

# Assessing Costs in the Summer Food Service Program (SFSP)

## Introduction

Office of Management and Budget (OMB) Guidance under 2 CFR Part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart E – Cost Principles”; requires grantees receiving Federal funds to consider the following factors when determining the allow-ability of costs:

- ✦ Be necessary and reasonable for proper and efficient administration of the Programs
- ✦ Be allocable to Federal awards applicable to the administration of the Programs
- ✦ Be authorized and not prohibited under State or local laws

## Selected Items of Cost

Typical allowable operating and administrative costs in the SFSP include:

- ✦ **Operating Costs**
  - ✦ Compensation for Program labor
  - ✦ Food and nonfood supplies (e.g., napkins, trays, utensils) for SFSP meals
  - ✦ Facilities service costs (e.g., rental of school food service facilities for dining purposes only and food service equipment)
  - ✦ Repair and maintenance equipment costs attributable to the SFSP
  - ✦ Maintenance costs of rented facilities (not in rental fees),
  - ✦ Utility costs in the operation of the facility for the SFSP (not in rental fees)
  - ✦ Transporting children or food to the feeding site (e.g., mileage reimbursement)
  - ✦ Depreciation cost of nonexpendable equipment
- ✦ **Administrative Costs**
  - ✦ Planning, organizing, and managing a food service operation under the SFSP

Items considered unallowable include:

- ✦ Losses arising from uncollectable accounts including when reasonable efforts have been made to collect them
- ✦ Payment of overclaims, fines, and/or penalties resulting from Program violations
- ✦ Entertainment (e.g., social activities, amusements)
- ✦ Salary and other expenses of the State and local legislators
- ✦ Costs not included in the sponsor’s budget as approved
- ✦ Capital expenditures (e.g., acquisition of land and buildings, the alteration of existing facilities, or nonexpendable equipment)
- ✦ Purchasing costs for vehicles
- ✦ Fundraising (i.e., expenses incurred to obtain contributions)
- ✦ Rental costs of school food service facilities or equipment if rental agreement includes option-to-purchase, and periods outside of SFSP operation
- ✦ Costs for meals in excess of the number of meals eligible for reimbursement

### A RESOURCE FOR SFSP SPONSORS

*Basic Guidelines for Determining Allowability of Costs*

### Helpful Tip

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



### Helpful Tip

**For costs not included in the list of unallowable costs in the FNS Instruction 796-4 (Rev 4), sponsors and States have the discretion to determine the allow-ability of using nonprofit food service funds to pay for such costs following cost principle guidelines.**

### Additional Resources

**SFSP FNS Instruction  
796-4, Rev 4**

**SFSP 2015 Administrative  
Guidance for Sponsors (Ch. 4)**

**Contact your State agency for  
additional assistance and  
support.**

## Determining Allow-ability of Costs Process

When considering proposed uses of nonprofit food service account funds for SFSP-related costs, the following is a list of assessment questions to assist sponsors in determining if costs are allowable under Federal cost principles; i.e., necessary, reasonable, and allocable.

- ✚ 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/service is being considered for acquisition?
- ✚ How does this product/service directly benefit the operation and/or improvement of the food service program and its priorities (i.e., encourage the service of reimbursable meals)?
- ✚ Is the cost essential to fulfill regulatory requirements for proper and efficient administration of the SFSP?
- ✚ What is the estimated cost of the product/service? Would a prudent person in like circumstances opt to incur the cost?
- ✚ If it is a shared cost between the SFSP and other non-program objectives, is the pro-rated portion assigned to the SFSP a fair measurement of the SFSP's benefit from incurring the cost?
- ✚ What alternative options through low/no cost ways to address the need have been taken (i.e., purchasing low/lower cost items, using the service of volunteers, etc.)
- ✚ Would the proposed cost divert nonprofit food service account funds from supporting food service operation staff time and effort, thus impair or diminish the delivery of the food service operation?
- ✚ If applicable, is the proposed depreciation cost of nonexpendable equipment equitable considering the use of assets and the benefits to the SFSP?
  - ✚ Is the method of computing depreciation consistently applied for all like nonexpendable equipment?

## Summarizing a Cost Assessment

To complete an assessment of a proposed cost, both the sponsor and State agency should summarize the assessment of the cost, including why the cost is allowable (i.e., necessary, reasonable, and allocable) in light of the responses to the questions above.

This summary would assist the sponsor in communicating a request and the State agency in communicating a decision for each proposed cost to the nonprofit food service account and provide supporting documentation upon request by FNS and/or a Federal/State auditor.