Family Day Care Home Renewal Training Budget and Carryover

FY 2013

Overview

- Types of Costs
- Budget
- Allowable Costs
- Labor & Administrative Costs
- Written Compensation Policy
- Liability Insurance
- 10% Carryover Funds

Three Types of Costs

- Generally allowable costs
- Costs requiring prior approval
- Costs Requiring Specific Prior Written Approval

Generally Allowable Costs

- Are the customary costs that occur in the routine operation of the CACFP
- Must be disclosed in the administrative budget submitted to the State Agency
- Must be approved in advance by State Agency through the annual management plan and budget submission process

Common Generally Allowable Costs (cont.)

- Accounting Systems
- Advertising
- Audits
- Bonding
- Phone, Fax
- Postage
- Materials & Supplies
- Rental Costs
- Insurance Required by SA Program agreement
- Labor Costs (documentation required)
- Memberships & Subscriptions
- Records Retention

Costs Requiring Prior Approval

- Costs that must be specifically identified by item and amount
- Request during the budget submission process or as a separate request
- Including the item as part of a larger entry on a line item in the budget is not sufficient
- When properly disclosed, approval of the budget meets the requirement for prior approval unless State Agency specifically disallows in writing

Common Costs Requiring Prior Approval (cont.)

- Public Relations Costs
- Publications, Printing & Reproduction Costs
- Purchased Services
- Equipment Maintenance/Repair
- Utilities, Janitorial Service
- Travel
- Participant Training and Other Participant Support Costs
- Training – admin costs – space rental, speaker fees, child care, participant meal costs, materials

Costs Requiring Specific Prior Written Approval

- Identified through the budget approval process, *with the additional requirement* that sponsor needs to obtain written approval of both the cost and the amount of the cost *before incurred*
- Special consideration is required whenever a transaction lacks independence or transparency

- *Common Examples*
  - Day Care Home Licensing Standards Costs (up to $300/home; available to each home only once)
  - Purchasing insurance that is not required by the SA
  - Less than arms length transactions

Less-Than-Arms-Length Transactions

- All transactions between related parties are less-than-arms length.
- What this means is that sponsors must **disclose any transaction that involves relatives of sponsor's staff or board members.**
- A less-than-arms-length transaction is one under which one party to the transaction 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; organizations under common control through common officers, directors or members; and an organization and a director, trustee, officer, key employee of the institution or immediate family, either directly or through corporations, trusts or similar arrangements in which a controlling interest is held. **All less-than-arms-length transactions require specific prior written approval.** (FNS 796-2)

Less-Than-Arms-Length Transactions (cont.)

- Examples:
  - Procurement of goods or services from relatives associated with board members or sponsoring agency is a less-than-arms-length transaction.
    - Hiring relatives to conduct training, contracted services, etc.
    - Hiring relatives of board members for temporary assignments, etc.

- *All costs for less-than-arms-length transactions require scrutiny and the allowable cost to CACFP may be limited.*

2013 Budget

- Schedule A – Labor and Benefits
- Schedule B – Supplies
- Schedule C – Office Expense
- Schedule D – Travel
- Schedule E – Training
- Schedule F – Administrative Services

Labor Costs

- (5) Payroll records. At a minimum, a record for each employee containing:
  - (a) Employee name;
  - (b) Employee identification number;
  - (c) Rate of pay;
  - (d) Hours worked;
  - (e) Benefits earned;
  - (f) Any reductions or increases to the employee's base compensation, i.e., overtime pay, incentive award, etc.;
  - (g) Gross pay;
  - (h) Net pay
  - (i) Date of payment to employee;
  - (j) Method of payment, i.e., check, cash, EFT; and
  - (k) Verification that the employee has been paid, i.e., canceled checks or EFT deposit verification. For cash payments, an original signature certifying receipt of payment is required.

COLA

- Cost of Living Adjustment is 3.2%

http://www.bls.gov/cpi/cpid11av.pdf

Supplies and Office Expenses

- Equipment includes items that have a useful life expectancy of two years or more and an acquisition cost of $5,000 or more per unit.
- Durable supplies have a useful life expectancy of less than two years (but greater than one year) and an acquisition cost of less than $5,000 per unit.
- Office supplies are those items costing less than $5,000 with less than one year useful life expectancy.

Administrative Costs

Direct Costs

- Supported by documentation - All direct costs must be supported by current original source documents (i.e. cost of printing CACFP brochures, mileage driven for CACFP monitoring, etc.)

Shared costs

- When the cost of an item or salary benefits more than one program and cannot be readily identifiable or assigned (i.e. utilities, etc), determine amount used for CACFP only.

