



Selected Budget Areas

Nutrition Programs

Illinois State Board of Education

Topics

- Allocation Plans
- Less-Than-Arms-Length Transactions
- Annual Budget Updates And Review



Allocation Plans

What Is An Allocation Plan?



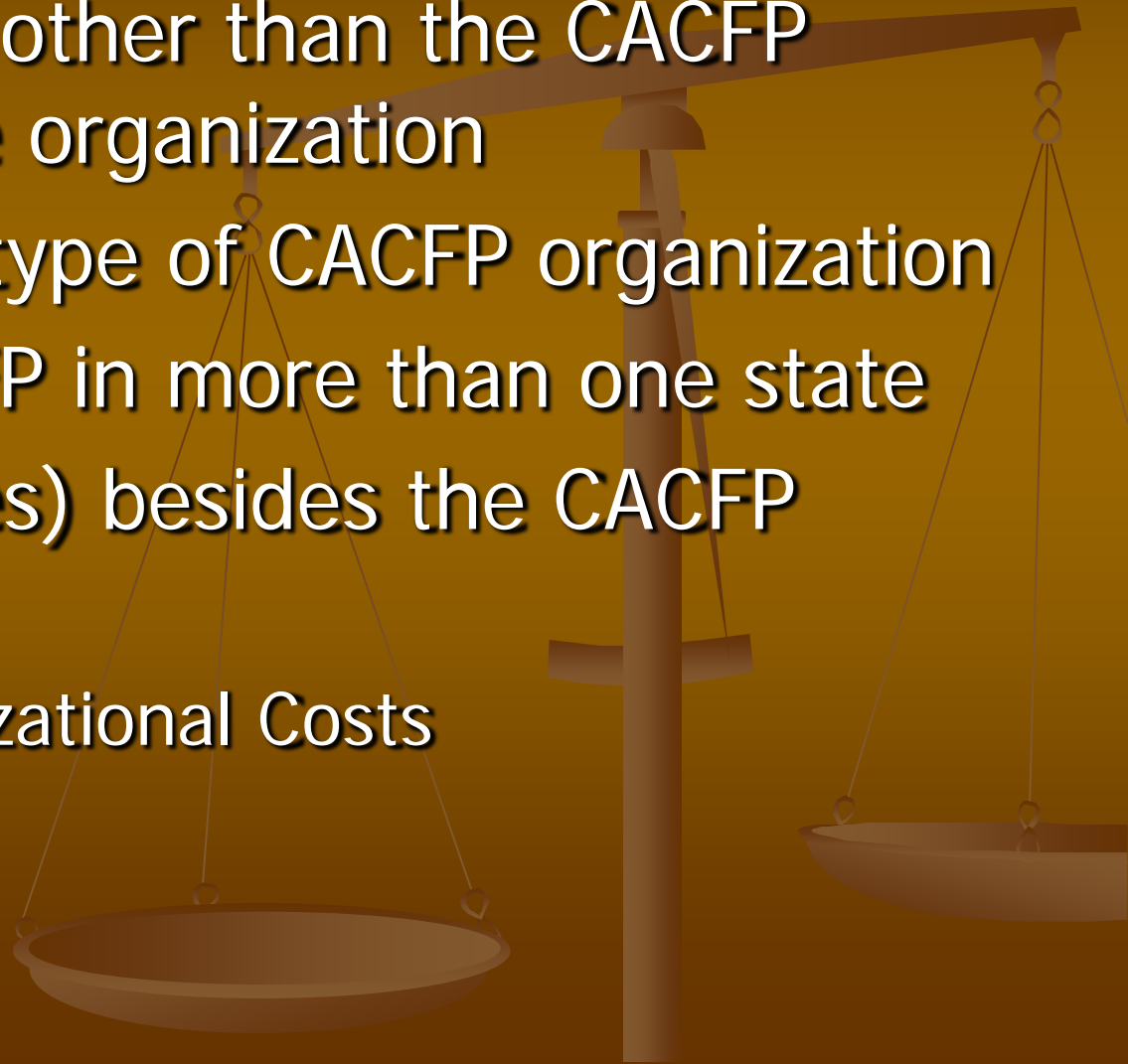
Why Allocate Costs?

When the benefits of a direct cost cannot be specifically identified as an operating or administrative cost, or when the direct cost benefits both allowable and unallowable activities, or when the cost benefits more than one State for multi-state institutions, this shared cost must be allocated.

