

BUSINESS OF NUMBERS & NUTRITION
CHILD NUTRITION DIRECTORS AND BUSINESS OFFICIALS

Indirect Cost
Child Nutrition Programs

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ESC Region 11

Why?

- Support Organization
- Pay for costs
- Accountability

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**USDA
TDA
Regulations**

Regulations: Indirect Costs
United States Department of Agriculture
Texas Department of Agriculture

2 CFR 200	7 CFR 210.14 220.13(i)	SP 60-2016 Sept. 30, 2016	TDA ARM 14.24
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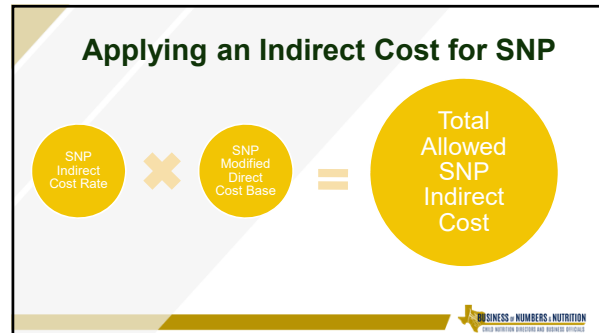
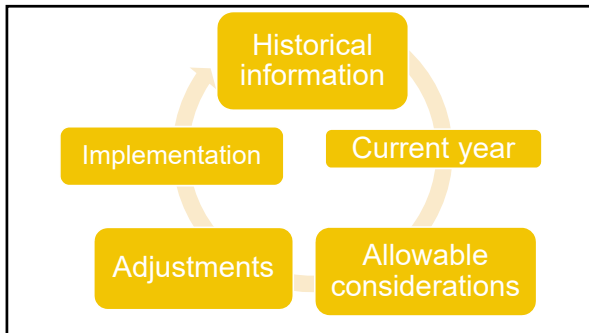
TypeForm
<https://tinyurl.com/indirectcost>

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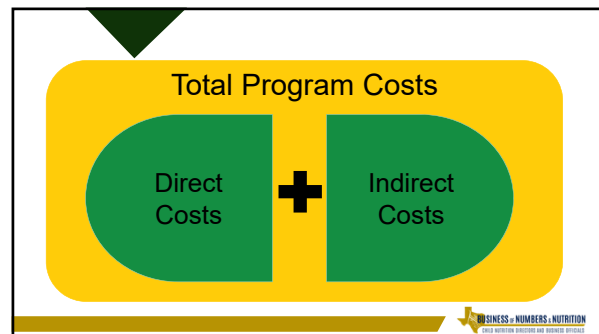
Financial Responsibility

- Nonprofit School Foodservice Account
- Expenditures
- Indirect cost

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- ### Steps for Determining Indirect Cost Rate
- 1 • Identify all costs
 - 2 • Remove all excluded costs
 - 3 • Classify costs as direct or indirect
 - 4 • Determine indirect cost pool
 - 5 • Calculate Indirect Cost Rate



<h3>Direct</h3> <p>ARM – Section 14 Costs incurred specifically for a program or other cost objective, and can be readily identified to a particular objective such as school food service.</p>	<h3>Indirect</h3> <p>ARM – Section 14 Costs incurred for the benefit of multiple programs or functions and are also necessary for the general operation of the SNP, but these expenses cannot be directly attributable to the SNP. Indirect costs typically support administrative overhead functions.</p>
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Direct ???
??? **Indirect**



Food



- ◆ **Direct**
- ◆ **Documentation:**
 - Itemized vendor invoices

Food





Labor




- ◆ **Direct**
- ◆ **Documentation:**
 - Time sheets

Labor




Custodial Services





- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Time sheets

Custodial Services




- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Time sheets without separating time by program

Custodial Services




Maintenance Charges




- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Itemized vendor invoice
 - Time card with actual times

Maintenance



- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Time sheets without separating time by program

Maintenance





Trash Collection






- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Itemized vendor invoice
 - Time card with actual times

Trash





- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Combined vendor invoice
 - Time card without actual times

Trash





Utilities





- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Itemized vendor invoice

Utilities



- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Itemized vendor invoice not specific to program area

Utilities





Accounting Services





- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Time card with actual time by program

Accounting

- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Time card does NOT specify time by program

Accounting


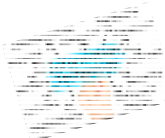




Payroll Services






- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Time card does NOT specify time by program

Payroll







Information Technology Support


- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Time card with actual time by program

Information Technology

- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Time card does NOT show actual time by program

Information Technology




Pest Control




- ◆ **Direct Cost**
- ◆ **Documentation:**
 - Itemized vendor invoice

Pest Control





- ◆ **Indirect Cost**
- ◆ **Documentation:**
 - Vendor invoice for entire CE (not program specific)

Pest Control


- ◆ Does the cost benefit multiple programs? Is the cost specific to School Nutrition?
- ◆ How are similar costs treated in other cost objectives?
- ◆ How has this cost been treated in the past? Indirect or direct?

