

# FINANCIAL MANAGEMENT GUIDE



...building healthy habits for life



**Bureau of Child Nutrition Programs**  
4052 Bald Cypress Way, Bin A-17  
Tallahassee, FL 32399-1727  
Phone: 850.245.4323  
FAX: 850.414.1622

Website: [www.doh.state.fl.us/ccfp](http://www.doh.state.fl.us/ccfp)

Rev 6/05

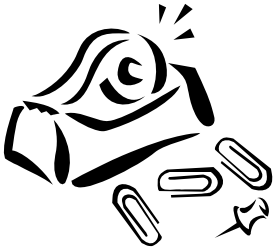
In accordance with Federal law and U.S. Department of Agriculture (USDA) policy, all institutions that participate in the Child Care Food Program are prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 or (202) 720-6382 (TTY). USDA is an equal opportunity provider and employer.

# **CHILD CARE FOOD PROGRAM FINANCIAL MANAGEMENT GUIDE**

## **Table of Contents**

<b>Introduction</b>	<b>Page 1</b>
<b>Budget</b>	<b>Page 1</b>
<b>Planning the Budget</b>	<b>Page 2</b>
<b>Documenting Program Costs</b>	<b>Pages 3-10</b>
<b>Quick Reference to Allowable Costs</b>	<b>Pages 11-17</b>
<b>Quick Reference to Non-Allowable Costs</b>	<b>Pages 18-19</b>
<b>Financial Management of Equipment and Services</b>	<b>Pages 20-27</b>
<b>Management and Organizational Effectiveness</b>	<b>Pages 28-30</b>
<b>Record Keeping Requirements</b>	<b>Page 31</b>
<b>Appendix – list of forms available on line</b>	<b>Page 32</b>

**Notes**



Did you know that your estimated budget should equal your projected earnings?

When a sponsor of affiliated centers prepares its budget, administrative costs must not exceed 15 percent of its total projected earnings. If you are an independent center sponsor, this limitation does not apply. Unaffiliated sponsors have other guidelines not addressed in this manual

**Introduction**

Financial Management is an administrative function for the effective control over, and accountability for, all funds, property, and other assets. Financial management includes budgeting, costing standards, internal control, management of revenues and expenses, management of property, procurement standards, and fiscal audits.

A financial management system will document sound financial practices, ensure good internal controls, and withstand audits. All CCFP contractors, whether public or private organizations, must maintain a financial management system. A financial management system includes an approved budget, records of meals served, reimbursement claims, a reliable accounting or bookkeeping system, and documentation of all food service related income and expenditures.

The following are other guides that are pertinent financial sources for the program particularly if you are a Day Care Home or Unaffiliated Sponsor:

1. OMB Circular A-21, "Cost Principles for Educational Institutions"
2. OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments"
3. OMB Circular A-122, "Cost Principles for Non-Profit Organizations"
4. FNS Instruction 796-2, Revision 3
5. 7 CFR 3015, "Uniform Federal Assistance Regulations"
6. 7 CFR 3016, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State And Local Governments"
7. 7 CFR 3019, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations"

**Budget**

The food service program must be operated as a nonprofit food service. As such, if any excess of CCFP reimbursements remain after subtracting total yearly CCFP reimbursement funds less total yearly CCFP expenditures claimed then the following requirements must be met. All CCFP reimbursement funds must be used (1) solely for the conduct of the food service, or (2) to improve food service operations, principally for the benefit of the enrolled children.

Each contractor is required to submit an annual budget and annual management plan with its application to participate in the Program. Budgets are maintained on a federal fiscal year, October 1 through September 30. The line items on the budget form show what expenditures may be included in the operation of the CCFP.

## Notes

The DOH Bureau of Child Nutrition Programs strongly recommends that at least 50 to 60 percent of your total budget be spent on food.

**Use the Projected Earnings Worksheet to estimate CCFP reimbursement.**



Are you thinking about becoming a CCFP contractor? If you are, attending prospective contractor training may help you decide if you wish to participate in the CCFP.

**See Budget for Sponsoring Organizations or Budget for Independent Centers, to help develop your CCFP Budget.**

**A list of allowable and non-allowable costs are available on Pages 11-19.**

Expenditures are costs incurred for (1) *administration* and (2) *operation* of the food service program and which are allowable under the CCFP regulations. The "**Administrative Function**" and "**Program Operation Function**" are addressed on the budget form.

## **Planning the CCFP Budget**

To develop a CCFP budget, estimated reimbursement and estimated expenditures must be identified.

Estimating Reimbursement: The first step is to determine projected Program earnings. Program reimbursement is figured by multiplying the number of meals served by the percentage of children in the Free, Reduced-price, and Non-needy categories, by the current rate for each meal type. An existing Program participant can calculate, by using last year's records and their current monthly Blended Reimbursement Rate, an estimated annualized Program earnings amount. For a prospective CCFP contractor, prior steps are needed before completing the Projected Earnings Worksheet. Training on how to identify and qualify children per the "Free and Reduced-Priced Meals Application" is necessary.

The second step is to identify and estimate other income sources available to pay food service costs.

Estimating Administrative and Operating Expenditures: An existing Program participant can estimate, by using the prior year's budget, accounting records, and other supporting documentation, an amount for each applicable budget line item. For a prospective CCFP contractor, either technical assistance from the Department of Health (DOH) area consultant, or a consultation visit with an accounting or bookkeeping service, or both, is recommended.