FNS 796-2, Revision 3, (VII) C (1) B

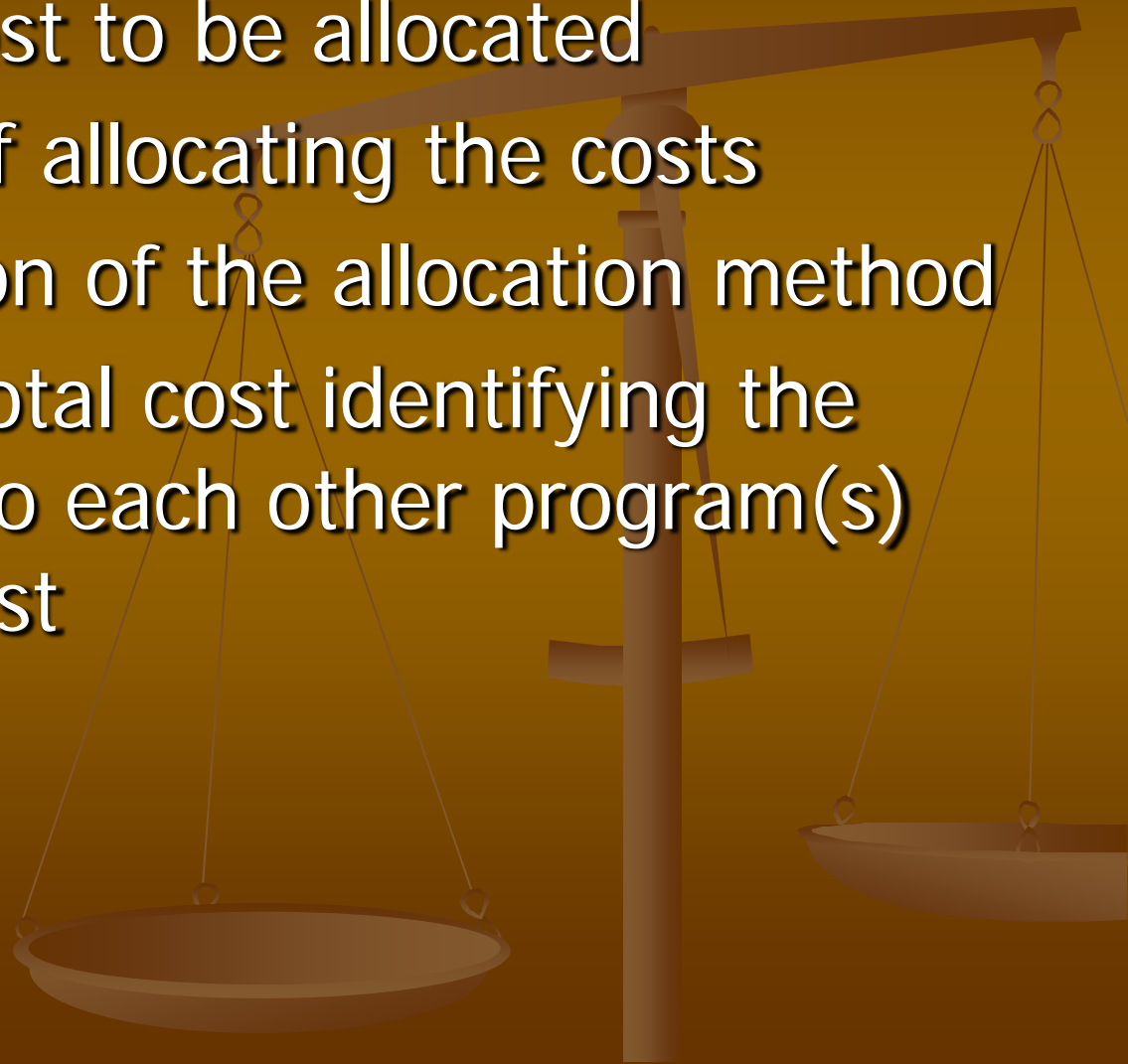
When Is An Allocation Plan Required?

- More programs other than the CACFP operated by the organization
- More than one type of CACFP organization
- Operating CACFP in more than one state
- Other activity(ies) besides the CACFP
 - Fundraising
 - General Organizational Costs



What Is An Allocation Plan?