Cognizant Agency
Texas Education Agency

ISDs & Charters

- ✓ • Burdensome to have various allocating methods for multiple federal grants
- ✓ • Single agency negotiates for all federal awards
- ✓ • Annual request process – ICRP
 - Approved indirect cost rate
 - Direct cost base



Indirect Cost Rate Proposal (ICRP) Additional Costs Workbook
To Establish an Indirect Cost Rate for School Year 2019-2020 (Rate Fiscal Year '20)
Additional Costs Worksheet (To be completed by LEA) - FY 2018 Financial Information

Function 41 - General Governance and Direct Costs				702	703	700	
Fund	Function	Obj	Description	School Board	Tax Office Costs	Direct Costs	TOTAL
100	41	1100	Parent Costs (perclude obj #144)				
100	41	2500	Print/Contract Services				
100	41	3300	Supplies/Materials				
100	41	6400	Other Operations				
200	41	1100	Parent Costs (perclude obj #144)				
200	41	2500	Print/Contract Services				
200	41	3300	Supplies/Materials				
200	41	6400	Other Operations				
400	41	1100	Parent Costs (perclude obj #144)				
400	41	2500	Print/Contract Services				
400	41	3300	Supplies/Materials				
400	41	6400	Other Operations				
400	41	1100	Parent Costs (perclude obj #144)				
400	41	2500	Print/Contract Services				
400	41	3300	Supplies/Materials				
400	41	6400	Other Operations				
ALL	41	6400	Other Operations				

Steps for Indirect Cost Rate

- 1 • Identify all costs
- 2 • Remove all excluded costs
- 3 • Classify costs as direct or indirect
- 4 • Determine indirect cost pool
- 5 • Calculate Indirect Cost Rate

Step 1: Identify All Costs

**NEW SCHOOL DISTRICT:
EXPENDITURES BY FUNCTION**

Function Code	Account Title	Expenditures (\$)
1000	Instruction	900,000
2100	Student Services	75,000
2212	Curriculum Development	30,000
2213	Instructional Staff Training	20,000
2321	Office of the Superintendent	40,000
2510	Fiscal Services	10,000
2520	Procurement	10,000
2560	Public Relations	10,000
2570	Personnel (Human Resources)	15,000
2600	Plant Operation & Maintenance	125,000
2700	Student Transportation	165,000
3100	Food Services	100,000
	TOTAL	\$1,500,000

Step 2: Remove All Excluded Costs

Distorting items:

- Equipment purchases/capital expenditures
- Payments to contractors beyond \$25,000
- Food costs in school food service
- Renovations and alterations, and
- Certain unallowable costs (fines, penalties, etc.)

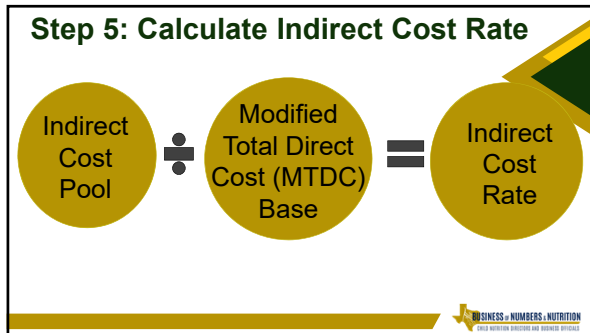
**NEW SCHOOL DISTRICT:
EXPENDITURES BY FUNCTION**

Function Code	Account Title	Old Total	Excluded Cost	New Total
1000	Instruction	900,000	(100,000)	800,000
2100	Student Services	75,000		75,000
2212	Curriculum Development	30,000		30,000
2213	Instructional Staff Training	20,000		20,000
2321	Office of the Superintendent	40,000		40,000
2510	Fiscal Services	10,000		10,000
2520	Procurement	10,000		10,000
2560	Public Relations	10,000		10,000
2570	Personnel (Human Resources)	15,000		15,000
2600	Plant Operation & Maintenance	125,000		125,000
2700	Student Transportation	165,000	(90,000)	75,000
3100	Food Services	100,000	(90,000)	10,000
	TOTAL	1,500,000	(280,000)	1,220,000

Step 3: Classify as Direct or Indirect

**NEW SCHOOL DISTRICT:
EXPENDITURES BY FUNCTION**

Function Code	Account Title	Direct	Indirect	Total Costs
1000	Instruction	800,000		800,000
2100	Student Services	75,000		75,000
2212	Curriculum Development	30,000		30,000
2213	Instructional Staff Training	20,000		20,000
2321	Office of the Superintendent		40,000	40,000
2510	Fiscal Services		10,000	10,000
2520	Procurement		10,000	10,000
2560	Public Relations		10,000	10,000
2570	Personnel (Human Resources)		15,000	15,000
2600	Plant Operation & Maintenance		125,000	125,000
2700	Student Transportation	75,000		75,000
3100	Food Services	10,000		10,000
	TOTAL	1,010,000	210,000	\$1,220,000