Applicable joint costs must be prorated to determine the portion of the total cost that is applicable to the *administration* of the CCFP. The method used to prorate expenditures must be clearly described, maintained on file, and approved by DOH. (Documentation must be available for review by the area consultants and auditors.)

Individual budget line items should also be reviewed to ensure that each are allowable, reasonable, and necessary.

Notes

Why is documentation so important? Keeping accurate records is vital to getting reimbursed under the CCFP. These records substantiate the costs that will be paid using CCFP reimbursement monies. They are PROOF that you, the CCFP contractor, used CCFP funds properly.

## Documenting Program Administrative Costs

Program administrative costs are costs to plan, organize, and manage the food service operation.

Planning activities include:

- Conducting pre-approval visits to sites,
- Drawing up a Program management plan that includes a budget and a staffing plan.

Organizing activities include:

- Hiring and training of administrative personnel and on-site employees with regard to Program guidelines,
- Procuring facilities and equipment,
- Negotiating contracts with food service management companies.

Managing activities include:

- Salaries, including fringe benefits, of full-time or part-time staff whose sole job is administering the CCFP. This is considered direct administrative labor.
- Salaries, including fringe benefits, of staff who work only part of their time in the administration of the CCFP and part of their time with other duties. This is considered indirect administrative labor and only the time spent on CCFP administrative work can be claimed.

Other management costs, which are to be *prorated where applicable*, include:

- Mileage and the prorated portion of salaries for performing monitoring reviews and training,
- Documenting Program Administrative Costs
- Rental of office space,
- Rental of office equipment,
- Office supplies used for CCFP purposes,
- Utilities,
- Printing necessary for CCFP purposes,
- Communications, such as postage, telephone, fax, Internet service, used for CCFP purposes.

**Notes**

**Use the Administrative Expenditures Worksheet to track allowable CCFP costs (by month and budget line item).**

Supporting documentation should be filed with the administrative and operating expenditure(s) worksheet(s) or other accounting records and kept on site.

**Use the Personnel Activity Report to document Program administrative labor.**

**Documenting Program Administrative Costs**

Documentation of administrative labor includes official payroll records, employees' time and attendance reports, Personal Activity Reports (PARS), and cancelled payroll checks. A written compensation plan for labor costs is also required for all contractors. The compensation plan is an organization's policies on every element of compensation earned by their employees, such as, salary, benefits, overtime, etc. If your organization has one, it is usually part of your organization's personnel policy manual. If not, you may use the one included in the appendix to this guide.

Documentation of travel/transportation costs (approved mileage rate times total miles) includes a mileage record or log and applicable receipts.

Documentation for a portion of the costs for office space, utilities, office supplies, and communications includes, at a minimum, itemized receipts, invoices, and cancelled checks as well as a logical allocation basis for claiming a portion of the cost. Any kind of rental agreement between related parties requires full disclosure using the "CCFP Supplemental Budget Information for Special Cost Items" form included in the appendix to this guide.

Documentation for contracted labor or services includes a copy of the applicable contract or agreement, cancelled checks as well as a logical basis for claiming a portion of the cost. Certain professional, semi-professional, and consultant services, to be allowable, likewise, require completion of the "CCFP Supplemental Budget Information for Special Cost Items" form.

**Notes**



Food purchased for personal use, meals for meetings, and restaurant meals are unallowable food costs.

Use "Food Costs," Column (d), Operating Expenditures Worksheet to track these monthly CCFP operating costs.

Independent centers and sponsoring organizations of centers must claim food costs. If you determine that your monthly food costs alone will exceed the CCFP monthly reimbursement check, no other expenses need to be reported.

**Documenting Food Costs**

Food costs are expenditures for the food used in meals/snacks served to enrolled CCFP participants. This includes transportation charges, costs of processing, distributing, storing, and handling of purchased and donated foods. A reduction to the costs of food used includes allowances on contractors' invoices for unacceptable food, cash discounts, and rebates. Note: donated foods cannot be assigned a value and claimed as a reimbursable cost.



Contractors must be able to document all food costs reported.

Documentation of food costs is dependent upon the method of purchasing food.

Direct purchasing:

Receipts that include cancelled checks, or itemized cash register tapes, or itemized invoices. Receipts should be signed and dated by the person making the purchases as a method of internal control.

Contract purchasing through a school or food service management company:

- √ A copy of the contract or school agreement,
- √ Itemized statements that include bills sent by supplier(s) showing the total costs for a month,
- √ Delivery invoices that shows the date and the kind and amount of food delivered or meals received from a vendor. The person receiving the item(s) must sign the invoice(s).
- √ Daily count of the number of meals delivered.

**Notes**



Use the "Non-Food Supplies and Expendable Equipment Costs," Column (e), of the Operating Expenditures Worksheet help you track these monthly CCFP operating costs.

Non-Food costs, such as toilet paper, toothpaste, arts and crafts supplies, toys, games, and videos are unallowable. Laundry and general cleaning supplies not used in the food service area are also unallowable.

Central purchasing by independent center or sponsoring organization (buys, stores and disburses food supplies directly to facilities):

- √ Itemized statements, which include bills, sent by the supplier showing total costs for a month.
- √ Delivery invoices which show the date, and the kind and amount of food delivered or meals received from the supplier. The person receiving the item(s) must sign the invoice(s).

**Documenting Non-Food Supplies and Expendable Equipment Costs**

Examples of nonfood supplies that may be claimed as program costs for reimbursement include:

- small kitchen equipment;
- paper goods, such as paper towels, napkins, plates, cups, utensils, and;
- cleaning supplies, such as dishwashing detergent, hand soap, cleanser, and sanitizing sprays which are used directly for the food service operation.



