

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

Jocelyn Karbo, MBA, RDN, SNS
ESC Region 11

Indirect Costs
February 20, 2023

TEXAS DEPARTMENT OF AGRICULTURE
COMMISSIONER SID MILLER
This product was funded by USDA.
This institution is an equal opportunity provider.

Updated 1/20/23
www.SquareMeals.org

1

Why?

- 01 Support Organization
- 02 Pay for costs
- 03 Accountability

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

2

USDA & TDA Regulations

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

3

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 Sec. 16

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

4

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

5

Financial Responsibility

Nonprofit School Food Service Account
NFSFA

Expenditures

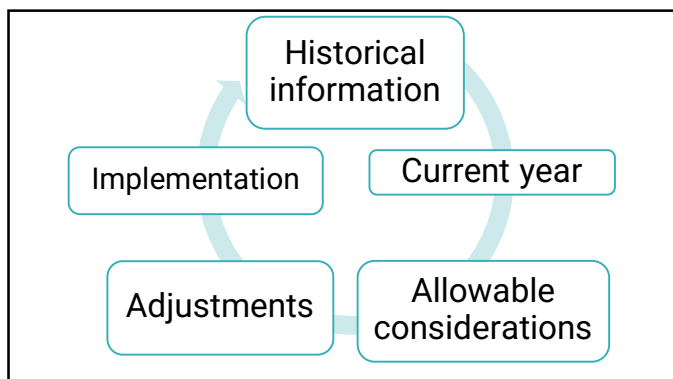
Indirect Costs

All expenses incurred by Child Nutrition

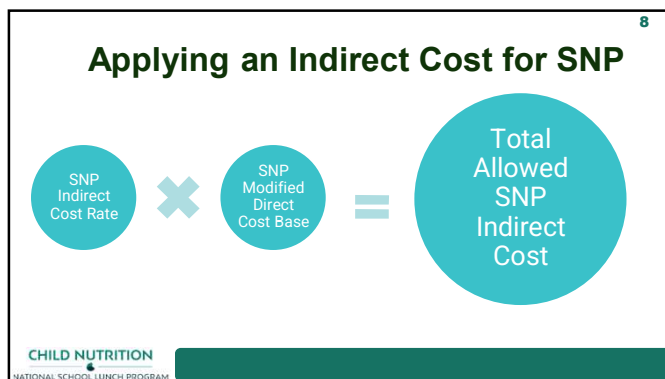
If assessed, allocated, charged allowably
Treated equitably