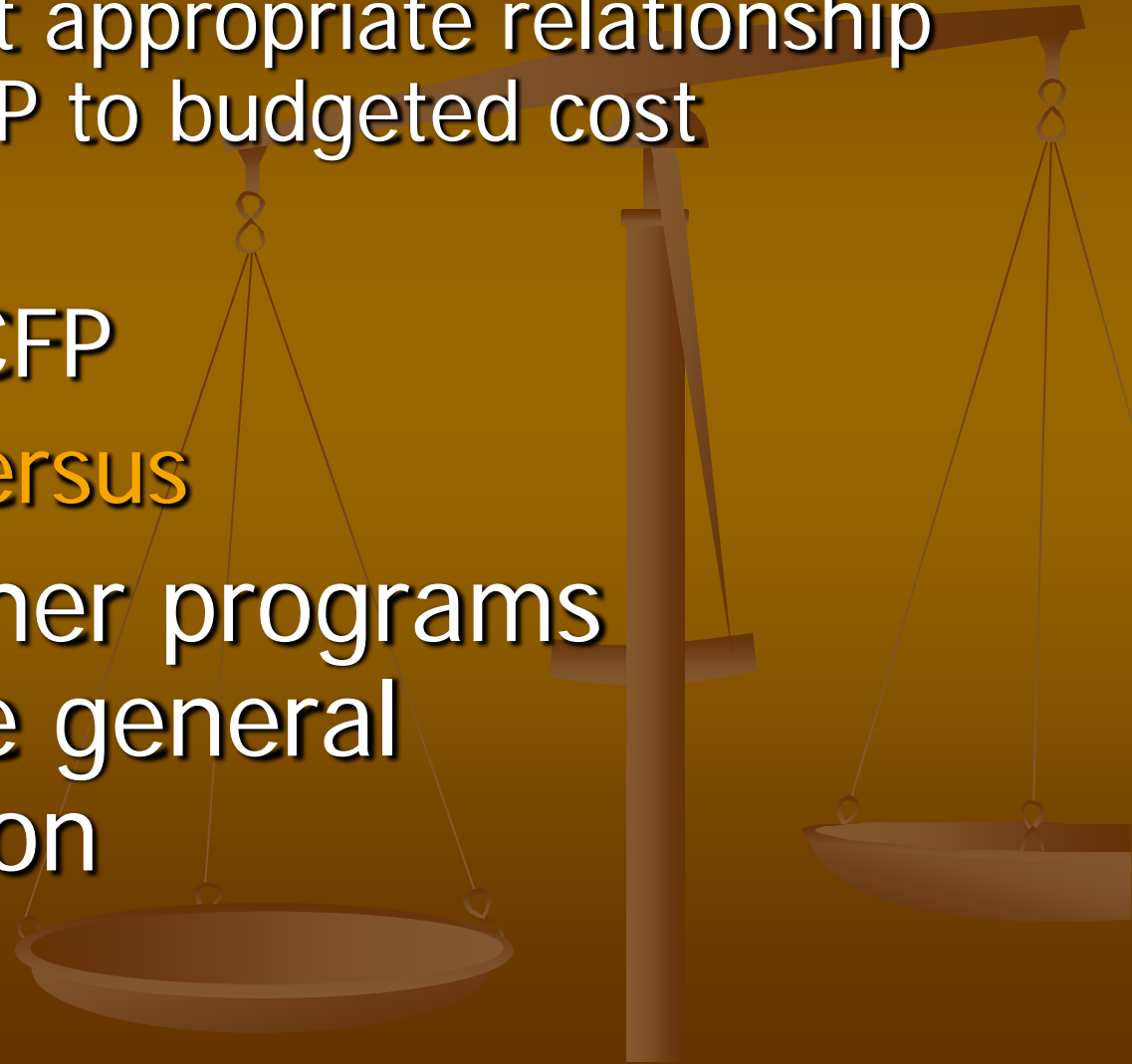
- Defines the cost to be allocated
- The method of allocating the costs
- The justification of the allocation method
- Detail of the total cost identifying the CACFP share to each other program(s) sharing the cost



How Do I Determine The Method To Use?

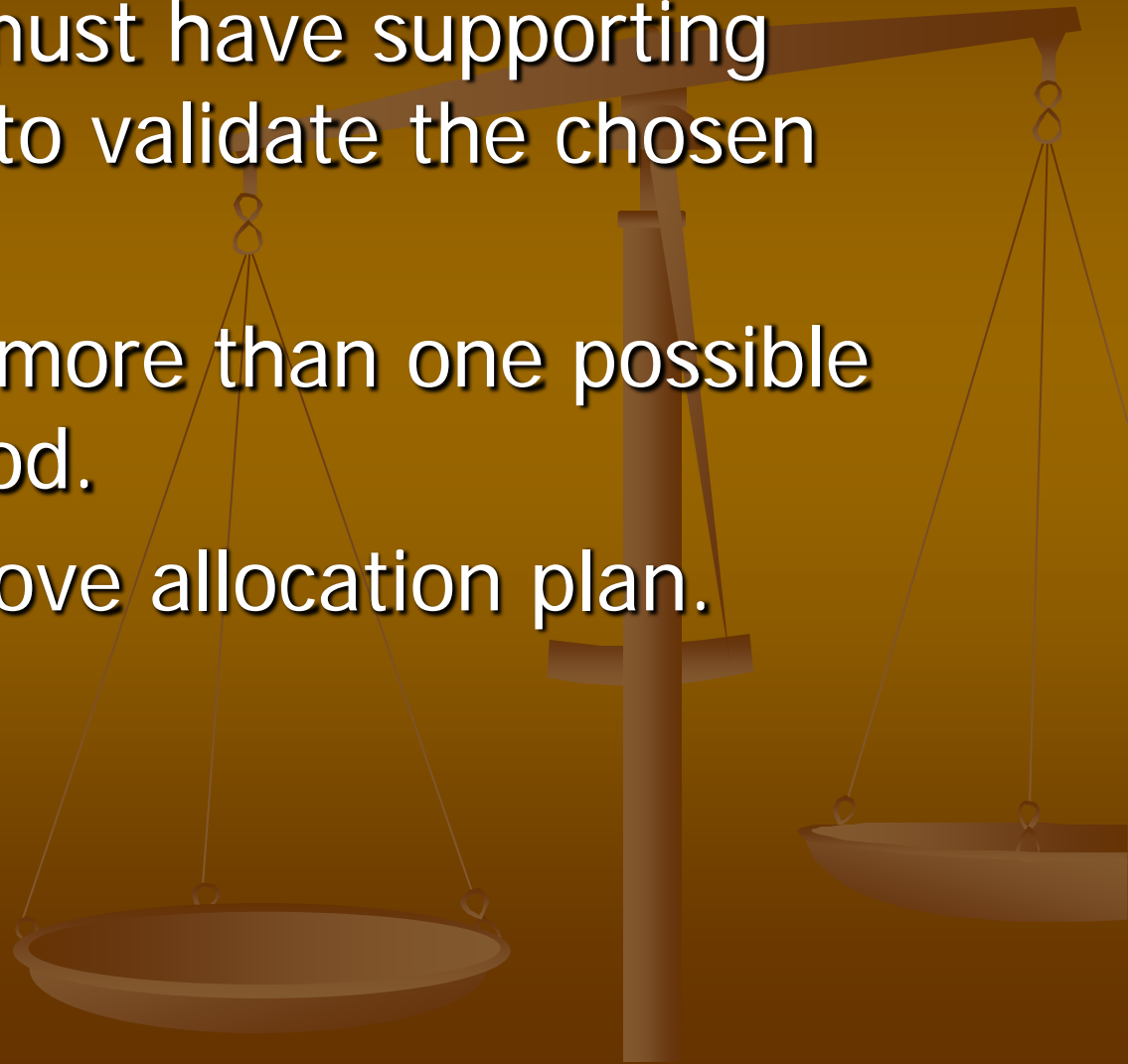
- Based on most appropriate relationship with the CACFP to budgeted cost
- Value to CACFP
- Value to other programs and/or the general organization