Contractors must be able to document all non-food costs reported.

Documentation includes itemized receipts or invoices of non-food costs. Receipts can be in the form of either cancelled checks or itemized cash register tapes. Receipts should be signed and dated by the person making the purchase.

**Notes**

Use the Operating Expenditures Worksheet, Column (f) "Food Service Labor Costs" to track these costs.

Use the Personnel Activity Report to document food service labor costs.

Written compensation plans are required for all CCFP contractors. Labor costs charged to the CCFP are only allowable if addressed in your organization's written compensation plan. If you do not have a plan, you may use the "Written Compensation Plan for Labor Costs,"

**Documenting Food Service Labor Costs**

Food service labor costs are costs for staff directly involved in the food service (meal planning, purchasing, preparation, serving, and cleanup). This may include salaries, wages, employee fringe benefits and the share of taxes paid by the organization for this position.

Program labor costs include salaries and fringe benefits of staff such as cooks, nutritionists, and custodians.

Operational program labor may also include:

- On-site preparation of records required for the CCFP (recording the number of meals served, production records, monthly menu plans); and,
- Supervision of children during the meal service.

Indirect program labor is the cost of staff who work only part of their time with CCFP meal service and part of their time with other duties. The organization can claim only the time spent on CCFP meal service. For example, a part-time cook with duties other than food service, or a teacher who spends some of his/her time serving food during meal service must complete a "Personnel Activity Report" (see Attachment 4) to verify the actual time spent on food related duties.



Documentation of program labor includes official payroll records or accounting payroll ledger(s), daily timesheet and/or personnel activity report, and cancelled payroll checks. Also, the organization's compensation plan should be available for review for internal compliance with its own procedures and policies. Written compensation plans are required for all CCFP contractors to support the allowability of your organization's labor costs. You may use the "Written Compensation Plan for Labor Costs" developed by DOH if your organization does not have one.

Notes

Use the "Purchased Services," Column (g), Operating Expenditures Worksheet to track these monthly CCFP operating costs.



Maintenance contacts and service repair contracts on CCFP equipment require completion of the "CCFP Supplemental Budget Information for Special Cost Items" form."

**Documenting Purchased Services**

Purchased services are costs of services that are required for program food service operations. Purchased services include food equipment rental, rental of space, laundry of towels and aprons, trash service, insect and rodent control services, janitorial services, and minor repair of food service equipment.

The center/organization can claim only that portion of the cost that is directly related to CCFP food preparation and meal service. If another part of your program uses the service, that program should share the cost. Costs that are often shared include garbage pick-up, extermination, and cleaning services.

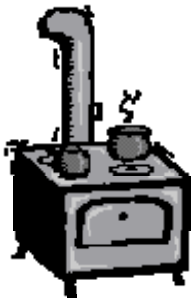


Documentation of purchased service costs includes invoices and cancelled checks. Contracts or agreements should also be available to support claimed costs. A reasonable, logical allocation method should support the portion charged to the CCFP.

Any purchased service between related parties, that is, a relative or anyone that could receive a financial benefit from the other party, requires the completion of the "CCFP Supplemental Budget Information for Special Cost Items" form. Likewise, maintenance contacts and service repair contracts on CCFP equipment require completion of the "CCFP Supplemental Budget Information for Special Cost Items" form."

## Notes

Equipment means an article of **non-expendable, tangible personal property** having a useful life of at least one year and an **acquisition cost**, which equals or exceeds the lesser of the capitalization level established by the organization for financial statement purposes, or **\$5,000**. Items that have a **multi-program use** can be either depreciated or a use allowance applied. A use allowance can be claimed but cannot exceed six and two-thirds percent of acquisition cost. Examples of multi-program equipment include office equipment and furnishings, air conditioning, motor vehicles, computers, etc. If the item is used exclusively and only for CCFP purposes, with prior DOH approval, the item may be directly charged to the CCFP.



## Documenting Non-Expendable Equipment Costs

When a contractor has covered the cost of food, non-food supplies, and labor for the meal service, and there are CCFP funds still available, the contractor may use those funds to purchase additional equipment.

**All program specific equipment** (used exclusively and only for CCFP purposes) which costs \$5,000 or more may be directly charged or expensed to the CCFP if **approved in writing** by the DOH **prior to the purchase**. This is considered a “special cost item” and requires the completion of the “CCFP Supplemental Budget Information for Special Cost Items” form.

**Multi-program equipment** costing \$5,000 or more with a useful life of at least one year or more may be either depreciated or a use allowance applied. (Items worth less than \$5,000 no longer have to be depreciated but can be directly charged to the CCFP because these items are considered “supplies.”)

To figure the yearly depreciation of a piece of equipment, divide the cost by the number of years of expected useful life. Sometimes a supplier can help determine the useful life.

For example, if an item costs \$5,000 and is expected to last five years, the yearly depreciation cost would be \$1,000. Divide the yearly cost by twelve to find the monthly depreciation cost. If this equipment is being used for non-CCFP activities, the monthly depreciation cost must be prorated. The amount to be charged to the CCFP should be based on a logical, reasonable allocation method.

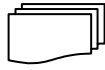
Notes

OMB Circular A-87 considers equipment costing less than \$5,000 to be supplies. These are allowable as *direct costs* (non-depreciable) without specific agency approval.

Use "Non-Expendable Equipment Costs," Column (g), Operating Expenditures Worksheet to track these monthly operating costs.



