



## General Expenditures - Allowable and Unallowable Costs

*This guidance was adapted using resources from the New York State Education Department.*

School Food Authorities (SFAs) must ensure that Program funds are used solely for the operation and improvement of Child Nutrition Programs. Programs include the School Nutrition Programs (SNPs), the Summer Food Service Program (SFSP), and the Child and Adult Care Food Program (CACFP). SFAs should refer to the SFSP and CACFP allowable cost documents to determine whether a cost is allowable for those particular programs. In addition, SFAs must comply with federal regulations and State laws. Federal regulations, 2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, can be found at [2 CFR 200](#).

SFAs should familiarize themselves with [2 CFR 200 Subpart E – Cost Principles](#) to determine whether a cost is allowable. In addition to ensuring whether costs are allowable, SFAs must follow proper procurement procedures when procuring all goods and services. When goods or services of any dollar amount are not procured properly, the cost of those goods/services are considered unallowable. Non-program and Non-federal funds must be used to pay for any goods/services procured improperly.

2 CFR 200.403, *Factors affecting allowability of costs, states, except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:*

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles;
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity;
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost;
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part;
- (f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also §200.306(b);
- (g) Be adequately documented. See also §200.300 through 200.309 of this part; and
- (h) Cost must be incurred during the approved budget period. The Federal awarding agency is authorized, at its discretion, to waive prior written approvals to carry forward unobligated balances to subsequent budget periods pursuant to §200.308(e)(3).

The following examples provide guidance for allowable and unallowable uses of SNP funds. **This list is not all-inclusive**; SFAs should contact the Delaware Department of Education (DDOE) Nutrition Programs Office with any questions related to allowable expenses. In addition, SFSP and CACFP may have additional unallowable costs not listed here.

Note: In many areas, this document refers to the non-Federal entity, which is another term for the SFA.

## **Advertising/Public Relations**

**Advertising** – Allowable advertising media includes magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals.

- **Disposing of Surplus Materials**
  - *Allowable* - Materials and expenses to obtain services to properly dispose of scrap or surplus materials are an allowable use of Program funds, except when non-federal entities are reimbursed for disposal costs at a predetermined amount.
- **Outreach**
  - *Allowable* – Program outreach and other specific purposes necessary to meet the requirements of the Federal award are an allowable use of Program funds.
- **Procurement**
  - *Allowable* – Costs to advertise the procurement of goods and services for the performance of a Federal award are an allowable use of Program funds.
- **Recruitment**
  - *Allowable* - Materials and expenses, such as advertising, to recruit personnel required for performance of a Federal award are allowable uses of Program funds.

## **Public Relations**

- *Allowable* –
  - Costs specifically required by the Federal award are an allowable use of Program funds.
  - Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award are allowable (these costs are considered necessary as part of the outreach effort for the Federal award).
  - Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc., are allowable.
- *Unallowable* - any promotional materials or activities for purposes other than those described as allowable. This includes the following types of costs:
  - Costs of meetings, conventions, convocations, or other events related to other activities of the entity, including:
    - Costs of displays, demonstrations, and exhibits;
    - Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and
    - Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings.
  - Costs of promotional items and memorabilia, including models, gifts, and souvenirs; and

- Costs of advertising and public relations designed solely to promote the SFA.

**Advisory councils** - Costs incurred by advisory councils or committees are unallowable unless authorized.

**Alcoholic Beverages** - Alcoholic beverages are unallowable costs.

### **Audit Services**

- *Allowable* - A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501-7507) is an allowable cost. For example, if the audit covers Child Nutrition Programs *and* non-Child Nutrition Programs, a percentage of the audit fee can be paid for with Program funds.
- *Unallowable* – The cost for any audit not conducted in accordance with requirements is not an allowable cost.

### **Bad Debts**

- *Unallowable* – Debts, which have been determined to be uncollectable, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable. Per USDA Policy Memo [SP 47-2016](#), bad debt must be written off as an operating loss but may not be absorbed by the non-profit school foodservice account; it must be restored using non-federal funds. These funds may come from the school district's general fund, special funding from State or local governments, school or community organizations, or any other non-federal sources.