Versus



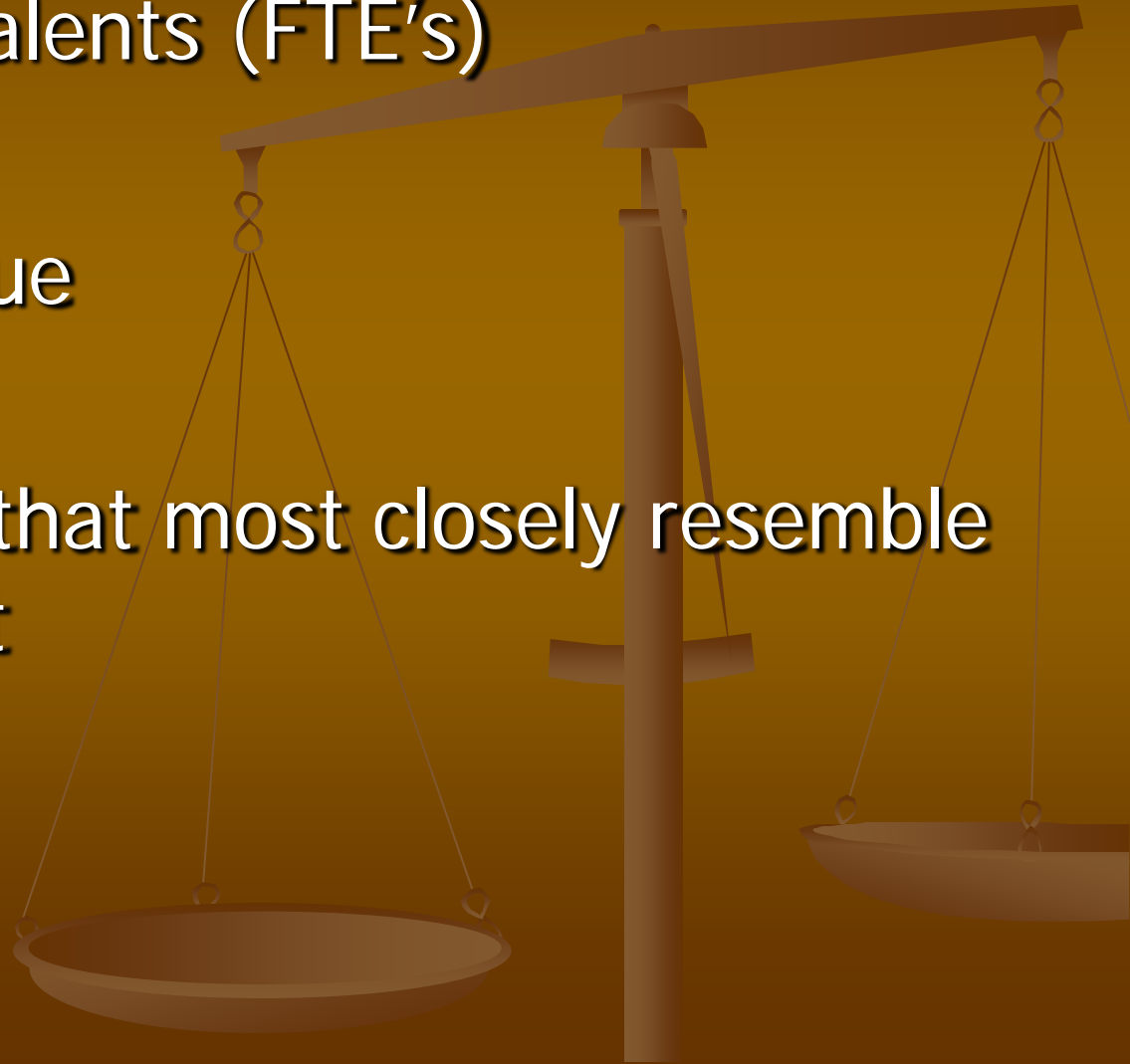
Choose Appropriate Allocation

- The allocation must have supporting documentation to validate the chosen method.
- There could be more than one possible allocation method.
- ISBE must approve allocation plan.



