



COMMUNITY NUTRITION *conference*

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Manager for Program Eligibility

SFSP Common Budget Errors



TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER



This session is NOT the place to evaluate a specific budget detail.

- This is a 1 hour session.
- It is not inclusive of all information contained in the documents below. CE's are responsible for understanding and complying with the below mentioned resource materials.
- **Resource Materials:**
 - 2 Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.
 - FNS Instruction 796-4, Rev. 4
 - TDA SFSP Supplemental Handbook
 - USDA Administrative Guidance for Sponsors (AGS)
- **Disclaimer:** The examples and ideas included in this session are meant as viable options to teach and provide additional guidance to each organization. Please refer to applicable Federal & State regulations for additional guidance.

You promise to...

- Turn off the ringer on your phone.
- Sit in the front of the room, if possible.
- Leave the room if you need to text or take a call; come back when you are ready.

We promise to...

- Give you our undivided attention during this session.
- Share our experience and knowledge and some Best Practices, to enable you to navigate the Budget Detail in TX-UNPS.

The review of the most common errors in the budget related to application processing

CLASS DESCRIPTION

- ✓ Navigating the budget detail in TX-UNPS
- ✓ Allowable, reasonable and necessary
- ✓ Procurement and document submission

CE's in the Class

- ✓ **Private Non-Profits**
- ✓ **Governmental**
- ✓ **School Food Authorities**
- ✓ **ESC's**

01



**Navigating
The
Budget Detail
in TX-UNPS**

SFSP application packet completion order for RENEWING CE's:

- Food Production Facility (if applicable)
- SFSP Site application(s)
- Budget Detail
- Contracting Entity Application
- Management Plan
- Checklist Summary
- Note: Field Trips can only be entered after a site has been approved.

Are you in the right section?

- Operating is first, then Administrative

Projected Operating Cost:		
Food for all vended and self-prep meals:	\$	<input type="text"/>
Non Food Supplies:	\$	<input type="text"/>
Operational Personnel:	\$	<input type="text"/>
Fringe Benefits:	\$	<input type="text"/>
Facility and Utility:	\$	<input type="text"/>
Equipment Rental:	\$	<input type="text"/>
Transportation:	Rate per mile: <input type="text" value="0.000"/>	\$ <input type="text" value="0.00"/>
Other:	<input type="text"/>	\$ <input type="text"/>
Sub Total		\$0.00
Projected Administrative Cost:		
Administrative Personnel:	\$	<input type="text"/>
Fringe Benefits:	\$	<input type="text"/>
Office Expense:	\$	<input type="text"/>
Facility and Utility:	\$	<input type="text"/>
Transportation:	Rate per mile: <input type="text" value="0.000"/>	\$ <input type="text" value="0.00"/>
Audit Fees:	\$	<input type="text"/>
Legal Fees:	\$	<input type="text"/>
Other:	<input type="text"/>	\$ <input type="text"/>
Indirect Cost:	<input type="text"/> %	\$ <input type="text"/>
Name of Cognizant Agency:	<input type="text"/>	
Sub Total		\$0.00

• Common Error Code:

Code	Error Description
206050	Cost Reimbursement Summary Balance must be greater than or equal to \$0.

- The total SFSP Costs cannot be greater than the Total SFSP Reimbursement which results in a negative balance.

Cost Reimbursement Summary

Total SFSP Costs		\$16,690.00
Total SFSP Reimbursement		\$15,690.00
Excess SFSP revenue amount from the prior program year or previous participation in SFSP	\$	<input type="text" value="0.00"/>
Amount from other funding resources (e.g. grant, donations)	\$	<input type="text" value="0.00"/>
Other funding resources	<input type="text"/>	
Balance		\$-1,000.00

Terminology Change

Cost Reimbursement Summary

Total SFSP Costs		\$16,690.00
Total SFSP Reimbursement		\$15,690.00
Unused SFSP Reimbursement amount from the prior program year or previous participation in SFSP	\$	<input type="text" value="0.00"/>
Amount from other funding resources (e.g. grant, donations)	\$	<input type="text" value="0.00"/>
Other funding resources	<input type="text"/>	
Balance		\$-1,000.00

Misc.