### **Cell Phones**

- *Allowable* - Cell phones and cell phone expenses *if* the cell phone contract is in the SFA's name are allowable costs.
- *Unallowable* – The following are considered unallowable costs:
  - Cell phones and cell phone expenses considered to be a stipend or allowance; and
  - Cell phones and cell phone expenses purchased and registered in the name of the employee.
    - If the cell phone is registered in the name of the employee and is used for business purposes only, it must be assured as such (for example, through a signed agreement). In this case, the SFA can reimburse the employee.
    - If the cell phone is registered in the name of the employee and is used for both business and personal use, the only time it can be reimbursed by the SFA is if the SFA has a methodology to show it is accurately allocated between personal and business use. For example, if an employee works 7 hours per day, 20.8% (35 hours/workweek ÷ 168 hours/week) of the cell phone bill can be reimbursed by the SFA. Written documentation to support both the methodology and the payment must be kept on file.

### **Collection of Improper Payments**

- *Allowable* - The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-Federal entity in accordance with cash management standards set forth in §200.305.

## Conferences

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.

- *Allowable* - Conference costs paid by the SFA as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award are allowable. SFA's must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award.
  - The SFA must ensure that the training agenda, sign-in sheets, and other applicable documentation is maintained to support that the event covered Child Nutrition Programs training.
  - If meals are provided to the employee during the conference (meeting/training) at a cost to the SFA, training should take place during the meal.

## Contributions

- *Unallowable* - Contributions of cash, property, and services by the SFA to another entity are unallowable.

Note: Per USDA, any program food not consumed, or leftover foods, may be donated to eligible local food banks or charitable organizations. "Eligible local food banks or charitable organizations" means any food bank or charitable organization which is exempt from tax under section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.C. 501(c)(3)). SFAs must ensure that USDA guidelines are followed per [SP 11-2012](#).

## Depreciation

Depreciation is defined as the method for allocating the cost of fixed assets to periods benefitting from asset use. SFAs should refer to 2 CFR 200.436 for further depreciation regulation.

- *Allowable* - The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal awards. Such compensation must be made by computing depreciation. The allocation for depreciation must be made in accordance with regulation and documentation must be maintained (including equipment inventory records).
- *Unallowable* - For the computation of depreciation, the acquisition cost will exclude:
  - The cost of land;
  - Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;

- Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity that are already claimed as matching or where law or agreement prohibits recovery; and
- Any asset acquired solely for the performance of a non-Federal award.

### **Entertainment**

- *Unallowable* - Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized with prior written approval from the DDOE Nutrition Programs Office. USDA guidance states that if the activity is related to team building, training, or professional development designed for food service staff, and if the cost is reasonable, it could be allowable.

### **Equipment, Small Wares, and Other Supplies**

- *Allowable* - Materials or supplies used specifically in the SFA operation, including items that must be replaced from time to time such as small wares (pots and pans, serving trays, serving utensils), mops, brooms, and cleaning supplies are allowable uses of Program funds. If materials or supplies will be used for activities/events outside of School Nutrition Programs, the costs need to be prorated and allocated properly to the food service account and general account.

### **Equipment (Large Equipment) and other Capital Expenditures**

- *Allowable* – Allowable large equipment and other capital expenditures include:
  - Capital expenditures for special purpose equipment (items or equipment used directly in preparing, storing, or serving meals). Note: Capital expenditures with a unit cost of \$5,000 or more must be approved by DDOE prior to purchasing. SFAs should refer to the Preapproved Kitchen Equipment list for approved capital expenditures costing over \$5,000. If an item is not listed, the SFA must contact the DDOE Nutrition Programs Office for prior written approval;
  - Costs associated with the disposal or transfer of equipment. The SFA must follow proper procedures to dispose of equipment; SFAs should contact the DDOE Nutrition Programs Office if guidance is needed; and
  - Costs associated with upkeep of equipment that neither adds to the permanent value of the property nor appreciably prolongs its intended life (but keep it in an efficient operating condition) are allowable.
- *Unallowable* – Unallowable large equipment and other capital expenditures include:
  - Payment(s) to purchase land, acquire or construct buildings, or make alterations or improvements to existing buildings or equipment which materially increase their value or useful life are not allowable uses of the nonprofit food service account; and
  - Equipment and other capital expenditures are unallowable as indirect costs.

### **Equipment, Office Equipment**

- *Allowable* - Items used to support program operations including cash registers, adding machines, software, communication equipment, and other equipment used exclusively for the SNP operation are considered allowable costs. Costs associated with the maintenance, upkeep, and repair of such office equipment are also allowable uses of Program funds. Items costing \$5,000 or more must be approved by DDOE or on an approved DDOE list.

