



# Georgia Dept of Early Care and Learning

BRIGHT FROM THE START

2 Martin Luther King Jr. Drive SE, Suite 754, East Tower, Atlanta, GA 30334  
(404) 656-5957

**Brian P. Kemp**  
Governor

**Amy M. Jacobs**  
Commissioner

---

## MEMORANDUM

To: All Institutions and Sponsors Participating in the Child and Adult Care Food Program (CACFP)

From: Tamika Boone, Director, Nutrition Services (*Original Signed*)

Date: October 1, 2021

Subject: CACFP Labor Cost and Benefits Documentation

Legal Authority: 7 CFR § 226 and FNS Instruction 796-2 Rev. 4

**Cross Reference/See also:** DECAL Policy No. CACFP/02-18 and CACFP/17-39; and DECAL Policy Memorandum, *Guidance for Establishing a Written Compensation Plan*, October 1, 2017.

The purpose of this memorandum is to provide participating Child and Adult Care Food Program (CACFP) Institutions and Sponsors with guidance on the documentation requirements for labor costs charged to the Program. Further, this memorandum applies to labor costs incurred for hourly or salaried staff (whether employed full-time, part-time, contracted, or piecework) as well as to non-profit and for-profit organizations.

### **I. Labor Cost Requirements (Generally)**

Pursuant to USDA Handbooks, FNS Instruction 796-2 Rev. 4, and DECAL's Budget Guidance Manual, labor costs include compensation paid by institutions and sponsors of affiliated and unaffiliated centers for operating or administrative labor. These costs may include wages, salaries, employee benefits, and the share of taxes paid by the institution/sponsor. Each element of an individual's compensation must be reasonable for the services provided by the individual and conform to the sponsor's written Compensation Plan. All labor costs charged to the CACFP must be fully disclosed (whether cost category or line item, i.e., operating or administrative cost and allocation to program or non-program costs); approved in the organization's Budget Detail housed within GA ATLAS; and consistent with the organization's Management Plan and Compensation Plan, also housed within GA ATLAS.

Labor costs may be in the form of operating or administrative costs. Operating costs are limited to the organization's allowable expenses related to serving meals to eligible participants in eligible child and adult care centers. An example may include food service labor, i.e., preparing and serving meals, supervising children during a meal service, and cleaning up after the meal service. Administrative costs are limited to the organization's allowable expenses incurred for planning, organizing, and managing the CACFP

Program, i.e., serving as a monitor, bookkeeper, or an individual that reviews and conducts edit checks of income eligibility statements or daily meal count forms. Additionally, in accordance with federal regulations, an independent center or sponsors of either affiliated or unaffiliated centers, may retain a portion of the reimbursement for costs associated with administering the CACFP. The independent center or sponsor may retain up to 15 percent of the total CACFP reimbursement received or the actual net administrative costs incurred, whichever is less. These costs must be included in the CACFP budget. In accordance with USDA guidance, cash-in-lieu (CIL) must not be included when calculating and approving the amount that sponsoring organizations may retain for administrative costs. The policy memos for excluding cash-in-lieu and charging net allowable administrative costs can be found [here](#).

In all cases, labor documentation must be signed by both the staff person and the staff supervisor. (In cases where there is no supervisory official for the person being paid labor costs, such as the Executive Director of a program, the person's signature is sufficient). There is no requirement to receive prior approval of time and attendance or time distribution reports created by the institution/sponsor; however, the minimum requirements in this policy memo must be met. Failure to meet these requirements or any of the other requirements set forth in this policy shall result in the disallowance of the entire labor cost for each staff person and repayment to DECAL and/or the institution's CACFP Food Service Account. Failure to meet these requirements or any of the other requirements set forth in this policy may also result in the institution/sponsor being declared Seriously Deficient.

**Note:** *The approval of operating or administrative costs in the Budget does not mean that the institution/sponsor can use the full amount of approved operating or administrative costs in the Budget. The institution/sponsor can only charge operating or administrative costs based on actual time worked. Furthermore, as stated above, administrative cost is limited to up to 15 percent of the total CACFP reimbursement minus cash-in-lieu or the actual net allowable administrative cost regardless of the approved amount.*

## II. Required Documentation for Labor and Benefits Costs

DECAL requires the following documentation when charging labor and benefits costs to the CACFP:

- A written compensation plan for every element of compensation charged to the Program;
- Time and attendance reports;
- Time distribution reports (when applicable);
- Allocation methodology (for those employees having more than one role in the CACFP);
- Payroll documentation; and
- Related-party Disclosure Form (when applicable).

**Note:** *DECAL's new [Time & Attendance and Time Distribution Report](#) may be used in place of separate Time & Attendance and Time Distribution Reports.*

### Written Compensation Plan

In accordance with 2 CFR § 200.430, CACFP sponsors are required to establish and maintain a written compensation policy for every element of compensation charged to the CACFP (and the SFSP if the institution/sponsor operates both programs). Total compensation must be reasonable, meaning the institution's/sponsor's employees salaries or hourly rates for all labor must be consistent with wages paid for similar or exact positions in the same geographic area in which the organization is located or consistent with the salary/hourly rate range for a specific occupation provided by the US Department of Labor and/or the GA Department of Labor Statistics which can be access at: <http://www.bls.gov>.