Identify how unused reimbursement will be used:

- ☒ Used to improve the meal service or other aspects of the SFSP
- ☒ Kept for next year's SFSP operations
- ☒ Pay for allowable costs of the other child nutrition programs

Is there a rental agreement, lease, or contract associated for any of the non-food costs listed above? ☐ Yes ☒ No

Unused Reimbursement: The difference between the amount of reimbursement earned and received and allowable costs, when reimbursement exceeds costs.



02



**Costs:
Reasonable,
Allowable
and
Necessary**

Determining Allowable Costs

Costs must be:

- Reasonable
- Necessary
- Allocable

- Reimbursement must be used only for those costs that are **reasonable** and **necessary** for accomplishing the objectives of the SFSP program.
- A cost is **allocable** to SFSP if the goods or services involved are chargeable or assignable to SFSP in accordance with the relative benefits received.

Determining Allowable Costs

- 2 CFR § 200.404 states, “A cost is **reasonable** if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”
- **Necessary costs** must be essential to fulfill the regulatory requirements for proper and efficient administration of the SFSP.

Allowable Costs

- All costs must be budgeted in the approved SFSP application.
- All costs must be allowable expenditures under the SFSP program and any other applicable Federal, State or local law and regulations or guidance.

Determining Allowable Costs:

- ❖ Related party,
- ❖ Less-than-arm's-length transactions,
- ❖ Ownership disclosure

Related parties include, but are not limited to, the following relationships:

- Brothers/sisters
- Spouse
- Parents/grandparents
- Children/grand children
- Half-brothers/sisters
- Domestic partners and parents thereof
- Any individual related by blood or affinity whose close association is the equivalent of a family relationship
- Affiliates of the organization
- Principal owners of the organization and immediate members of their families
- Management of the organization and immediate members of their families

Determining Allowable Costs

CEs must disclose annually any conflicts of interest or potential conflicts of interest

Including:

- Related party transactions,
- Less-than-arms-length transactions,
- Any ownership interest

in equipment, supplies, vehicles and facilities when it submits its budget to TDA as part of its application packet for participation in the SFSP.

- At a minimum, the following information must be submitted to TDA:
 - Budget item(s) impacted
 - Amount of the contract or cost for the item(s)
 - Relationship or ownership interest to the CE
 - Any other information that inhibits TDA from making an informed assessment of whether a particular cost is allowable

Determining Allowable Costs

Program operating costs incurred by the CE for preparing, transporting, and serving meals to eligible children are allowable and may include the following:



Program operating costs

- Food costs
- Non-food supplies costs (e.g., napkins, trays, utensils)
- Storage, processing, and transportation of food and associated supplies
- Food service labor costs
- Facilities and utility costs

Determining Allowable Costs

Program administrative costs : incurred by the CE for planning, organizing, and administering the SFSP are allowable

May include the following:

- Administrative labor costs
- Printing costs
- Office Supplies
- Mileage costs
(such as for site visits & monitoring reviews)



Unallowable Costs

The following is a list of costs for which SFSP funds may not be used. These include, but are not limited to, the following:

- **Bad debts** (losses arising from non-collectible accounts and other claims and related costs)
- **Payments resulting from SFSP program violations** of over claims, fines, and/or penalties
- **Entertainment costs** (e.g., social activities, amusements)
- **Fundraising costs** (i.e., expenses incurred to obtain contributions)
- **Gifts**
- **Drug screening or testing**
- **Uniforms**

Unallowable Costs

- **Capital expenditures** (e.g., acquisition of land and buildings, the alteration of existing facilities, or nonexpendable equipment of any kind; repairs that increase the value or use life of buildings, facilities, or non-expendable equipment; and other capital assets, including vehicles)
- **Cost of meals served to administrative adult personnel**, or any other adults that are not in the operation of the food service
- **Cost of meals served to ineligible children**
- **Cost of meals served in violation** of SFSP program requirements (i.e., served outside the approved time; missing/inadequate components; over approved site cap; consumed off-site; non-unitized; served to adults but included in count of reimbursable meals, etc.)
- **Cost to purchase food** (including coffee, etc.) for use outside SFSP
- **Cost of vended meals** served in excess of the approved site capacity, are spoiled or unwholesome, or that do not meet the meal pattern requirements

03



Cost
Categories

Cost Categories in the Budget Detail

For budgeting purposes, the cost of an expense may be *estimated*; however, the nonprofit food service accounting system and the CE's supporting documentation must show only *actual costs*.