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

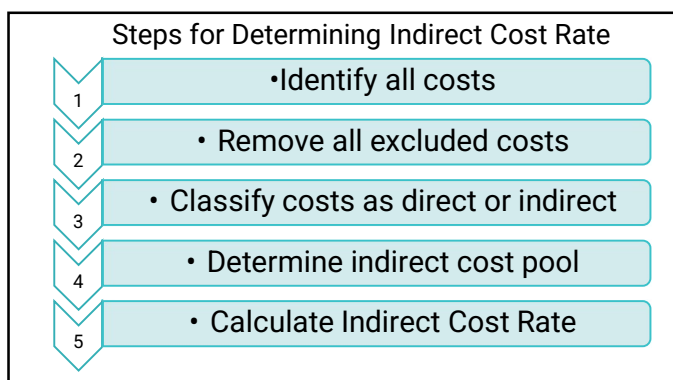
6



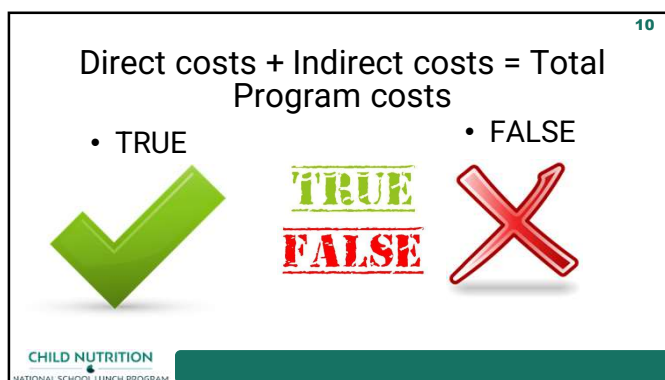
7



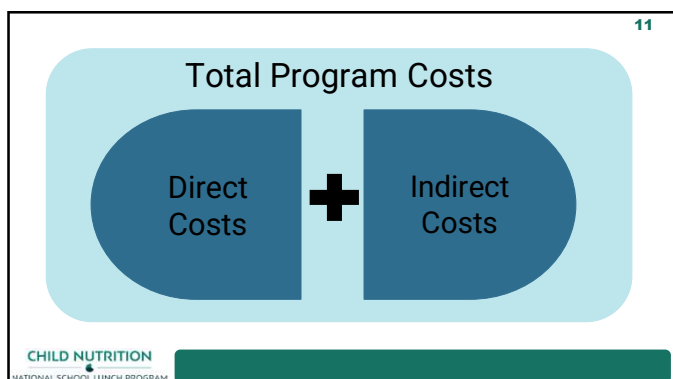
8



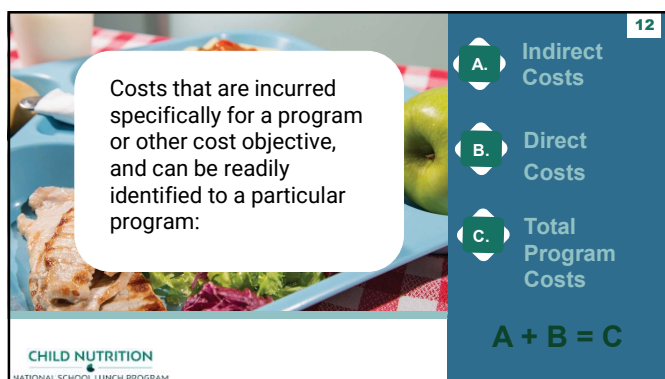
9



10



11



12




What are Indirect Costs?




13

Direct vs. Indirect




Direct
ARM – Section 17

Costs incurred specifically for a program or other cost objective and can be readily identified to a particular objective such as school food service.




Indirect
ARM – Section 17

Costs incurred for the benefit of multiple programs or functions are also necessary for the general operation of the SNP. Still, these expenses cannot be directly attributable to the SNP.



14



Activity
Identify the cost as:

Direct

Indirect

15



Food

Direct

Indirect



16

Food

Direct

Documentation:

- Itemized vendor invoices




17

Labor

Direct

Indirect




18

19

Labor

Direct

Documentation:

- Time Sheets



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

19

Custodial Services



Direct

Indirect

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

20

21

Custodial Services

Direct

Documentation:

- Time Sheets



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

21

22

Custodial Services

Indirect

Documentation:

- Time sheets without separating time by program




CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

22

Direct

Indirect



Maintenance Services

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

23


24

Maintenance Services

Direct

Documentation:

- Itemized vendor invoice
- Time card with actual times



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

24


25

Maintenance Services

Indirect

Documentation:

- Time sheets without separating time by program



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

25

Trash Services

Direct

Indirect



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

26


27

Trash Services

Direct

Documentation:

- Itemized vendor invoice
- Time card with actual times



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

27

28

Trash Services

Indirect


Documentation:

- Combined vendor invoice
- Time card without actual times



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

28



Utilities

Direct

Indirect

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

29

30

Utilities

Direct

Documentation:

- Itemized vendor invoice



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

30

31

Utilities

Indirect

Documentation:


- Itemized vendor invoice not specific to program area



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

31

Accounting Services



Direct

Indirect

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

32

33

Accounting Services

Direct

Documentation:

- Time card with actual time by program



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

33

34

Accounting Services

Indirect

Documentation:

- Time card does NOT specify time by program




CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

34

Direct

Indirect



Payroll Services

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

35

36

Payroll Services

Indirect

Documentation:

- Time card does NOT specify time by program



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

36

Direct

Indirect

Information Technology Support

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

37

38

Information Technology

Direct

Documentation:

- Time card with actual time by program

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

38

39

Information Technology

Indirect

Documentation:

- Time card does NOT show actual time by program

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

39

Pest Control Services

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

40

41

Pest Control

Direct

Documentation:

- Itemized vendor invoice

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

41

42

Pest Control

Indirect

Documentation:

- Vendor invoice for entire CE (not program specific)

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

42



01 Cost benefits

- Multiple programs
- Single program

02 Cost specific

- School Nutrition
- Entire CE

03 Similar costs

How are they treated?

04 Previous

How were they treated in the past?

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

43


Cognizant Agency
Texas Education Agency

- Burdensome
- Single agency negotiates
- Annual request process



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

44



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

45

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

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

46

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

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

47

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.)

