succeeding fiscal year. Further, sponsors remain responsible for correctly accounting for costs and maintaining records and sufficient supporting documentation to demonstrate that costs claimed have been incurred, are allowable, and comply with all applicable regulations and policies.

Because the final administrative claims may not be known when the annual budget is submitted to DHSS, make the best estimate of the carryover amount when preparing the annual budget. The estimate should be based on comparing the administrative payments the sponsor expects to receive with the amount of allowable administrative expenses the sponsor expects to incur. As shown in the example below, this will yield the 10% carryover figure and any amount that must be returned to the state agency.

Example: Sponsor estimates administrative payments of $100,000 during FY 20XX.

Sponsor estimates incurring $85,000 in allowable administrative costs during FY 20XX.

Sponsor may carry over up to $10,000 into FY 20XX ($100,000 x .10).

Sponsor must return $5,000 to the state agency ($15,000 - $10,000).

An amended budget must be submitted once the fiscal year close-out has occurred and the carryover amount is finalized and approved by DHSS. It is still necessary for sponsors to use accrual accounting for the final claim of the fiscal year so that the end-of-year reconciliation and close-out can be performed.

Financial Audits

Non-federal entities (state/local governmental entities, non-profit organizations, and for-profit organizations) that expend $750,000 or more in federal awards during their fiscal year must have an audit conducted for that year. These audits must comply with the requirements in 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Certain organizations are permitted to obtain biennial audits rather than annual audits. In these cases, audits conducted must include both years. Reference 2 CFR 200.504 for additional information regarding biennial audits.

If an organization expends federal awards under only one federal program (such as the Child and Adult Care Food Program [CACFP]), it may obtain a Program-Specific audit. Auditors must conduct Program-Specific audits in accordance with generally accepted government auditing standards (GAGAS) and the program-specific audit guide - reference 2 CFR 200 for additional information.

The Department of Health and Senior Services (DHSS) may contract with auditors to conduct limited-scope audits of for-profit or non-profit institutions at any time, regardless of the amount of CACFP reimbursement received.

DHSS may contract with auditors to conduct fiscal reviews of for-profit and non-profit institutions as part of the regularly scheduled monitoring review. These fiscal reviews will cover the financial aspects of the CACFP and augment the monitoring reviews conducted by Community Food and Nutrition Assistance (CFNA).

Specific questions regarding CACFP audits, limited scope audits, and fiscal reviews may be directed to the DHSS Division of Administration – Senior Auditor at:

Missouri Department of Health and Senior Services
Senior Auditor
Division of Administration
P.O. Box 570
Jefferson City, MO 65102

DHSS may provide funds for audits if DHSS funding allows. If funding is available, SOs will be notified.