Reminder: Budgeted costs are separated by “operating costs” and “administrative costs”.

Cost Categories in the Budget Detail

Projected Operating Costs			
Food for all vended and self-prep meals:		\$	<input type="text" value="8,700.00"/>
Non Food Supplies:		\$	<input type="text" value="1,700.00"/>
Operational Personnel:		\$	<input type="text" value="4,600.00"/>
Fringe Benefits:		\$	<input type="text" value="690.00"/>
Facility and Utility:		\$	<input type="text" value="0.00"/>
Equipment Rental:		\$	<input type="text" value="0.00"/>
Transportation:	Rate per mile: <input type="text" value="0.000"/>	\$	<input type="text" value="0.00"/>
Other:	<input type="text"/>	\$	<input type="text" value="0.00"/>
Sub Total			\$15,690.00
Projected Administrative Costs			
Administrative Personnel:		\$	<input type="text" value="800.00"/>
Fringe Benefits:		\$	<input type="text" value="200.00"/>
Office Expense:		\$	<input type="text" value="0.00"/>
Facility and Utility:		\$	<input type="text" value="0.00"/>
Transportation:	Rate per mile: <input type="text" value="0.000"/>	\$	<input type="text" value="0.00"/>
Audit Fees:		\$	<input type="text" value="0.00"/>
Legal Fees:		\$	<input type="text" value="0.00"/>
Other:	<input type="text"/>	\$	<input type="text" value="0.00"/>
Indirect Cost:	<input type="text" value="0.00"/> %	\$	<input type="text" value="0.00"/>
Name of Cognizant Agency:	<input type="text"/>		
Sub Total			\$1,000.00

Operating Cost Categories

Food – costs related to obtaining food for consumption by children.

Such costs may include:

- Contracted food costs (FSMC or Vendor)
- Store Purchases

Operating Cost Categories

Non-food supplies – documented costs for nonfood supplies purchased solely for program needs are allowable.

- Trays
- Utensils
- Napkins
- Dishwashing compounds
- Equipment items of minor dollar value

Operating Cost Categories

Operational Personnel - labor directly involved in the preparation & service of food:

- Prepare the food (kitchen personnel)
- Serve the meals
- Clean up after meal service

Application processing: PES will compare the Operating & Administrative labor to the Food costs.

Operating Cost Categories

Fringe Benefits – are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages.

Fringe benefits include, but are not limited to:

- Employee Insurance
- Vacation
- Unemployment benefit plans

Application processing: PES will request a list of employees, benefits the employee receives and the cost of each benefit per employee.

Operating Cost Categories

Facility and Utility – includes rent, utilities and other space costs for the food preparation and feeding areas. Utility costs that are not already reflected in rental fees may also be incurred.

May include:

- Kitchen rental
- Serving area rental
- Utilities – Electricity, water

Application processing: PES will request a copy of the lease and a breakdown of the utility costs.

- The lease needs to clearly state whether utilities are included in the rental/lease agreement.
- The lease/rental agreements and utility bills must be in the name of the **organization and not the name of an individual.**

Operating Cost Categories

Equipment Rental – costs for rented equipment used for the receipt, preparation, refrigeration, storage, cleanup, service, and transportation of food.

- Serving equipment
- Refrigeration
- Storage equipment
- Costs associated with maintaining rental equipment

Application processing: PES will request a copy of the rental contract and a breakdown of the costs.


- The contract/rental agreements must be in the name of the **organization and not the name of an individual.**

Operating Cost Categories

Transportation of food costs – Transportation costs to pick up food supplies; to transport food to the sites and for rural sponsors costs to transport participants to a central serving location.

- Enter the rate per mile.
- Example: the rate should be entered as .545 and not 54.50=\$54.50.

Application processing:

- Submit supporting documentation detailing mileage calculations.
 - How did you arrive at the estimated total?
- 

Operating Cost Categories

Other – includes any other operating costs associated with the nonprofit food service account including indirect costs.

Application processing:

- Submit supporting documentation detailing costs.
- How did you arrive at the estimated total?