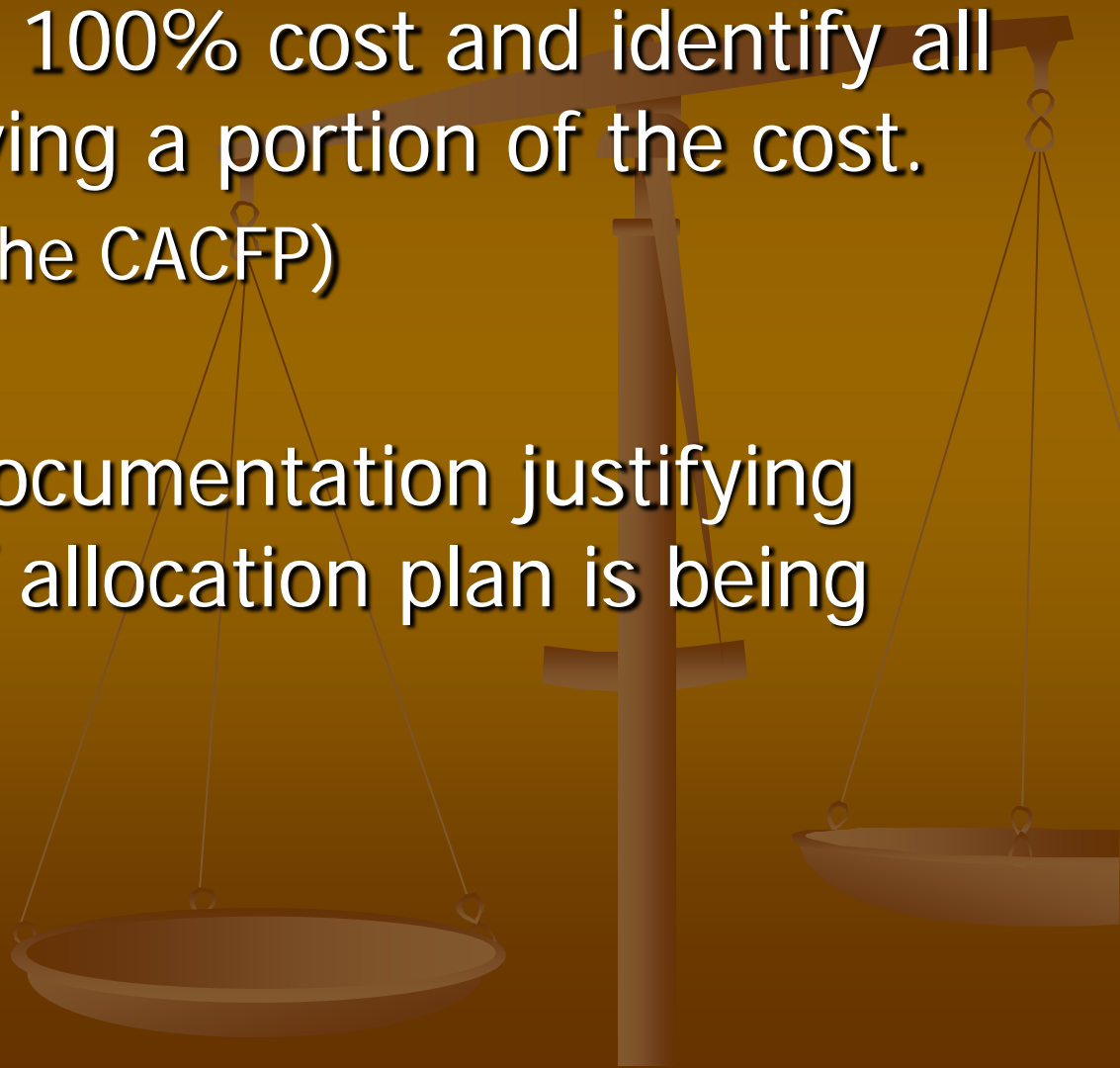
Types Of Allocation

- Full Time Equivalents (FTE's)
- Physical Space
- Program Revenue
- Historical Costs
- Other Methods that most closely resemble program benefit