- Costs not approved are unallowable
  - Cannot be funded with CACFP funds

Supporting Documentation Examples

- Wage, Salary increases
- Employee benefits
- Equipment Rental/Lease
- Office Supplies
- Office space/rent
- Printing
- Postage

Provider Payments

- Sponsors are required to make payments of Program funds to child and adult care centers, outside-school-hours centers and day care homes within 5 working days of receipt from the State agency (7 CFR §§226.16(g) and (h), respectively) consistent with the distribution procedures in the approved management plan.

Written Compensation Policy

- Your written compensation policy must be submitted to ADE for approval. This was added to the management plan and the policy must include:
  - Rates of pay;
  - Hours of work, including breaks and meal periods; and
  - The institution's policy and payment schedule for regular compensation, overtime, compensatory time, holiday pay, benefits, awards, severance pay, and payroll tax withholding.
  - The compensation policy must also reflect the requirements of the US Dept. of Labor's FLSA for all FLSA nonexempt employees
  - If an employee refuses fringe benefits offered by the agency, the employee must have signed statement indicating refusal of benefits.

Liability Insurance

- Review the ADOA Risk Management website and ensure your agency has appropriate coverage.
- Include working with children or disabled persons
- Your contract must have the required language as per ADOA risk management. (http://risk.az.gov/agency_information/insurance/Prof%20Srvc%20Child%20Disable.asp)

Budget Tips

- Key in the current rates on page 1

Administrative Reimbursement-FY 2013 (per home/per month)				
(Please key in the FY 2013 rates below.)				
	Homes	X	Rate	
Initial 50 Day care homes	50		$102	$5,100.00
51-200 Day Care Homes	150		$78	$11,700.00
201-1,000 Day Care Home	20		$61	$1,220.00
Each Home over 1,000	0		$53	$0.00
	220			$18,020.00

- Can only claim homes that are active during the month of claim (cannot include inactive or on-hold providers)
- Total administrative labor costs may not exceed 75% of the total budget.
- Merit and longevity pay increases must have board approval and be offered to employees equitably. *Bonuses are not allowed.*

Budget Tips(Cont.)

- Total budget cannot exceed rate x homes + any carryover (if applicable)
- Include current documentation to support the allocation of costs.
- All expenses must be necessary, reasonable, and allowable.

Budget Tips(Cont.)

- Sponsors must submit budget revisions whenever changes to the following line items are made:
  - salaries and benefits
  - equipment
  - travel, and
  - consultant/contract services

- Sponsors must wait until state approval is received for revisions to any of these categories before making new expenditures.

Budget Tips(Cont.)

- Budget must contain costs that are only CACFP related
- Avoid unallowable costs
  - i.e. gas for personal vehicle; rent for owned building.
- Avoid budget for costs with no method of tracking
  - i.e. Travel = no mileage log or travel policy

Budget Tips(Cont.)

- The budget should be a tool for the sponsor and the State Agency to estimate the cost of running the sponsor's program. The sponsor should try to have actual expenditures closely approximate the budget.

10% Carryover of Unspent Funds

10% Carryover Example

Estimated amount of CACFP reimbursement expected to receive in FY2012:	$100,000
Estimated amount of CACFP reimbursement expected to spend in FY2012:	$85,000
Difference between amount received and amount spent:	$15,000
Estimated amount that can be carried over to FY2013 (based on 10% of $100,000)*:	$10,000
Estimated amount to be returned to the state (based on $15,000.00 less $10,000.00):	$5,000

- Sponsor estimates administrative payments of $100,000 during FY2012.
- Sponsor estimates incurring $85,000 in admin costs during FY2012.
- Sponsor may carryover up to $10,000 into FY2013 ($100,000 x 10%)
- Sponsor must return $5,000 to State Agency ($15,000 – $10,000)

Budget Resources

1. FNS Instruction 796-2 (rev. 3)
   http://www.azed.gov/wp-content/uploads/PDF/FNS_796-2.pdf

2. OMB Circulars (A-87, A-122)
   http://www.whitehouse.gov/omb/circulars/index
3. Code of Federal Regulation
   http://www.gpo.gov/fdsys/pkg/CFR-2012-title7-vol4/pdf/CFR-2012-title7-vol4.pdf

4. ADE budget line item instructions included with application

5. ADE Family Day Care Home Website
   http://www.azed.gov/health-nutrition/cacfp/family-daycare/

Reminders

- FY 2013 Renewal Application Due Date: September 1st
- If you have any questions, please email or call your assigned specialist.

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