Administrative Costs Categories

Program administrative costs incurred by the CE for planning, organizing, and administering the SFSP are allowable.

May include the following:

- Administrative labor costs
- Printing costs
- Office Supplies
- Mileage costs (such as for site visits and monitoring reviews)

Administrative Cost Categories

Administrative Personnel - labor directly involved in the planning, organizing and managing the program.

- Administrator
- Bookkeeper/Accountant
- Monitors
- Clerical Staff

Application processing: PES will compare the Operating and Administrative labor to the Food costs.

Administrative Cost Categories

Fringe Benefits – are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to:

- Employee Insurance
- Vacation
- Unemployment benefit plans

Application processing: PES will request a list of employees, benefits the employee receives and the cost of each benefit per employee.

Administrative Cost Categories

Office Expense – costs of office supplies used for planning, organizing and managing the SFSP.

- Printing
- Paper
- Postage
- General office supplies – staples, paperclips, pens

Application processing: Submit a breakdown for each cost. Pro-rate for program use if other business is conducted and cost is not 100% allocable to SFSP.

Administrative Cost Categories

Transportation of food costs – costs incurred with planning, organizing and managing SFSP activities.

- Cost of mileage for monitoring visits
- Example: the rate should be entered as .545 and not 54.50=\$54.50.

Application processing:


- Submit supporting documentation detailing mileage calculations.
- How did you arrive at the estimated total?

Administrative Cost Categories

Audit costs – the cost of an audit is allowable if the sponsoring organization receives or expends \$750,000 or more in federal funds.

- Costs must be properly allocated between all organizations activities/funding sources when engaging with a Certified CPA for an Organization wide Audit.


Application processing: Submit an engagement letter, the allocation methodology for Audit Costs and any invoice/quotes.



Administrative Cost Categories

Legal fees – cost incurred for allowable legal fees associated with administering the SFSP.

Application processing: Submit supporting documentation such as an engagement letter, invoice/quotes and why the cost is allowable, reasonable and necessary.

A large orange decorative shape, resembling a stylized mountain or a large triangle, is positioned at the bottom of the slide.

Administrative Cost Categories

Other – includes any other administrative costs associated with the nonprofit food service account including indirect costs.

Application processing:

- Submit supporting documentation detailing costs.
- How did you arrive at the estimated total?

Administrative Cost Categories

Indirect Costs - costs incurred for a common or joint purpose benefitting multiple programs or functions of the CE be cannot be directly attributable to SFSP. Indirect costs must be consistently applied across all programs.

- Salaries
- Receptionist
- Enter the Cost Rate as a percentage
- Enter the Name of the Cognizant Agency

Application processing:

- Submit indirect cost plan from cognizant agency and any supporting documentation detailing costs.
- How did you arrive at the estimated total?



04



Procurement

Rules and Regulations

Why we have them?

Procurement regulations ensure the best:

- Food
- Supplies
- Equipment
- Other goods and services

are obtained efficiently, at the best available price and without conflicts of interest.

- 7 CFR 226.6, 21, 22
- 2 CFR Part 200.317-226 (for all recipients of federal funds)
- Any instructions and handbooks issued by USDA or TDA

Written Procurement policy

- All institutions must maintain a written procurement policy.
- A CE must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law (2 CFR §§ 200.318 and 200.319(c)).

What is the foundation of sound procurement?