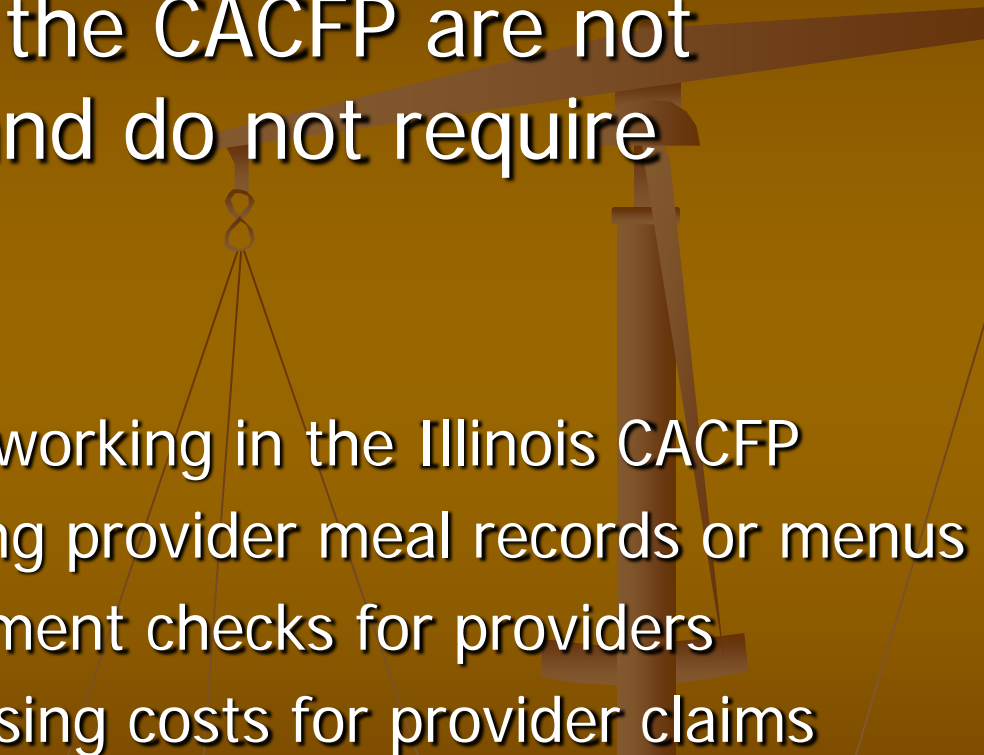


Allocation Plan Disclosure

- Plan must show 100% cost and identify all programs receiving a portion of the cost.
(in addition to the CACFP)
- Narrative and documentation justifying why the type of allocation plan is being used.



Direct Costs

- Costs unique to the CACFP are not prorated costs and do not require allocation.
 - Employee only working in the Illinois CACFP
 - Costs for printing provider meal records or menus
 - Cost of replacement checks for providers
 - Internet processing costs for provider claims
- 

Identification Of Direct Costs

Microsoft Excel - FY2011 ADMIN BUDGET- Original

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Schedule F(3)

PRINTING

Sponsoring Organization Name
XX-XXX-XXX-XX

Fiscal Year 11

Include cost by unit (e.g., 100 copies) of CACFP-related p

PRINTED DOCUMENT	Number of Copies	Total Cost of Printing	Prorated Percentage	ANNUAL PRINTING COST	
				Direct	Prorated Share*
1	2	3	4	5	6
Provider forms	1,000	500	100%	500.00	
Company brochure distributed to all clients	100	50	75%		37.50
				-	
				-	
				-	
				-	
				-	
				-	
TOTAL PRINTING				500.00	37.50

*Enter the prorated percentage.

*Multistate or multiple program organizations must include allocation plans for all prorated costs with budget attachment

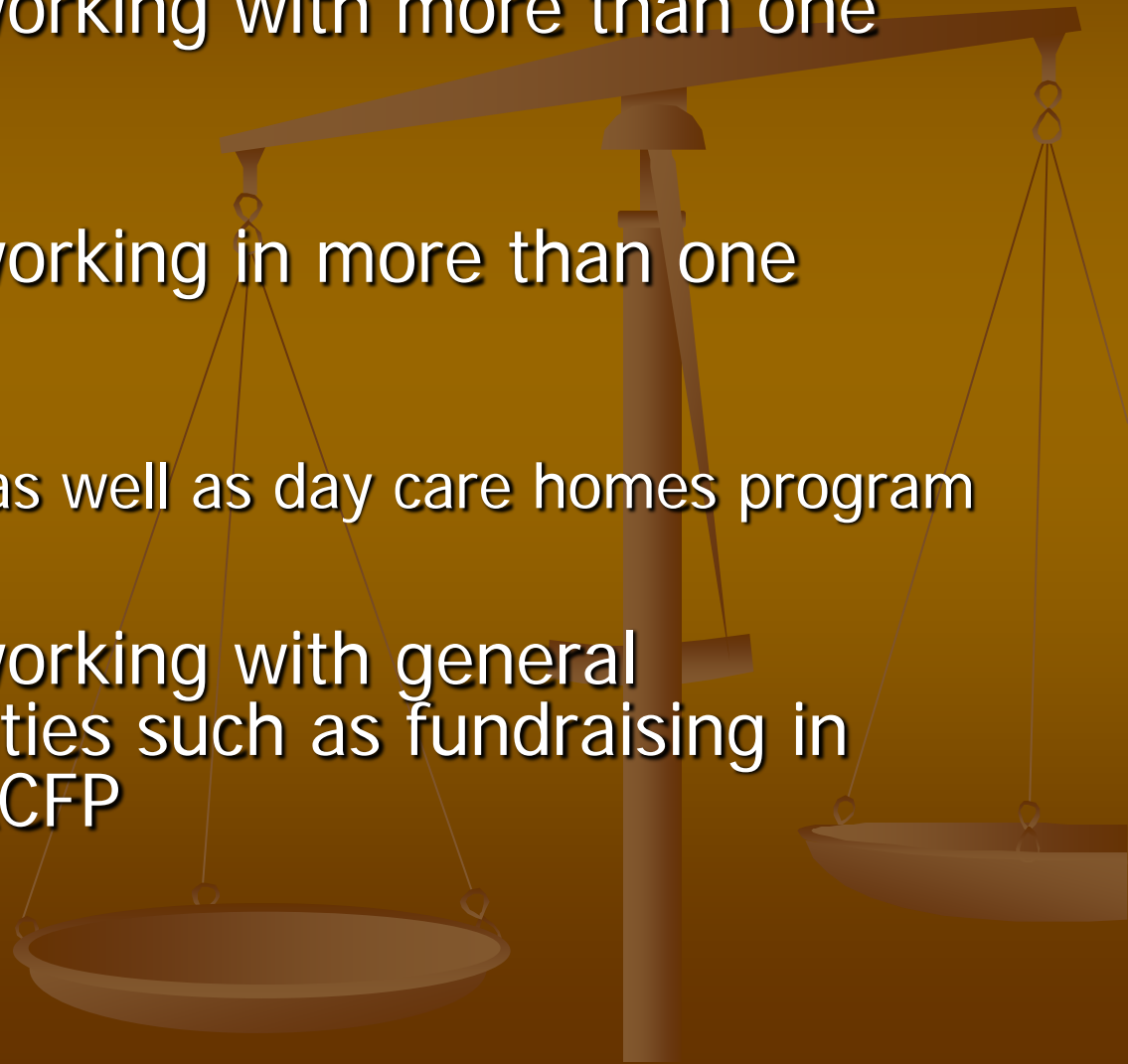
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When Is Full Time Equivalents Appropriate?