The compensation plan illustrates how the organization incorporates employee compensation into its overall business practices. Additionally, the institution's/sponsor's compensation plan must demonstrate how employee compensation is consistently applied throughout the organization and for all its activities, whether Program or non-Program related.

At a minimum, the Compensation Plan must include all of the following items:

- Rate of pay;
- Hours worked;
- The institution's/sponsor's plan and payment schedule for regular compensation, employment taxes, fringe benefits, overtime, compensatory time, and holiday pay, awards, severance pay, travel, and payroll tax withholding;
  - Overtime, compensatory time, holiday pay, incentive payments/awards, and severance pay (*requires specific prior written approval from DECAL*); and
- Outside employment policy.

For additional guidance on compensation plans, please refer to DECAL Policy Memorandum, [Guidance for Establishing a Written Compensation Plan, October 1, 2017](#) and [DECAL's Budget Guidance Manual](#).

### Time Reports

FNS Instruction 796-2 Rev. 4 indicates that both time and attendance and/or time distribution reports are needed for any labor costs charged to the program. DECAL recognizes that some organizations hire staff which only perform CACFP duties, and in certain cases, the completion of both time and attendance and time distribution reports appear redundant. However, the time and attendance reports differ from the time distribution reports in that they indicate the exact time that staff is in attendance working for the organization as a whole. Time Distribution Reports require documentation of the amount of time that an employee spends performing CACFP duties versus the amount of time the employee spends at the organization performing non-CACFP duties.

When an employee's work with the organization involves completion of only CACFP assignments and these assignments are only operating duties or only administrative duties, not both, this employee would be considered 100% CACFP labor and completion of a Time Distribution report would not be required.

However, when an employee's work with the organization involves completion of CACFP assignments but these assignments include both operating and administrative duties, or when an employee's duties include working on programs or projects not fully assigned to CACFP, or when an employee works for an organization that sponsors both centers and daycare homes and that employee work for both sponsorships, completion of both Time & Attendance and a Time Distribution report would be required.

The following table indicates when Time & Attendance and Time Distribution is required:

Required Labor Documentation	100% CACFP Operating Labor	CACFP Operating Labor < 100% (Administrative Labor, Admin/Operating Split Duties, Non-CACFP Duties)
Time & Attendance	Yes	Yes
Time Distribution	No	Yes

Therefore, to reduce the amount of paperwork that is required, DECAL has developed a new report that integrates Time & Attendance and Time Distribution into one form that all institution's/sponsor's may utilize if they choose to do so. The **Time & Attendance and Time Distribution Report** can be found [here](#).

However, if an institution/sponsor chooses not to use the Time & Attendance and Time Distribution Report provided by DECAL, the sponsor must ensure the forms used contain, at minimum, the same elements listed in the DECAL form to support labor costs. The organization may document the required information on one form or multiple forms as long as all information is on file and relates to the appropriate pay periods, respectively. The institution/sponsor should follow the guidance below and the guidance in FNS 796-2 Rev. 4 regarding when completion of both time and attendance and time distribution reports would be necessary.

**Time & Attendance Reports** for all charged labor costs (i.e., salaries, wages, and benefits) must identify the total time actually worked by the employee, not just the time spent on CACFP program activities. The reports must be prepared timely and coincide with the employee's pay period. At a minimum, these reports must include the following information:

- a. Date of each day in the pay period;
- b. Start time for each day;
- c. End time for each day;
- d. Absences;
- e. The report must be documented daily and coincide with the employee's pay period;
- f. Signed certification by the employee and a supervisory official that all activities performed for the pay period are for CACFP duties and are true and correct; and
- g. A separate report is required for each employee.

**Time Distribution Reports** for all charged labor costs (i.e., salaries, wages, and benefits) must identify the total time actually worked by the employee for CACFP program activities, non-CACFP activities and any other split duties. The report must include the proration and allocation of the labor costs and the applicable portion charged to CACFP. The reports must be prepared timely and coincide with the employee's pay period. At a minimum, these reports must include the following information:

- a. Number of hours that the employee worked on CACFP operating duties for the pay period, if applicable;
- b. Number of hours the employee worked on CACFP administrative duties for the pay period, if applicable;
- c. Number of hours the employee worked non-CACFP hours;
- d. Total number of hours the employee worked for the organization for the applicable pay period;
- e. The proration of the labor costs charged to the program. The proration must be based on the hours worked for CACFP program activities and non-CACFP activities;
- f. The proration of costs charged to CACFP administrative and/or CACFP operating labor must be indicated;
- g. Employees of administrative and day care home sponsors must prorate the labor costs charged to each sponsorship based on the hours worked for each sponsorship;
- h. Reports must reflect an after the fact determination of the actual activity each employee performed;
- i. Signed certification by the employee and a supervisory official that all activities performed for the pay period are for CACFP duties and are true and correct.
- j. A separate report is required for each employee.