## Documenting Non-Expendable Equipment Costs



Documentation of equipment costs includes invoices and cancelled checks. If equipment is being depreciated, depreciation records are required. All records must be retained during the **life of the equipment** and for 5 years after the end of the federal fiscal year during which an equipment item is fully depreciated. Records must also be kept beyond this period if audit findings have not been resolved.

For further information on equipment purchases or leasing, see "**Financial Management of Equipment and Services**," pages 20-27.

**Notes****Quick Reference to Allowable CCFP Costs**

All allowable CCFP costs, operative and administrative, must meet the following criteria:

- Must represent an actual operating/administrative cost incurred in the normal course of conducting the Program;
- Are necessary and reasonable for the proper and efficient conduct of the Program;
- Are authorized or not prohibited under Program regulations and state or local laws;
- Conform to any limitations or exclusions in the federal laws or governing regulations as to type or amount of cost items;
- Are accorded consistent treatment through application of generally accepted accounting principles;
- Are not charged, directly or indirectly, as a cost to any other federally financed program in either the current or a prior period;
- Be net of all applicable credits, i.e., rebates, discounts, refunds due to spoilage, etc.;
- Are properly allocated if a shared cost of an organization having multiple funding sources; and,
- Are adequately documented.

**ALLOWABLE COSTS include:**

Accounting: the cost of establishing and maintaining accounting systems required for the management of the Program. Tax preparation is not an allowable expense.

Advertising: costs which are solely for solicitation of bids for procurement of goods and services, recruitment of personnel, or disposal of surplus goods or material.

**Notes**

For information about purchasing or leasing equipment, refer to "STEPS IN PURCHASING/ LEASING," Page 23.

## Quick Reference to Allowable CCFP Costs

Automatic Data Processing (ADP): costs may include rental of equipment, depreciation of owned equipment or equipment purchased and expensed.

Bonding Cost: the cost of premiums on bonds covering employees who handle Program funds.

Central Stores: cost of maintaining and operating a central store facility for food, non-food supplies, and expendable equipment.

Communications: costs incurred for telephone, postage, and messenger services when necessary for the Program.

Compensation for Administrative Labor: salaries and benefits of administrative personnel necessary to support administrative services. Payroll records are required to document these costs. In addition, distribution of salaries and wages for employees charged to more than one program must be supported by appropriate time reports.

Compensation for Program Labor: cost necessary to accomplish menu planning and preparing, serving, and cleanup of Program meals; supervision of participants during the meal service; and on-site preparation of records required for the Program.

Program Labor Costs are allowable when the amounts reported are based upon hourly rates that are reasonable for the services provided. Hourly rates for Program labor will be considered reasonable to the extent that those rates are consistent with rates paid for similar work in the area or neighborhood in which the CCFP contractor is located. The cost of Program labor may include the amount of wages and fringe benefits, such as Social Security, withholding tax, and retirement benefits.

**Notes**

For more information about depreciation or use allowances, refer to "DEPRECIATION/USE ALLOWANCE," Page 26.

## Quick Reference to Allowable CCFP Costs (continued)

The costs associated with personnel who work part-time in CCFP labor and part-time in other duties, including those performed in child care centers or other programs, must be prorated based on the hours worked for each activity. In order to establish the portion of costs that may be reported as CCFP labor, a daily log (see Personnel Activity Report, Attachment 4), or other approved time distribution method must be used to compute the amount of time spent on the food service duties. This report is in addition to the payroll records. This procedure will enable the contractor to determine the number of hours per month or percentage of employees' time worked in CCFP.

Depreciation of Non-Expendable Equipment: expense associated with physical deterioration and consequent loss in value of equipment used in the Program.

Food Costs: expenditures for food used in Program meals served. Records to document the cost of food used must include:

- Itemized food service invoices and/or grocery receipts.
- Records of returns, allowances, cash discounts taken, and other credits when they are not shown on purchase invoices.
- Cancelled checks or other forms of receipts for payment.

Shared Costs: costs that benefit more than one program and can not be readily identifiable or assigned. Utilities, trash disposal, and insurance are examples of costs that are usually shared among programs.

Notes**Quick Reference to Allowable CCFP Costs  
(continued)**

If a negotiated indirect cost rate exists, this rate must be used by the contractor for indirect costs that are charged to the CCFP. If there is no existing indirect cost rate, each contractor must have a rate approved by the DOH prior to use.

Insurance and Indemnification: indemnification includes securing the contractor against liabilities to third persons and other losses not compensated by insurance or otherwise.

Cost of insurance in connection with the general conduct of CCFP activities is allowable subject to the following limitations: policy must specify coverage for activities related to the CCFP.

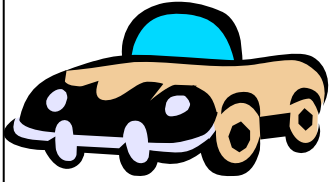
Contributions to a reserve for self-insurance **approved by the DOH** are allowable to the extent that the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks.

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 items that occur in the ordinary course of operations, are allowable.

Legal Expenses: only those expenses required in the administration of the Program.

Management Studies: the cost of organization management studies to improve the effectiveness and efficiency of Program management for ongoing programs is allowable. The cost of studies performed by agencies other than the contractor is allowable only when **authorized by the DOH**.



Notes

Mileage records must be reviewed to ensure costs are reasonable and approved by an authorizing official.

## Quick Reference to Allowable CCFP Costs (continued)

Mileage Allowance: actual costs for operating a leased vehicle including fuel, depreciation, insurance, and maintenance; or reimbursement by actual miles used leased or personal car.