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

48

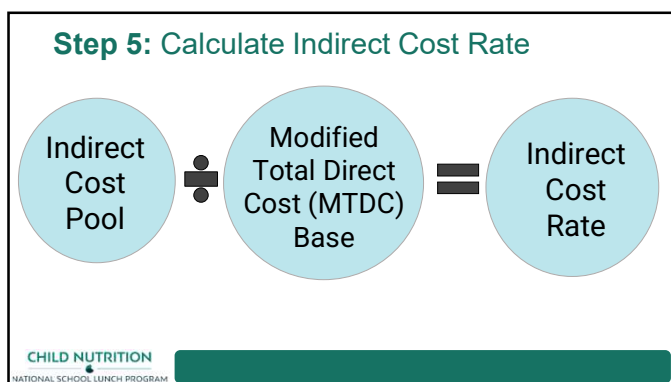
NEW SCHOOL DISTRICT: EXPENDITURES BY FUNCTION				
Function Code	Account Title	Old Total	Excluded Cost	New Total
1000	Instruction	900,000	(100,000)	800,000
2100	Student Services	75,000		75,000
2212	Curriculum Development	30,000		30,000
2213	Instructional Staff Training	20,000		20,000
2321	Office of the 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

49

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

50



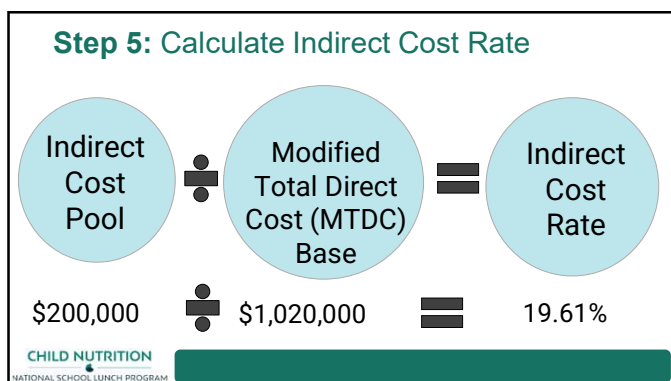
51

Step 4: Eliminate Unallowable

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

52



53

Can districts use either the restricted or unrestricted indirect cost rate percentage for School Nutrition Programs?

A. Yes

B. No

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

54

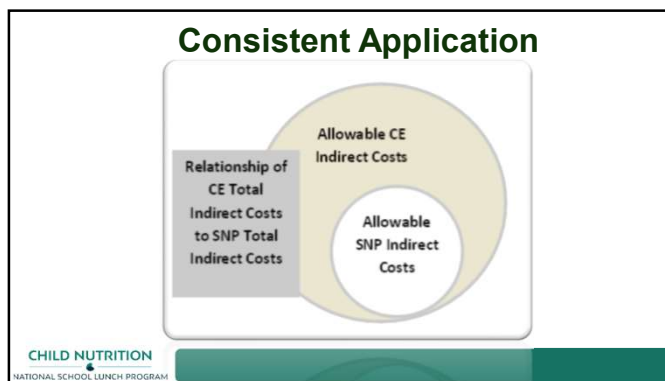
2023 ISD and Charter School Indirect Cost Rates
Effective July 1, 2022 - June 30, 2023

ISD	LEA Name	Restricted Rate	Unrestricted Rate
001902	CAYUGA ISD		
001903	ELKHART ISD	3,839	12,249
001907	PALESTINE ISD	3,906	14,987
		6,460	16,199
		3,933	16,861
		3,705	14,336
		3,347	12,347
		4,108	10,893
		4,974	15,979
		5,231	15,636
		2,893	11,752
		6,022	15,076
		2,963	18,356
		3,865	15,383
		3,909	18,391
		6,366	22,428
		6,924	19,982
		4,596	19,738
		5,152	15,378
		3,450	15,979
007906	POTTEET ISD	4,969	19,417

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

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

55



56

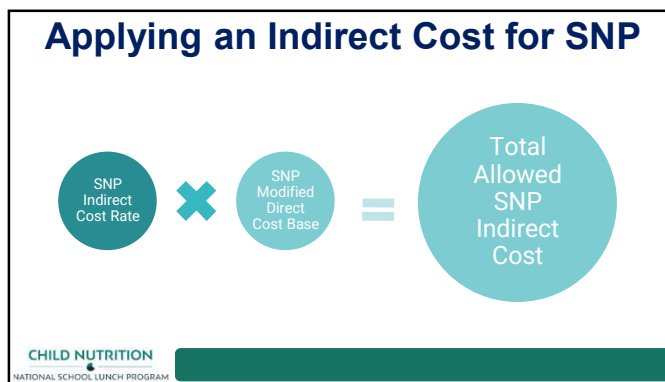
Restricted or Unrestricted Which should we use?

