



**Georgia Dept  
of Early Care  
and Learning**

Origination 10/1/2020

Effective 10/1/2020

Last Revised 10/1/2020

Area Memo:  
Recordkeeping -  
Financial  
Programs CACFP

## Charging Net Allowable Administrative Costs to the CACFP

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### Purpose

The purpose of this memorandum is to provide guidance to CACFP institutions and sponsoring organizations on the correct application and use of charging administrative costs to the CACFP. Charging administrative costs is widely used by sponsors of both affiliated and unaffiliated centers.

### Legal Authority

FNS 796-2 Rev. 4. and 7 CFR § 226.6(f)(iv).

### Program Requirements

In previous years, DECAL learned that some institutions and sponsors were charging a blanket 15 percent for administrative costs, without considering actual costs and maintaining accurate records to support the need for the additional costs. Additionally, some sponsors failed to perform and document an end-of-year reconciliation of their actual net allowable administrative costs to the amount retained.

In accordance with FNS 796-2 Rev. 4, a sponsoring organization may retain a portion (*i.e.*, charge an administrative fee) of their reimbursement to support CACFP administrative costs associated with planning, organizing, and managing the Program. Accordingly, the sponsor may retain **the lesser of the following**:

- a. Actual net allowable administrative costs; **or**
- b. 15 percent of the total reimbursement payments received.

To be clear, an organization **cannot** retain both the actual net allowable administrative costs and 15 percent of the total reimbursement payments received.

Additionally, the administrative budget submitted by a sponsor of centers must demonstrate that the administrative costs to be charged to the Program **do not exceed 15 percent** of the meal

reimbursements estimated or actually earned during the budget year. The sponsor must use their projected meal reimbursements as an *estimate* to request approval of administrative costs in their Budget. The costs must be approved prior to charging administrative costs.

**Note:** The approval of administrative costs in the Budget does not mean that the sponsor can use the full amount of approved administrative costs in the Budget. As stated above, *the sponsor can only use the actual 15 percent of the reimbursement minus cash-in-lieu or the actual net allowable administrative cost regardless of the approved amount.*

When calculating an amount to retain, sponsors must carefully evaluate and monitor their reimbursement against allowable administrative expenses in order to effectively identify what additional monetary support is required to successfully operate the Program and identify the true limit of that amount. Retaining an amount in excess of 15% of the meal reimbursements estimated, or actually earned, shall result in a cost disallowance.

Sponsors must:

- Identify the percentage to retain based upon the organization's prior year's total allowable Program reimbursement, or prior year's net allowable administrative costs;
- Operate a budget that has been evaluated and approved by DECAL during the application process;
- Exclude cash-in-lieu when calculating the administrative fee;<sup>1</sup>
- Frequently monitor allowable reimbursement and allowable administrative expenses on a monthly basis and reconcile the calculated administrative fee to those amounts;
- Have documentation available upon request to support and verify that the actual allowable reimbursement or net allowable administrative costs (whichever is less) **justifies** the rate charged by the sponsor;
- Maintain an internal source document that captures the Federal Fiscal Year's (Oct-Sept.) reimbursement earned by each sponsored center, sponsor fee withheld from each reimbursement, the amount paid to the sponsored center, and all administrative costs charged to the Program. The sponsor is required to use this information to conduct a year-end reconciliation that captures the following information:
  - Total reimbursement for the federal fiscal year (October-September);
  - Total sponsors fee withheld;
  - Amounts paid out to the sponsored centers; and
  - Total Administrative costs charged to the Program.
- Complete and upload to GA ATLAS, a Year-End Administrative Fee Reconciliation document by **November 30<sup>th</sup>** after the close of each Program year; and
- At the end of the Program year, return to their sponsored centers any amount retained in excess/overage of the required net allowable administrative costs.