**Note:** *If DECAL's Time & Attendance and Time Distribution Report is not being utilized, time and attendance information noted in the Time & Attendance section above may be combined with the Time Distribution Report.*

## Allocation

In order to establish the portion of costs that may be claimed as Program labor, the Time Distribution Report *or* another valid record must document the amount of time spent by each person on CACFP duties. Although employees may perform multiple job functions, there can only be one wage. The wage must be for the employee's total work performance; further prorated (using an appropriate allocation methodology) based on the amount of time spent performing CACFP job duties. Non-CACFP related duties are accounted for in the Other Funds column of the Time Reports. The sponsor must ensure that costs are not duplicated and charged against multiple funding sources.

**Note:** *In accordance with FNS Instruction 792-2 Rev. 4, employees of public institutions that work on the CACFP program and non-program activities, monthly time distribution reports are required for each employee. However, employees of public institutions who work only on CACFP are allowed to submit semi-annual certifications in lieu of the time distribution reports. CACFP Program salaries that serve both operational and administrative functions must be allocated between these accounts and certification must be completed at least semi-annually. The organization may continue to follow the guidelines provided in the FNS Instruction as it relates to time and attendance and time distribution reports. The certification should state the employee certifies that for the previous six months, the employee worked only on CACFP duties and should be signed and dated by the employee and supervisory official. This certification must be kept on file with other supporting documentation for CACFP.*

## Electronic Time Reports

Time report documents may be maintained electronically if the following conditions are met:

- Each employee has their own login credentials; and
- Still must show evidence it was "approved/signed" by the employee's supervisor.

If labor records are maintained electronically, the sponsor is still required to provide access to the reports and/or print the reports immediately upon request.

## Payroll Documentation

Payroll documentation includes payroll records such as: canceled checks and any other form of payment, documents supporting payment of payroll taxes, bank statements, and payroll tax records. At a minimum, these reports must include the following information:

- a. Employee name;
- b. Employee identification number;
- c. Rate of pay;
- d. Hours worked;
- e. Benefits earned;
- f. Any reductions or increased to the employee's 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, EFT; and
- k. Verification that the employee has been paid, i.e., canceled checks or EFT deposit verification.

## Contract Labor

Institutions must have supporting documentation to verify the work that contracted workers spend engaged in CACFP activities. This supporting documentation may look different based on what work was performed.

In cases when a contractor is hired to perform specific tasks for the CACFP such as reviewing paperwork, or creating menus, the organization should receive a timesheet which indicates the specific amount of time the contractor spends completing CACFP tasks for the organization. The payment and charge to the CACFP should be in accordance with the contract between the organization and the contractor. Therefore, the number of hours the contractor indicates she/he has worked for the pay period must be multiplied by the payment rate in the contract. The amount of payment should be reasonable and consistent with the labor market and the scope of work performed.

In cases when activities cannot be separated from other program functions, the contractor will not be required to submit a timesheet. For example, if an accountant/bookkeeper is contracted to perform the financial aspect such as producing payroll or other financial documentation because payroll for CACFP employees and other employees cannot be easily separated by the amount of time spent performing the tasks for the specific program, then the organization should have a proration method on file that shows the amount of charges to the CACFP.

The formula that should be used each month should be as follows: Total CACFP Expenses/Total organizational expenses = percentage of charge to CACFP.

## Related Party Disclosures

Disclosure of less than arm's length transactions must be made when such relationship exists between related parties. A related party is a person, place, or thing related to or closely held by another person, place, or thing. A transaction between the two is a less than arm's length transaction.

Federal regulations require that related party transactions be disclosed when Federal funds are planned for the execution of such transactions. Failure to disclose these relationships inhibits the State agency's ability to make informed decisions regarding the allowability of the costs. Failure to disclose will result in the disallowance of the cost and may subject the institution/sponsor, its principals, employees, consultants, or others to the administrative and legal remedies available to the State agency and FNS. The [Related Party Disclosure Form \(RPDF\)](#) must be used for disclosure and uploaded to GA ATLAS.

For additional guidance on time reports, allocation, payroll documentation, and related party disclosures, please refer to [FNS 796-2 Rev. 4](#) and [DECAL's Budget Guidance Manual](#).

Overall, when CACFP funds are used for labor costs, CACFP institutions/sponsors must maintain accurate and complete time records, in addition to all required supporting documentation to justify Program costs incurred. As mentioned previously, failure to meet the requirements outlined in this memorandum, or any of the other requirements set forth in this policy, will result in an institution/sponsor returning all non-supported labor costs back to its CACFP food service account and/or the institution/sponsor being declared Seriously Deficient.

If you have any questions regarding this memorandum, please contact Nutrition's Policy Administrator at (404) 651-8193.