Direct and Indirect Costs

Local education agencies are responsible for ensuring that the school food service operates on a nonprofit basis, and safeguards assets of the school food service to ensure that they are used only for school meal program operations.

Requirements:

✓ The nonprofit school food service account funds are limited to those expenses that are reasonable, necessary, and allocable to provide quality program meals

✓ Costs to the nonprofit school food service account can be divided into two categories; Direct and Indirect Costs

  o **Direct Costs:** Costs incurred specifically for the food service program and traceable to an activity that received the benefit of the cost. These may include, but are not limited to:
    - Food
    - Salaries and Benefits for food service employees
    - Supplies
    - Equipment

  o **Indirect Costs:**
    - Costs incurred for the benefit of multiple programs. These may include, but are not limited to:
      - Fringe benefits
      - Payroll services / human resources
      - Utilities
      - Custodial services
      - Superintendent services
      - Procurement

    - School Food Service Programs use the Federal Unrestricted Indirect Rate:
      - Calculated through a formula agreed upon by OSPI and DOE
      - Rates are calculated based on two years prior data
      - Calculated on the F-196 Annual Financial Statement
      - Does not have a “supplement, not supplant” requirement
To ensure indirect charges are appropriately allocated check that:

✓ The indirect cost rate is agreed upon at the beginning of the school year
✓ The indirect cost agreement describes what charges are included in the indirect rate
✓ Indirect costs are charged consistently among programs and divisions
✓ Indirect costs are not also charged directly

Reference:

✓ Direct and Indirect Costs: 2 CFR 200.412-.414
✓ SP60-2016 Indirect Cost Guidance

Resources:

✓ Indirect Costs: Guidance for State Agencies and School Food Authorities
✓ Accounting Manual for Public School Districts – Appendix E

Acronym Reference

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>-CFR</td>
<td>Code of Federal Regulations</td>
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<tr>
<td>-CNS</td>
<td>Child Nutrition Services</td>
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<td>-DOE</td>
<td>Department of Education</td>
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<td>-LEA</td>
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