

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
 - **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
 - **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

OSPI CNS School Meal Programs Reference Sheet

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

-CFR	Code of Federal Regulations
-CNS	Child Nutrition Services
-DOE	Department of Education
-LEA	Local Education Agency
-NSLP	National School Lunch Program
-OSPI	Office of Superintendent of Public Instruction