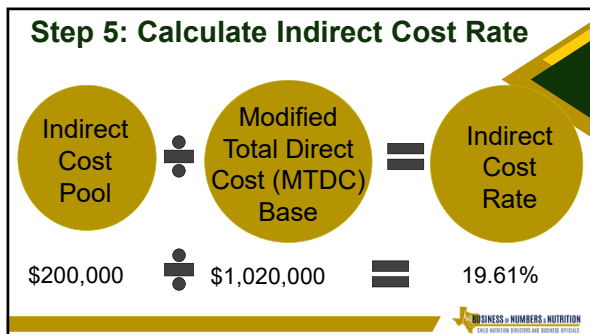


Step 4: Eliminate Unallowable Costs

Function Code	Account Title	Indirect	Unallowable	Indirect Cost Pool	Direct Costs
1000	Instruction				800,000
2100	Student Services				75,000
2212	Curriculum Development				30,000
2213	Instructional Staff Training				20,000
2321	Office of the Superintendent	40,000	(8,000)	32,000	8,000
2510	Fiscal Services	10,000		10,000	
2520	Procurement	10,000		10,000	
2560	Public Relations	10,000	(2,000)	8,000	
2570	Personnel (Human Resources)	15,000		15,000	
2600	Plant Operation & Maintenance	125,000		125,000	
2700	Student Transportation				75,000
3100	Food Services				10,000
TOTAL		\$210,000	(\$10,000)	\$200,000	\$1,020,000

MTDC

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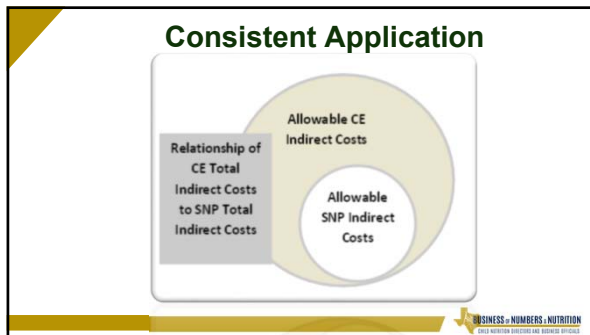
2019 ISD and Charter School Indirect Cost Rates

Effective July 1, 2018 - June 30, 2019

CDN	LEA Name	Restricted Rate	Unrestricted Rate
001902	CAYUGA ISD	2.472	10.468
001904	FRANKLIN ISD	4.023	17.583
001906	NEO	4.874	14.674
001907	PAL	4.349	19.320
001908	WE	5.569	16.408
002901	AND	2.516	16.430
002801	PRN	3.957	14.827
002802	HUI	3.357	12.787
002903	LUF	4.391	10.496
003904	HUI	4.276	16.291
003905	DB	4.375	14.863
003907	CFN	2.841	11.946
004801	ARANSAS COUNTY ISD	5.633	15.095
004802	ARANSAS COUNTY ISD	1.010	11.121

Maximum % to be used for either restricted or unrestricted published rates

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Restricted or Unrestricted

Which should we use?

Restricted

Use if grant funds specify supplement, not supplant.

Unrestricted

Use if supplement, not supplant, does not apply.

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Applying an Indirect Cost for SNP

SNP Indirect Cost Rate × SNP Modified Direct Cost Base = Total Allowed SNP Indirect Cost

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Determine SNP MTDC

1. List all SNP expenditures
2. Determine direct/indirect costs
3. Remove distorting items
4. Add up adjusted direct costs

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Applying an Indirect Cost for SNP

SNP Indirect Cost Rate × SNP Modified Direct Cost Base = Total Allowed SNP Indirect Cost

19.61% × \$1,020,000 = \$200,022

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Indirect Cost Rate Documentation

- ✓ Agreement/plan/proposal
- ✓ Approved indirect cost rate
- ✓ Indirect cost items included in the indirect cost pool
- ✓ Financial documentation demonstrating consistent treatment of indirect costs

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Go to www.menti.com and use the code

Please rate your current level of understanding:

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Expenditures

Child Nutrition Programs

Reasonable (2 CFR 200.404) → Allocable (2 CFR 200.403) → Necessary (2 CFR 200.404) → Proof of Methodology (Adequately Documented & Treated Consistently, 2 CFR 200.412)

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FACTS

A
All rates must be determined in advance

B
Reconcile after the service has been provided

C
Rates cannot change throughout the year

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OUR HISTORY INSPIRES OUR FUTURE SERVICE

Thank you!

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Child Nutrition Content Specialist
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TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER

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Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
2. Fax: (202) 690-7442; or
3. E-Mail: program.intake@usda.gov.

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