01

A Level Playing Field;
The Same Opportunity
For All Vendors

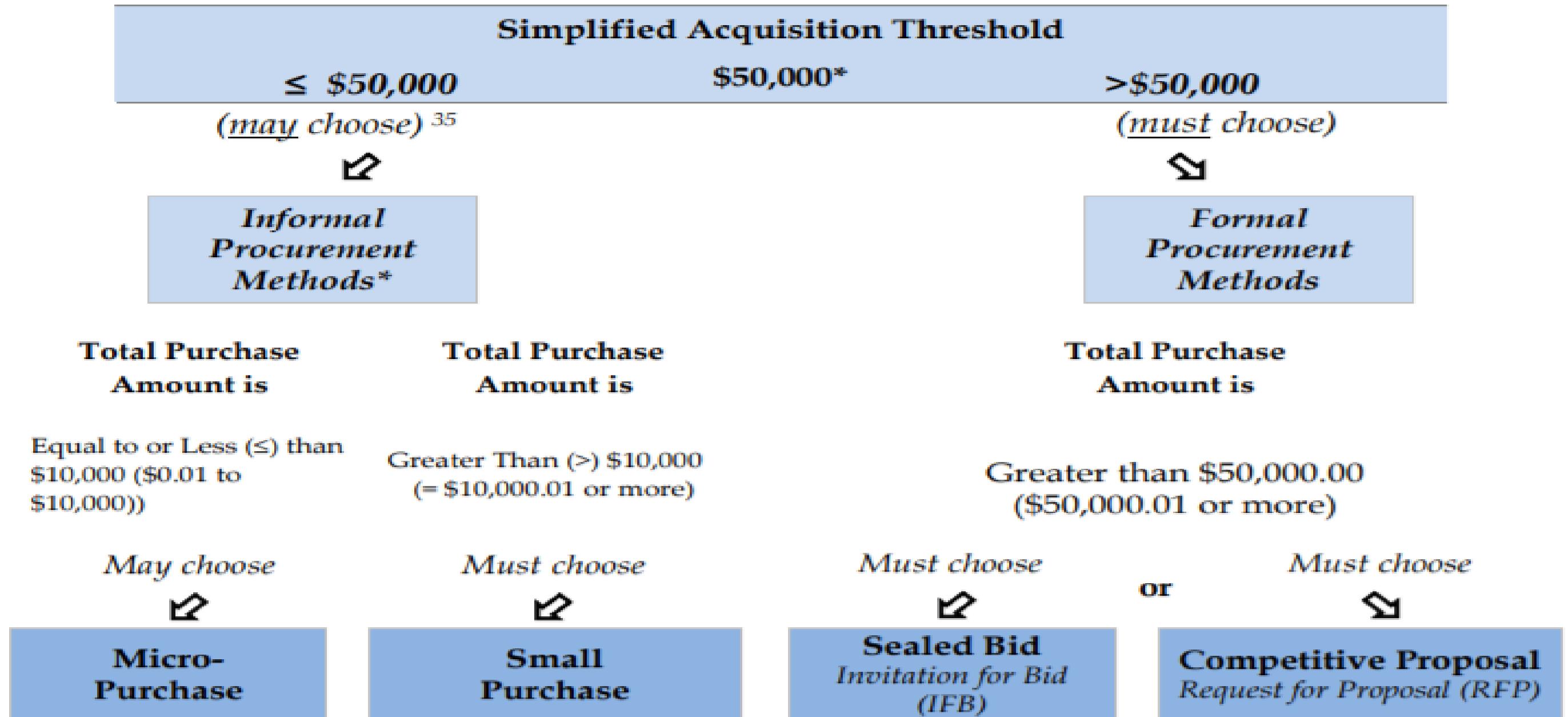
02

Quality Products
And Services ;
Lower Prices

03

Full and
Open
Competition

Overview of Procurement Methods



*While a CE is not required to follow formal procurement methods for purchases which do not exceed \$50,000, a CE may choose to use a formal procurement method.

Documentation needed for application processing:

Micro Purchase

Micro Purchase –

- Documentation does not need to be submitted for the cost to be approved in the Budget Detail,
- *However* all procurement records are subject to the same record keeping requirements as all other CACFP related records. PES may request documentation as needed.
- All budget detail costs will be evaluated with the “RAN” test: Reasonable, Allowable and Necessary

Documentation needed for application processing:

Small Purchase

Small Purchase –

- Requires a CE to obtain three price quotations from an adequate number of qualified sources.
- Provide the vendor with a full and accurate description of the type of goods/services needed so potential vendors can properly respond with an accurate quote.

Documentation needed for application processing:

Small Purchase

Price Quotations

- The price quotations must be submitted to PES for the cost to be approved in the Budget Detail.

Acceptable forms of price quotations include, but are not limited to:

- Newspaper advertisements from various suppliers/vendors
- Online advertisements from various supplier/vendors
- Documentation of phone quotes from various suppliers/vendors, need to include:
 - Supplier/vendor name
 - Name of person providing information
 - Date(s) of contact
 - Information provided including product and pricing.



THANK YOU

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mail:

U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;

fax: (202) 690-7442; or email: program.intake@usda.gov.

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