## **Equipment, Computers**

- *Allowable* – Computers and computing devices that are essential to program operation are allowable uses of Program funds. This includes Point of Sale (POS) systems (hardware and software). Items costing \$5,000 or more must be approved by DDOE or on an approved DDOE list.

## **Facilities, Security**

- *Allowable* -Expenses for Program-related protection and security of facilities including equipment, barriers, and contracted services are allowable uses of Program funds.

## **Facilities, Services**

- *Allowable* – Services, which are necessary for the operation of the program, including services such as pest control, trash removal, and temperature monitoring are allowable uses of Program funds.

## **Facilities, Utilities**

- *Allowable* - Actual costs for utilities (gas, water, or electric) that are either accounted for separately or prorated for the food service program are allowable uses of Program funds. SFAs must receive advance approval from DDOE to be an allowable direct cost. SFAs must have a documented and reasonable method to determine the cost of utilities; for example:
  - *Having a separate meter for the kitchen and foodservice storage areas; or*
  - *Applying a square foot percentage of total building space in use by the food service program to determine the food service program's proportion of the utility cost.*

## **Fines, penalties, damages and other settlements**

- Costs resulting from violations of, alleged violations of, or failure to comply with federal, State, tribal, local, or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency.

## **Food Service Goods and Supplies**

- *Allowable* - Food purchases and supplies to be used in the Federal program, and costs directly related to the storage, handling, processing, and transportation of such food and supplies, are allowable uses of Program funds.

## **Fundraising, Actions to Raise Funds for the Program**

- *Allowable* - Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the DDOE Nutrition Programs Office. In addition, costs related to the physical custody and control of monies and securities are allowable.
- *Unallowable* -
  - Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable.
  - Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering

pension, self-insurance, or other funds, which include Federal participation allowed by this part.

### **Goods for Personal Use**

- *Unallowable* - Costs of goods or services for an employee's personal use are unallowable, even if reported as taxable income to the employee. Examples of a good for personal use would be employee appreciation gifts, retirement gifts, etc.

### **Indirect Costs**

- *Allowable* - Indirect costs are allowable costs if the SFA and Local Education Agency (LEA) have an approved written indirect cost rate agreement and all indirect cost regulations are followed. SFAs should refer to the [Indirect Cost Guidance for State Agencies and School Food Authorities](#) for detailed guidance on indirect costs.

### **Insurance**

- *Allowable* – The cost of insurance required or approved and maintained, pursuant to the Federal award, are allowable. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.
- *Unallowable* - Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award.

### **Interest**

- *Allowable* - Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions of 2 CFR 200.449. This includes, but is not limited to:
  - The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-Federal entity from an unrelated (arm's length) third party; and
  - The non-Federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.
- *Unallowable* - Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable use of Program funds. In addition, interest attributable to a fully depreciated asset is unallowable.

### **Legal Expenses, Attorney's Fees, Fines and Penalties**

SFAs should refer to §200.435, *Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements for further*, for regulation regarding allowable legal expenses related to Federal awards.

### **Lobbying**

- *Unallowable* – The following are considered unallowable costs:

- The cost of certain influencing activities associated with obtaining grants, contracts, or cooperative agreements, or loans;
- Executive lobbying costs, which are costs incurred in attempting to improperly influence, either directly or indirectly, an employee or officer of the executive branch of the Federal Government to give consideration or to act regarding a Federal award or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a Federal award or regulatory matter on any basis other than the merits of the matter;
- Costs associated with attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity;
- Costs associated with establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections in the United States;
- Costs associated with any attempt to influence:
  - The introduction of Federal or State legislation;
  - The enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity);
  - The enactment or modification of any pending Federal or State legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or
  - Any government official or employee in connection with a decision to sign or veto enrolled legislation; and
  - Costs associated with legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

### **Memberships, Subscriptions, and Professional Activity Costs**

- *Allowable* –
  - Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.
  - Costs of the non-Federal entity's subscriptions to business, professional, and technical periodicals are allowable.
- *Unallowable* -
  - Costs of membership in any country club or social or dining club or organization are unallowable.
  - Costs for membership in organizations whose primary purpose is lobbying is unallowable.