Documentation to support mileage allowances charged to the Program must include for each trip: driver's name, date, mileage, origin, destination, and purpose of travel. A record of payment to the employee must be documented.

Non-Food Supplies: documented costs of non-food items necessary for the service of Program meals.

Payroll Preparation: cost of preparing payrolls and maintaining necessary related wage records to the extent that the expenditures are made for Program purposes and the extent that they are not further included in the indirect cost pool.

Personnel Administration: costs for the recruitment, examination, classification, establishment of pay standards, training, and related activities for Program purposes.

Printing and Reproduction: cost of printing and reproduction of materials necessary to the Program.

Procurement Service: 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.

Professional Services: cost of professional services such as, legal consultation, rendered by outside individuals or organizations is allowable **subject to prior DOH approval**.

**Notes**

The cost of space procured for Program use may not be charged to the Program for periods of non-occupancy without authorization from the DOH.

Less-than-arms-length transactions are not allowed.

A less-than-arms-length transaction is one under which one party to the agreement is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to those between divisions of an organization; organization under common control through common officers, directors, or members; and an organization and a director, trustee, officer, or key employee of the sponsoring agency or immediate family, either directly or through corporations, trusts, or similar arrangements in which a controlling interest is held.

**Quick Reference to Allowable CCFP Costs  
(continued)**

**Purchased Service:** costs of services which are required for operations when supported by source documents as direct expenses include:

- Rental of equipment;
- Maintenance and repair of equipment;
- Utilities, security, janitorial service when not otherwise included in the indirect cost pool.

**Space and Facilities Cost:** the cost of space in privately or publicly owned buildings used for the benefit of the Program is allowable subject to specified conditions. The total cost of the space, whether in privately or publicly owned buildings, may not exceed the rental cost of comparable space and facilities for privately owned buildings in the same locality. In addition, the lease must be a bona fide arms-length agreement.

**Rental Costs—Buildings and Facilities:** the rental cost of space in a privately owned building is allowable to the extent that the rental rate is reasonable and a bona fide arms-length rental exists. 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 and a bona fide arms-length rental exists. Such charges must be determined on the basis of actual cost (including depreciation based on the useful life of the building, interest paid or accrued, operations and maintenance, and other allowable costs). Where these costs are included in rental charges, they may not be charged elsewhere. No costs will be included for purchases or construction that were originally financed by the federal government.

**Rental Costs—Private Residence:** the cost of space in a private residence is allowable to the extent that (1) the rental rate is reasonable and (2) a bona fide arms-length rental exists between the contractor and the owner of the property.

Notes**Quick Reference to Allowable CCFP Costs  
(continued)**

The rental fee must be prorated. Determine the percentage of square feet used exclusively for CCFP by taking the total square footage in the home and dividing it into the square footage used for the office. Apply this percentage to the acquisition cost of the house and then take 2 percent of that amount to obtain the yearly use allowance.

Example: a 2,200 square foot home and 200 square foot office would be 220 (  $2200 = 9\%$  used for CACFP.  $\$85,000$  house acquisition cost  $\times 9\% = \$7,650 \times 2\% = \$153$  annual use allowance or  $\$12.75$  monthly use allowance.



Maintenance and operation of building space: the cost of utilities, insurance, security, janitorial service, elevator service, upkeep of grounds, normal repairs and alterations, and the like, are allowable to the extent that they are not otherwise included in rental agreements, indirect cost pool, or other charges for space.

Rearrangement and alterations: costs incurred for rearrangement and alterations to facilities owned by the contractor that are necessary for efficient and effective Program operations, but do not result in capital improvement, require specific prior written approval from DOH. If such rearrangement and alterations result in *capital improvements*, not exceeding \$5,000, these costs are also allowable with prior written approval.

Taxes: taxes which are a legal requirement.

Travel: program travel costs for in-state travel which are approved in writing by an official representative of the contracting agency for transportation, lodging and subsistence when incurred by employees who are in approved travel status for on Program-related business. Out-of-state travel must be also be approved in writing by an official of the contracting organization.

Notes**Quick Reference to Non-Allowable CCFP Costs****NON-ALLOWABLE COSTS include:**

Accounting System: total cost of maintaining a central accounting system to meet requirements of the overall organization.

Bad Debts: any losses arising from uncollectible accounts and other related claims. An overclaim as the result of a supervisory review or audit which cannot be collected from a sponsored home or center is a bad debt.

Capital Expenditures: capital expenditures for land or buildings are unallowable as direct or indirect costs. Capital expenditures for improvements to land, buildings, or equipment, which materially increase their value or useful life, are unallowable as direct or indirect costs.

Contingencies: contributions to a contingency reserve or any other similar provision for unforeseen events.

Contributions and DonationsDoor Prizes

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

Financing and Refinancing Operations: all taxes, legal and professional fees in connection with financing and refinancing operations.

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

Fund Raising: fund raising, including financial campaigns, endowment drives, solicitations of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions.

Gifts: any favors or gifts given for any reason.



**Notes****Quick Reference to Non-Allowable CCFP Costs  
(continued)**

Insurance Losses: actual losses that could have been covered by permissible insurance through an approved self-insurance program or otherwise.

Late Charges/Penalties: any costs associated with late filings and/or late payments (penalties, interest, etc.).

Legal Expenses: non-allowable costs include, but are not restricted to: (1) legal expenses for the prosecution of claims against the federal government, (2) legal retainer fee or cost of maintaining a legal staff solely for the purpose of discharging general responsibilities, and (3) legal expenses for reorganization by the CCFP contractor.

