



Cost Assessment

Understanding how funds can and cannot be used is key for sponsors developing and executing Summer Food Service Program (SFSP) budgets. This resource provides an overview of allowable costs, selected items of cost, and assessment questions to assist sponsors in determining if costs are allowable under Federal cost principles.

Allowable Costs

Office of Management and Budget (OMB) guidance, under 2 CFR Part 200, requires sponsors using Federal funds to consider these factors in determining allowability. Costs must be:

- Necessary and reasonable for proper and efficient administration of the Programs;
- Allocable to Federal awards applicable to the administration of the Programs; and
- Authorized and not prohibited under State or local laws.

Costs can be allocated as either direct or indirect. Direct costs are those that are related entirely to SFSP. Indirect costs are those that may be assignable to the SFSP and other non-Program objectives.

Operating Costs

The direct expenses you incur to “put meals on the table” are operating costs. They include the SFSP share of what sponsors pay for:

- Food;
- Food service labor salaries and benefits;
- Non-food supplies;
- Rental of food preparation space and equipment;
- Maintenance of food preparation space and equipment;
- Utilities;





- Vehicle rental and maintenance for transporting children or food to the feeding site; and
- Depreciation of nonexpendable equipment.

Administrative Costs

The expenses sponsors incur for activities related to planning, organizing, and administering the Program are administrative costs. They include the SFSP share of allowable expenses for:

- Administrative staff salaries and benefits;
- Office space rental;
- State and local licensing fees;
- Use allowance of furniture and fixtures;
- Office supplies;
- Utilities;
- Building maintenance;
- Audit fees;
- Transportation;
- Communication;
- Insurance; and
- Legal fees.

Unallowable Costs

Food and Nutrition Service (FNS) Instruction 796-4, Revision 4, includes a list of unallowable costs. For costs not included in the list, sponsors and State agencies have the discretion to determine the allowability of using nonprofit food service funds, following cost principle guidelines.

Typical unallowable costs include:

- Losses arising from uncollectable accounts;
- Payment of overclaims, fines, or penalties resulting from Program violations;
- Entertainment;
- Salary and other expenses of State and local elected officials;
- Costs not included in the approved sponsor budget;





- Capital expenditures;
- Purchase of vehicles;
- Fundraising;
- Rental costs of school food service facilities or equipment if rental agreement includes option-to-purchase, and periods outside of SFSP operation; and
- Costs for meals in excess of the number of meals eligible for reimbursement.

Process for Determining Allowability of Costs Process

Under Federal cost principles, an allowable cost must be *necessary*, *reasonable*, and *allocable*. To determine if the proposed use of nonprofit food service account funds for SFSP-related costs is allowable, consider the following questions:

- What is the priority status for use of the nonprofit food service account?
- Is the food service operation achieving its objective, the service of reimbursable meals?
- What product or service is being considered for acquisition?
- How does this product or service directly benefit the operation or improvement of the food service and its priorities?
- Is the cost essential to fulfill regulatory requirements for proper and efficient administration of the SFSP?
- What is the estimated cost of the product or service and would a prudent person in similar circumstances choose to incur the cost?
- If it is a shared cost among SFSP and other non-program objectives, is the pro-rated portion assigned to the SFSP a fair measurement of the benefit to the Program for the cost incurred?
- What are alternative lower or no cost options?





- Would the proposed cost divert nonprofit food service account funds from supporting operational staff time and effort, which would impair or diminish the Program?
- If applicable, is the proposed depreciation cost of nonexpendable equipment equitable, in relation to the use of assets and the benefits to the SFSP?
- Is the method of computing depreciation consistently applied for all similar nonexpendable equipment?

Summarizing a Cost Assessment

This summary assists the sponsor in formulating a request, assists the State agency in determining a decision for each proposed cost to the nonprofit food service account, and provides the necessary supporting documentation. The sponsor and the State agency should summarize the assessment of the cost, including why, in response to the preceding questions, the cost is necessary, reasonable, and allocable.

Policy Guidance

OMB Guidance, 2 CFR Part 200

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles

<http://www.ecfr.gov/cgi-bin/text-idx?SID=047b474ae8f0a14c2a53cc64f4569789&node=pt2.1.200&rqn=div5>

FNS Instruction 796-4, Revision 4

Financial Management of the Summer Food Service Program

<http://www.fns.usda.gov/sites/default/files/796-4.pdf>

Administrative Guidance for Sponsors

<http://www.fns.usda.gov/sites/default/files/AdminGuideSponsors.pdf>





For Additional Information

Review these ideas and adopt the strategies that seem reasonable to you and compatible with your Program. Sponsors and the general public should contact the appropriate State agency for additional guidance. State agencies should contact their FNS Regional Office for additional guidance.

List of FNS Regional Offices: <http://www.fns.usda.gov/fns-regional-offices>

List of State Agencies: <http://www.fns.usda.gov/cnd/Contacts/StateDirectory.htm>

USDA and its recipient institutions share responsibility for compliance and oversight to ensure good stewardship of Federal funds.



Summer Meals Toolkit

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