Restricted
Use if grant funds specify supplement, not supplant.

Unrestricted
Use if supplement, not supplant, does not apply.

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

57



58

- 59
- ### Determine SNP MTDC
- School Nutrition Program Modified Total Direct Cost base
1. List all SNP Expenditures
 2. Determine direct/indirect costs
 3. Remove distorting items
 4. Add up adjusted direct costs
- CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

59

- 60
- ### Distorting Items
- Must be removed
- Equipment purchases/capital expenditures
 - Payments to contractors beyond \$25,000
 - Food costs in school food service
 - Renovations and alterations
- CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

60

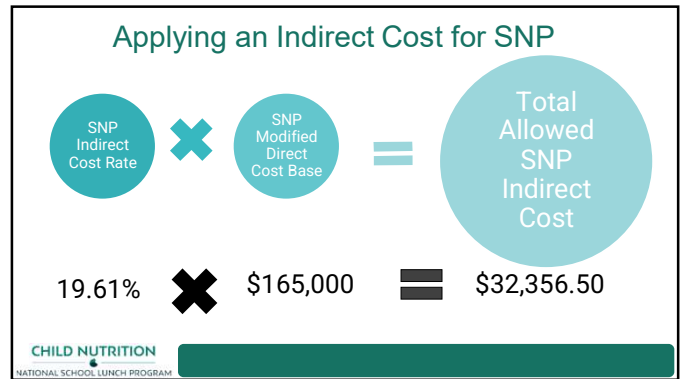
Determine SNP Modified Direct Cost Base

Expenditures	Direct Costs	Indirect Costs	Distorting Items	Modified Direct Cost Base
Food	\$100,000		\$100,000	
Labor	\$120,000			\$120,000
Equipment	\$30,000		\$20,000	\$10,000
Non-food supplies	\$35,000			\$35,000
Custodial		\$12,000		
MIS		\$6,000		
TOTAL		\$18,000		\$165,000

MTDC

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

61



62

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

Indirect Cost Rate

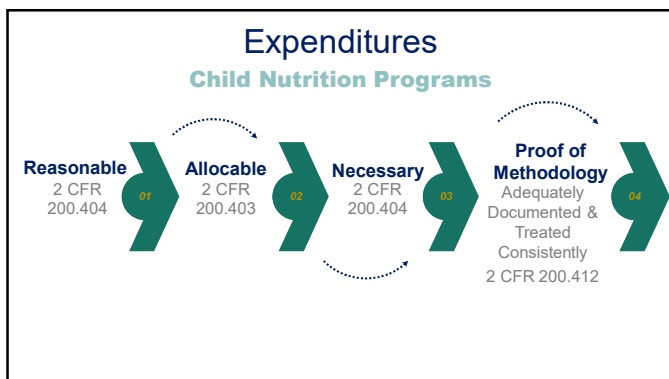
CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

63

POLL

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

64



65

Indirect Cost

Successful implementation:

- 01 Rates**
Must be determined in advance
- 02 Reconcile**
Only after the service has been provided
- 03 Rate percentage**
Cannot change throughout the year
- 04 Communication**
Partnership between business office and CN

CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

66



67

68

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity in any program or activity conducted or funded by USDA.

Persons with disabilities who require alternative means of communication for program information (e.g. Braille, large print, audiotape, American Sign Language, etc.), should contact the Agency (State or local) where they applied for benefits. Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, (AD-3027) found online at: http://www.ascr.usda.gov/complaint_filing_cust.html, and at any USDA office, or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

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

This institution is an equal opportunity provider.


TEXAS DEPARTMENT OF AGRICULTURE
 COMMISSIONER SID MILLER






Food and Nutrition Division
 Nutrition Assistance Programs

Updated 12/2019
www.SquareMeals.org

68



CHILD NUTRITION
NATIONAL SCHOOL LUNCH PROGRAM

Jocelyn Karbo


 ESC Region 11
 Fort Worth, TX


www.SquareMeals.org


jkarbo@esc11.net


 817-740-3678

69