Political or Partisan Costs: funds may not be used for political or partisan advocacy purposes.

Refreshments: cost of refreshments served at meetings.

Resource and Referral (R&R): R&R services are established primarily to benefit the day care community, not the CCFP. Since any benefit to CCFP derived from R&R services is considered coincidental, R&R services is not an allowable cost.

Start-Up Costs: organization costs, such as incorporation fees, legal fees, management consultants, etc.

Under Recovery: any excess of costs over the federal contribution under another grant agreement.



Notes**Financial Management Of Equipment And Services****Procurement**

Procurement standards establish guidelines for the procurement of foods, supplies, equipment, and other goods and services. These standards are furnished to ensure that such materials and services are obtained efficiently and economically and in compliance with CCFP regulations and other applicable federal laws. Procurements made with CCFP funds must conform to the standards set forth in regulations (7 CFR 226.22) and applicable Office of Management and Budget (OMB) Circulars as summarized in the following paragraphs.

Methods of Procurement: the methods described in the following paragraphs must be used for obtaining goods and services:

- Price quotations for small purchases
- Competitive sealed bids (formal advertising)
- Competitive negotiation
- Noncompetitive negotiation

Price Quotations for Small Purchases (Under \$10,000):

Small purchase procedures are relatively simple and informal procurement methods that are sound and appropriate for the procurement of services, supplies or other property, costing in the aggregate not more than \$10,000. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number (at least 2 or 3) of qualified sources.



Non-expendable equipment, vehicles, furniture or other items with an acquisition **cost of \$5,000** or more must have **written approval from DOH** prior to the purchase.

## Notes

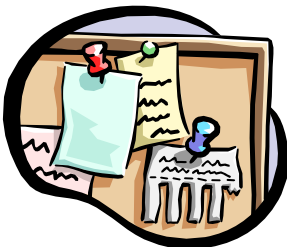
Competitive Sealed Bids: sealed bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the most responsible, responsive bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is lowest in price.

Competitive Negotiation: proposals are requested from a number of sources and the Request for Proposal is publicized. Negotiations are normally conducted with more than one of the sources submitting offers, and either a fixed-price or cost-reimbursable type contract is awarded, as appropriate. Competitive negotiation may be used if conditions are not appropriate for the use of formal advertising; however, **prior approval from the DOH** is required.

Noncompetitive Negotiation: noncompetitive negotiation is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate. Noncompetitive negotiation may be used when the award of a contract is infeasible under small purchase, competitive bidding (formal advertising), or competitive negotiation procedures. Prior approval from the DOH is required.

Procurement Procedures: procurement procedures will include, but are not necessarily limited to:

- The CCFP contractor will establish procurement procedures which provide that proposed procurement actions will be reviewed by local board of directors.
- Affirmative steps must be taken to assure that small and minority businesses are utilized when possible.
- All procurement transactions will be conducted in a manner that provides maximum open and free competition.
- All procurement transactions will be conducted in a manner that avoids conflict of interest, real or apparent.



**Notes**

Conflict would arise when transaction involves:

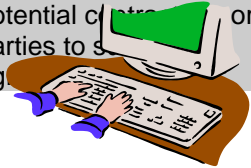
1. the employee, officer, or agent;
2. any member of his/her immediate family;
3. his or her partner; or
4. an organization which employs or is about to employ any of the above, has a financial or other interest in the firm selected for the award.

- Solicitations of offers will incorporate a clear and accurate description of the requirements so as not to unduly restrict competition, and also set forth all requirements and other factors to be used in evaluating bids.
- Awards will be made only to responsible contractors.
- Procurement will be made by one of the methods described on the previous pages.

**Bids will:**

- Be solicited from an adequate number of sources/vendors;
- Be publicly advertised in a newspaper with state or regional distribution;
- Clearly define the services needed;
- Be opened publicly at the time and place stated in the invitation for bids;
- Be made by written notification to the responsible bidder whose bid (a) meets all specifications and (b) is the lowest and best using a firm-fixed price contract award.

The sponsoring agency's officers or employees may not solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to a contract with the agency.



**Notes****Steps in Purchasing/Leasing**

**Equipment Leases:** leases for equipment are allowable if the rates are reasonable, taking into consideration such factors as rental costs of comparable equipment; alternatives available; and type, life expectancy, condition, and value of equipment leased. A lease with an option to purchase or one that creates material equity in the equipment is also allowable only up to the amount that would be allowed had the CCFP contractor purchased the equipment on the lease date.

**Purchase/Lease of Equipment and Furniture (other than Automatic Data Processing Equipment):**

**Under \$5,000:** no prior DOH approval for the specific item is needed. Verify from the CCFP budget that adequate funds are available prior to purchase/lease.

**\$5,000 to \$10,000:** **DOH approval is required prior to purchase/lease.** The CCFP contractor must obtain equipment comparisons and price quotes for lease or purchase of equipment. To obtain DOH approval to purchase/lease equipment, the CCFP contractor must:

1. Verify from the CCFP budget that adequate funds are available. Adequate funds may vary according to the method of purchase/lease.
2. Submit a written request for purchase/lease of the item including verification that price quotes were obtained from an adequate number of qualified sources. This will generally be 2-3 quotes for lease and 2-3 quotes for purchase.

Send copies of the price quotes to the DOH. List first and second choices for lease/purchase in order of acceptability. Include an explanation for the choices. If the lease/purchase is not requested from the lowest responsible bidder, include justification for requesting a vendor who did not submit the lowest bid. Lease information must include all terms of the lease including disposition of equipment at the termination of the lease.