Please be advised, the portion retained for administrative costs is not designed for sponsors to make a profit and/or to charge a blanket 15 percent of the meal reimbursement in order to maximize the 15

percent cap. In addition, funds retained that exceed the actual net allowable administrative costs cannot be deemed "excess funds" for sponsors' use. Any excess/overage must immediately be distributed pro rata<sup>2</sup> back to the sponsored centers at the end of the year.<sup>3</sup>

### Examples of Calculations

#### Example 1

In example (1) below illustrates what the organization may retain based on the prior year's activity. According to the example, the sponsor may retain up to **\$25,000.00** (12.5%) for FY 2021 because the net allowable administrative expenses (\$25,000.00) are **less** than \$30,000.00 (the maximum amount of reimbursement that can be retained for administrative costs).

ABC Child Care		ABC Child Care	
Total FY 2020 reimbursement minus CIL:	\$200,000.00	Total FY 2020 reimbursement minus CIL:	\$200,000.00
<b>Maximum</b> Amount ABC Childcare can retain for administrative costs (\$200,000 x 15%)	\$30,000.00	FY 2020 Net Allowable Administrative Expenses	\$25,000.00
Percentage to Retain:	<b>15%</b>	Percentage to Retain (\$25,000 ÷ \$200,000):	<b>12.5%</b>

#### Example 2

In example (2) below, the sponsor did **not** participate in the previous year (FY 2020). Therefore, the sponsor would calculate the amount to retain based on *estimated* reimbursement and *estimated* allowable administrative costs. Since 10 percent is less than 15 percent, the sponsor must only retain **\$15,000.00** (10%).

LMN Child Care		LMN Child Care	
Total FY 2021 Estimated Reimbursement minus CIL:	\$150,000.00	Total FY 2021 <b>Estimated</b> Reimbursement minus CIL:	\$150,000.00
Maximum Amount LMN Child Care can retain for administrative costs (\$150,000.00 x 15%):	\$22,500.00	LMN Child Care <b>Estimated Net</b> Administrative Costs:	\$15,000.00
Percentage to Retain:	<b>15%</b>	Percentage to Retain (\$15,000 ÷ \$150,000.00)	<b>10%</b>

#### Example 3

In example (3) below, the sponsor has been monitoring FY 2020 reimbursements and expenses and has determined that the estimated reimbursement and expenses are significantly **lower than expected**. The sponsor would then calculate the amount to retain based on reimbursements and allowable administrative expenses to date. Here, the sponsor must make an adjustment. Since 13 percent is less

than 15 percent, the sponsor must adjust the amount to retain to **\$8,500.00** (13%).

XYZ Child Care		XYZ Child Care	
FY 2020 reimbursement to date minus CIL: (October 2019 to June)	\$65,000.00	FY 2020 reimbursement to date minus CIL: (October 2019 to June)	\$65,000.00
Maximum Amount XYZ Childcare can retain for administrative costs (\$65,000 x 15%):	\$9,750.00	FY 2020 Net Allowable Administrative Expenses to date (October 2019 to present):	\$8,500.00
Percentage to Retain:	<b>15%</b>	Percentage to Retain: ( $\$8,500 \div \$65,000$ ):	<b>13%</b>

In accordance with FNS Instruction 796-2 Rev. 4, the 15 percent cap may be waived upon DECAL's approval. If requesting a waiver, the sponsor must provide documentation detailing why funds in excess of the 15 percent cap are required to pay for Program administrative expenses. Requests should be submitted to DECAL's Budget Compliance Supervisor and must be approved prior to exceeding the 15 percent cap.

## Comments

For questions concerning this memorandum, please contact the Policy Administrator at (404) 651-8193.

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<sup>1</sup> See also, DECAL Policy Memorandum, *Excluding Cash-in-Lieu When Calculating the Maximum Amount Available for CACFP Administrative Use (v.2)*, October 1, 2019.

<sup>2</sup> 'Pro rata' is a term used to describe a proportionate allocation; a method of assigning an amount to a fraction according to its share of the whole.

<sup>3</sup> See also, DECAL Policy Memorandum, *Excess Funds in the CACFP and SFSP (v.2)*, October 1, 2018.