### **Professional Services**



- *Allowable* - Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable uses of Program funds. SFAs should ensure in the case of a guest speaker for staff training, that the services are necessary, the cost is reasonable, and the training topics fall under an approved Professional Standard Area(s) in order for the cost to be allowable.

### **Publication and Printing Costs**

- *Allowable* - Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.

### **Recruiting Costs**

- *Allowable* - Costs of “help wanted” advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to the non-Federal entity's standard recruitment program. Where the non-Federal entity uses employment agencies, costs not in excess of standard commercial rates for such services are allowable. SFAs should refer to 2 CFR 200.463 for additional guidance related to allowable and unallowable recruiting costs.

### **Rental of Facilities or Equipment**

2 CFR 200.465 provides limitations and requirements for rental costs of real property and equipment; SFAs should refer to the regulation and/or contact the DDOE Nutrition Programs office with questions.

- *Allowable* - Rental or lease fees for non-SFA owned facilities such as cafeterias, kitchens, or storage facilities required for specific program needs are allowable.
- *Unallowable* - rental or usage fees for SFA-owned equipment or facilities such as cafeterias, kitchens, or storage facilities are not allowable.

### **Staff, Cafeteria Monitor**

- *Allowable* - Funds used for personnel directly involved in operating or administering Child Nutrition Programs who have monitoring duties assigned to them as part of, or integral to, their regular food service program responsibilities are allowable uses of Program funds.
- *Unallowable* - Funds used to pay meal service monitor salaries for personnel not directly involved in operating or administering the SNP and who do not have monitoring duties assigned to them as part of, or integral to, their regular CN responsibilities are not allowable uses of Program funds.

### **Staff, Fringe Benefits**

- *Allowable* - Benefits for employees including leave, insurance, pension, and unemployment plans are allowable, provided the following criteria are met:
  - Established in written policies
  - Equitable allocation for related activities for all programs

- Appropriate accounting procedures are in place
- *Unallowable* - Benefits that include use of an automobile for personal use of an employee, including transportation to and from work, whether the cost is a direct or an indirect cost to the program (whether the cost is reported as taxable income to the employee) is unallowable.

### **Staff, Labor**

- *Allowable* – The following are allowable uses of Program funds:
  - Payments for labor and other services directly related to the food service operation such as supervisors, managers, cooks, and general workers.
    - *This includes employer’s share of retirement, social security, insurance payments, and fringe benefits as well as severance required by law, employer-employee agreement, established institutional policy, or circumstances of the particular employment; and*
  - Prorated portion of the salaries of janitorial, maintenance workers, secretarial, and finance staff for services performed specifically for the SNP operation.

### **Tips/Service/Delivery Fees**

Tips/service/delivery fees noted in this section are related to local deliveries, such as grocery delivery services like Instacart, which are becoming more common. DDOE sought guidance from USDA and it was determined that:

- *Allowable* – Delivery and service fees are allowable costs.
- *Unallowable* – USDA has stated delivery and service fees are an allowable cost; however, tips are not an allowable use of Program funds. Tips can be charged to the general fund.

### **Transportation, Meal Production Related Activities**

- *Allowable* - Reasonable costs associated with purchasing, transporting, and disposing of food items, meals, or stored items used to support the food service program are allowable.

### **Travel, Conferences and Training**

- *Allowable* - Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies. The following apply:
  - Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award, documentation

must justify that participation of the individual is necessary to the Federal award and the costs are reasonable and consistent with non-Federal entity's established travel policy.

- Costs incurred for transportation to and from an airport should be necessary and reasonable. For example, employees can be reimbursed by the SFA for mileage to/from the airport and for parking fees.
- *Unallowable* –
  - Costs incurred for commercial air travel in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable (the basic cost is allowable if least expensive).

## **Training**

- *Allowable* – The cost of training and education provided for employee development is allowable. However, per the [USDA Guide to Professional Standards for School Nutrition Programs](#), college tuition and expenses to help a newly hired director meet hiring standards are not allowable expenses.

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, audiotope, 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 [USDA Program Discrimination Complaint Form](#) , (AD-3027) found online at: How to File a Complaint [How to File a Complaint](#) , 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:

- (1) mail: U.S. Department of Agriculture  
Office of the Assistant Secretary for Civil Rights  
1400 Independence Avenue, SW  
Washington, D.C. 20250-9410;
- (2) fax: (202) 690-7442; or
- (3) email: [program.intake@usda.gov](mailto:program.intake@usda.gov).

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