**Notes**

The DOH has the right to limit the amount of depreciation charged to CCFP if an item was not procured in a manner which resulted in the lowest price for the item purchased.

**Steps in Purchasing/Leasing (continued)**

The steps identified above are the same regardless of whether the item is purchased by paying cash or making payments.

**Purchases Over \$10,000:** **DOH approval is required prior** to purchase. In addition to steps previously listed in the "\$5,000 to \$10,000" subsection, bidding procedures must be followed if any state or federal funds are used. Refer to **Procurement Procedures** in this section.

**Purchase/Lease of ADP Equipment:**

CCFP contractors must have written approval from the DOH prior to obtaining any automatic data processing (ADP) equipment. ADP equipment includes all computer hardware and peripheral equipment. The contractor must obtain equipment comparisons and price quotes for lease and purchase of equipment. All software must be approved by the DOH prior to purchase. To obtain DOH approval to purchase/lease ADP equipment, the contractor must:

1. Verify from the CCFP budget that adequate funds are available. Adequate funds may vary according to the method of purchase/lease.
2. Submit a written request for purchase/lease of the item including verification that price quotes were obtained from an adequate number of qualified sources. This will generally be 2-3 quotes for lease and 2-3 quotes for purchase.
3. Send copies of the price quotes to the DOH. List first and second choices for lease/purchase in order of acceptability. Include an explanation for the choices. If the lease/purchase is not requested from the lowest responsible bidder, include justification for requesting a vendor who did not submit the lowest bid. Lease information must include all terms of the lease including disposition of equipment at the termination of the lease.

The steps identified above are the same regardless of whether the item is purchased by paying cash or making installment payments.

**Notes****Inventory**

An inventory must be maintained for any equipment with a purchase price of \$1,000 or more and a life expectancy of more than 2 years. The inventory records must include:

- √ description of the item,
- √ manufacturer's serial number or other identification,
- √ date and cost,
- √ unit acquisition cost,
- √ source of property,
- √ percentage of federal funds used in acquisition,
- √ location,
- √ use and condition,
- √ ultimate disposition date, including sales price or method used to determine fair market value, and
- √ whether title vests in the contractor or federal government.

A physical inventory must be completed annually and reconciled with the property records. Physically marking each item of equipment is not required.

**Notes****Depreciation/Use Allowance**

Depreciation is an allowance made for a loss in value of property. It is based on acquisition cost and the life expectancy of the asset. Depreciation may be applied only to the net acquisition cost. If only a portion of the acquisition cost is supplied by federal funds, a net acquisition cost must be determined. Acquisition costs include the net invoice price paid for an item, the cost of modification, attachments, or auxiliary apparatus necessary to make it usable for its intended purpose. Acquisition costs also include any separate payments for delivery and installation of an equipment item. All depreciation charged to CCFP must be documented and, when appropriate, prorated between CCFP and non-program use.

If equipment is acquired by trading in another item and paying an additional amount, the acquisition cost becomes the amount received for trade in plus the additional expenditure. The allowance received for trade-in cannot be used in determining acquisition cost if the item traded in was fully depreciated. The depreciation of idle or obsolete equipment is unallowable.

If a contractor incurred costs to obtain or utilize donated facilities, vehicles, or equipment, only the portion of the cost actually incurred by the contractor may be classified as the acquisition cost; the value of the donation is not depreciable.

Any generally accepted method of computing depreciation may be used. However, the method must be consistently applied for all like assets of the contractor and must result in equitable charges considering the use of assets and the benefits to the Program. Life expectancies will vary for different assets and should use the following guidelines: 7 years for office furniture, 5 years for vehicles and office machines/equipment, and 3 years for all computer hardware and printers.



**Notes**

Use allowance may be used in lieu of depreciation; however, a combination of the two may not be used for a single set of assets. The maximum annual rate for use allowances for building and improvements cannot exceed 2 percent of the acquisition cost, and for equipment, the rate cannot exceed 6 2/3 percent of the acquisition cost.

**Disposition Procedures**

**Disposing of Equipment:** no equipment costing \$1,000 or more purchased with CCFP funds may be disposed of without **prior written approval from the DOH**. When requesting approval to dispose of equipment or to trade-in old equipment, give the following information to the DOH:

1. item and brief description (model number, etc.),
2. original date of purchase,
3. purchase price,
4. percent of CCFP funds used when purchase was made; and,
5. current condition of equipment.

**Terminating Participation:** if a contractor agency terminates participation in the CCFP, the DOH must be contacted immediately regarding disposal of CCFP equipment. Provide the following information: item description, purchase date, original purchase price, current condition, and current fair market value. Items must be listed as “operable units”; for example, a computer would include the CPU, monitor, keyboard, software, cables, etc.



For an item of equipment having an initial unit cost of \$1,000 or more, the sponsoring agency must transfer the equipment to another sponsoring agency participating in the CCFP per **prior written approval from the DOH**.

**Notes**

Any person who embezzles, willingly misapplies, steals or obtains by fraud any CCFP funds, assets, property, or other forms of assistance provided through the Program with a value of \$100 or more may be fined not more than \$10,000 or imprisoned not more than 5 years, or both. If such funds, assets or property are of value of less than \$100, the person shall be fined not more than \$1,000 or imprisoned for not more than 1 year or both.

**Management & Organizational Effectiveness****INTERNAL CONTROLS**

The primary responsibility for safeguarding assets and detecting and preventing waste, loss, fraud and abuse rests with the Contractor and his/her management skills. Maintenance of an adequate system of internal controls is indispensable in meeting that responsibility.

Internal controls include policies and procedures that are adopted to:

- Safeguard assets from loss or misappropriation,
- Check the reliability of accounting data,
- Promote operational efficiency,
- Encourage adherence to prescribed managerial policies.

There are two types of internal controls, accounting controls and administrative controls.

Accounting controls include:

- Systems of authorizations and approvals,
- Separation of duties,
- Physical control over assets; and,
- Internal auditing.

Administrative controls include:

- Performance reports,
- Statistical analysis,
- Quality control; and,
- Training programs.

Some of the objectives of internal control are to provide reasonable assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded properly to permit preparation of financial reports.

**Notes****Management & Organizational Effectiveness  
(continued)**

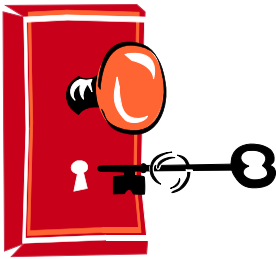
The central part of any internal control system is separation of duties. Some key areas are:

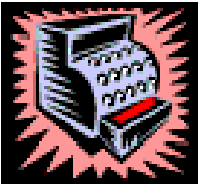
- The authorization of a transaction must be separated from the processing of the actual transaction. (For example, the individual who authorized a bill to be paid should be different from the person who writes the check and records the transaction.)
- Operations should be separated from the accounting and record keeping system. (For example, if a Personnel Manager controlled the accounting system, the manager would be in a position to input false payroll data and pass this information undetected through the accounting system.)
- The custody of assets must be separated from the accounting function. (For example, cashiers should not be involved in any accounting tasks for cash and receivables.)

Other principles of internal control include:

- Periodic supervisory reviews should be performed.
- All transactions should be properly documented to reduce the likelihood of errors and the non-detection of errors. It is also important that documentation is secured from destruction and tampering.
- If possible, duties should be periodically rotated.
- Employees should possess competence in the duties they are hired to perform and have the integrity to perform these duties.

A major internal control area is the receipt and disbursement of cash. The following controls are recommended.



**Notes****Cash Disbursements:**

- Petty cash is not allowed with CCFP funds.
- Checks should be pre-numbered and inventoried monthly.
- The check-signer must not be the person who writes the check or maintains the cash disbursement journal, register, or general ledger.
- A person should reconcile bank statements not otherwise involved in the disbursement process.
- Checks should not be signed in advance.

**Cash Receipts:**

- All incoming checks and cash should be counted in the presence of two people.
- All cash receipts should be recorded on pre-numbered receipts as the money is received.
- A person not directly involved in posting the books should fill out the deposit slips and make bank deposits.
- All receipts shall be deposited in the bank intact and on a timely basis.
- Cash deposits should be reconciled by a person not otherwise involved in the receipt process.

**Physical Inventory:**

- Maintain property record accurately.
- Every two years conduct an inventory and reconcile it with property records.
- Descriptions of equipment with serial/identification numbers.
- Acquisition date and unit cost.
- Location, use and condition of equipment.

**Physical Security:**

Review internal security measures to determine if they are adequate to prevent damage, theft, fire, loss, and vandalism.

**Notes**

Use the “Child Care Center Claim for Reimbursement Help Sheet,” and “Claim Form to determine your monthly CCFP reimbursement.

**Record Keeping Requirements****General**

All records must be kept for four years. The four-year period is defined as three federal fiscal years plus the current federal fiscal year. A federal year begins October 1 and ends September 30. If any audit findings are not resolved by the end of the four-year period, the records must be kept as long as required to resolve all questions raised by the audit. All records must be readily available, upon request, to auditors and representatives of the DOH or USDA.

**Reimbursement Records**

Independent centers and sponsoring organizations must document income to the Program from all sources and maintain copies of submitted claims for reimbursement. They must also keep copies of receipts of state warrants or copies of receipts of Electronic Funds Transfer of Program funds received from DOH. In addition, sponsoring organizations must keep records of the amount and date of all funds disbursements to each sponsored center.

Each sponsored center must also maintain records about its operation of the CCFP. The records (at a minimum) include:

- Daily records of the number of meals, by types, served to enrolled children (Meal Count Worksheet).
- Daily records of the number of meals, by type served to adults working on the food service, if applicable.
- Daily records of the number of non-program meals, by type served to adults and/or children.
- Daily records of the names and number of children in attendance. Attendance records cannot be used to determine reimbursable meal count.
- Enrollment records that include, at a minimum, the names and ages of children enrolled, enrollment and withdrawal dates.
- Menus served that meet program requirements for each age group of children.

**APPENDIX**  
**THE FOLLOWING FORMS ARE AVAILABLE ON THE CCFP**  
**MANAGEMENT INFORMATION & PAYMENT SYSTEM (MIPS) OR**  
**AT THE BCNP WEBSITE**

**Automated budget (D's and U's) BCNP website under program guidance**

**Budget for Sponsoring Organizations of Affiliated Centers**

**Budget for Independent Centers**

**Claim Forms**

**Instructions for Filing Monthly Claim (CCC)**

**Monthly Record of CCFP Operating Expenditures**

**Monthly Record of CCFP Administrative Expenditures**

**Personnel Activity Report**

**Projected Earnings Worksheet**

**Supplemental Budget Information for Special Cost Items**

**Written Compensation Plan for Labor Costs**