- Same Employee working with more than one program
- Same Employee working in more than one CACFP
 - Different states
 - Centers program as well as day care homes program
- Same Employee working with general organization activities such as fundraising in addition to the CACFP



Organization Allocations

- Although direct costs do not require allocation, the total of all FTE's including the 100% FTE employees may need to be included in an overall organizational FTE allocation.
- Workers Compensation
- Organization Costs associated with Benefit plans
 - (based on all members having the Benefit)

Example Of Required FTE Allocation

■ John Doe

■ Total Hours 2080

- CACFP Hours
- Day Care Referral Hours

■ Jane Doesitall

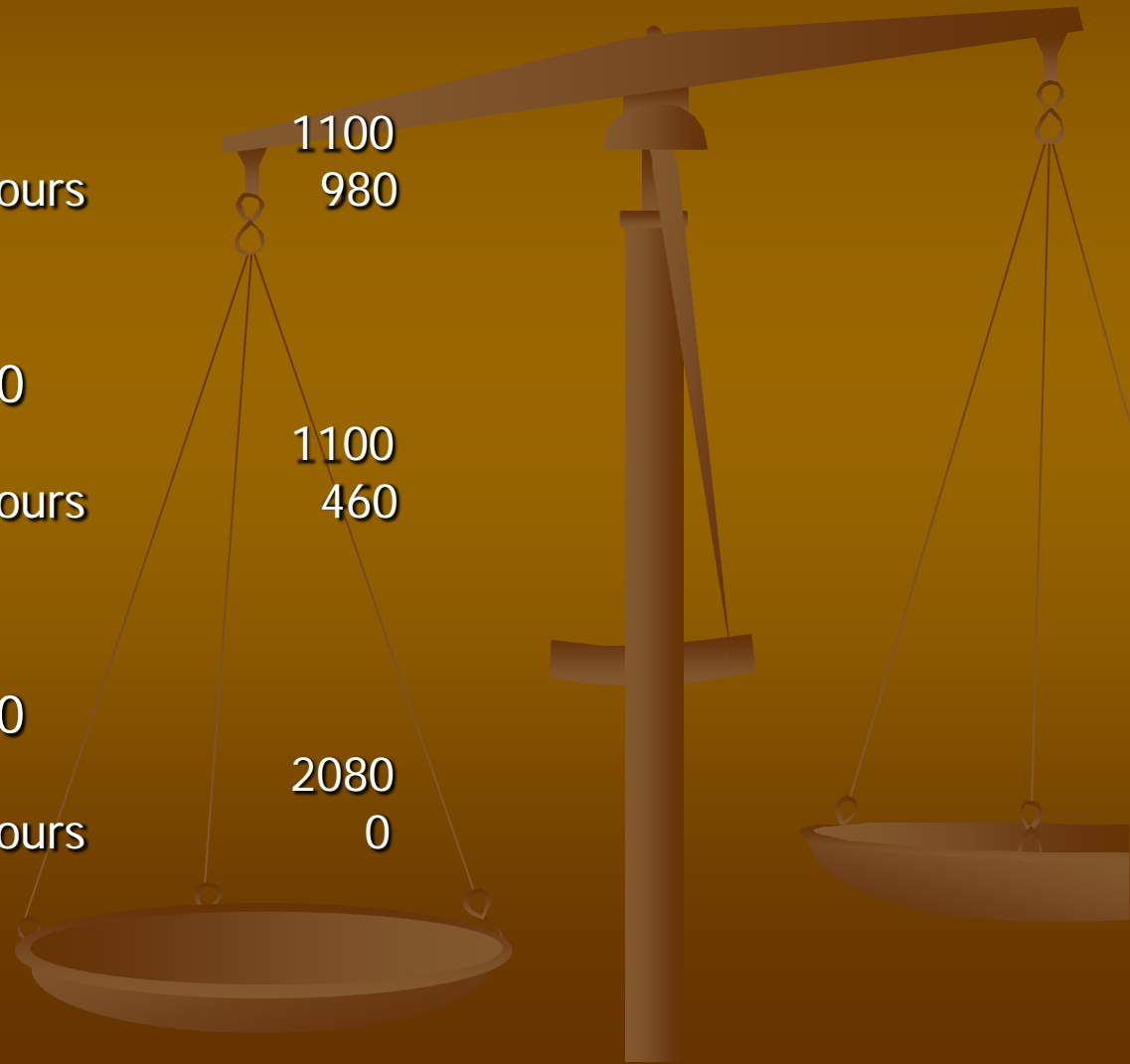
■ Total Hours 1560

- CACFP Hours
- Day Care Referral Hours

■ Sally Cacfp

■ Total Hours 2080

- CACFP Hours
- Day Care Referral Hours



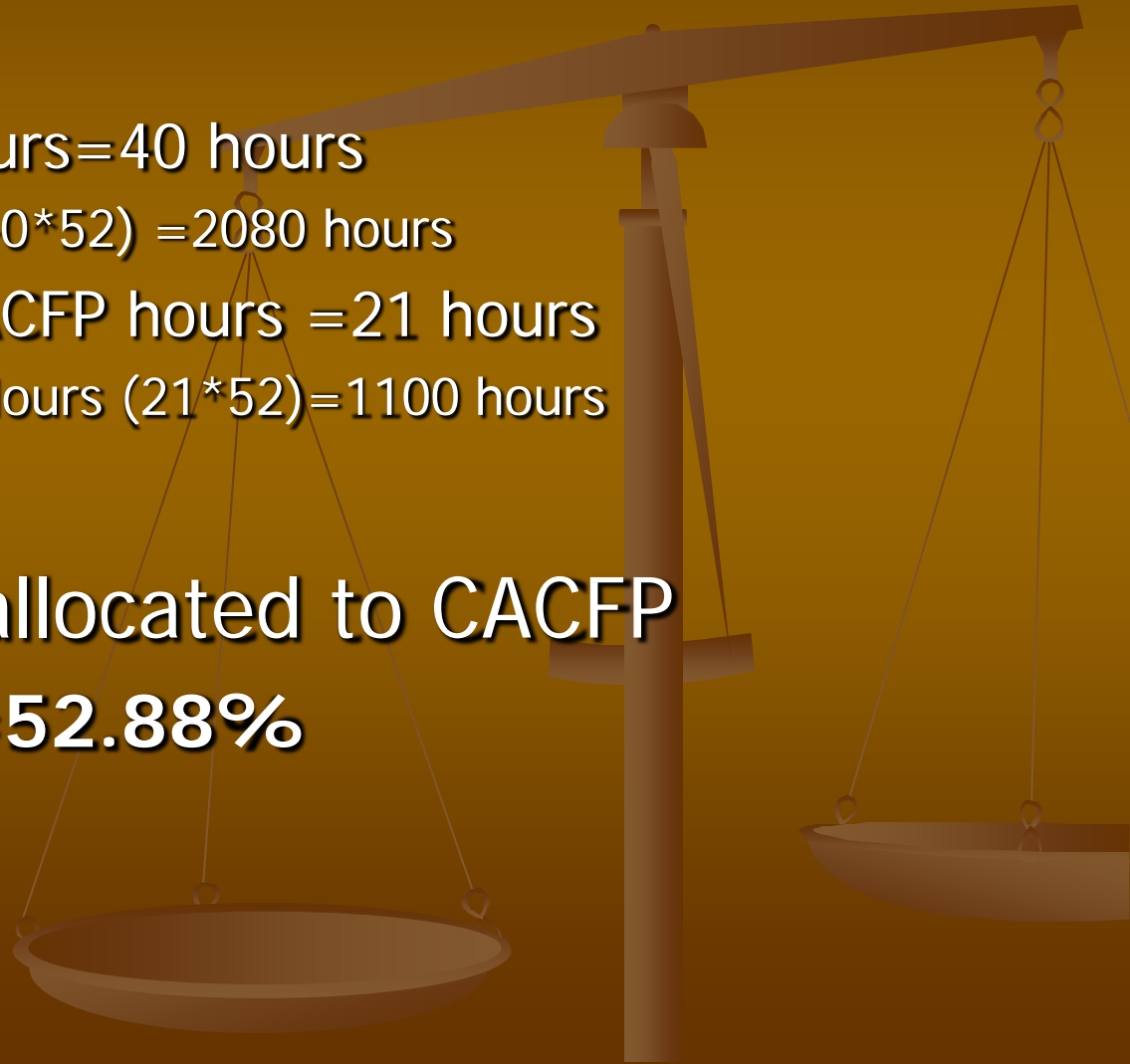
Demonstration Of FTE Calculations

■ John Doe

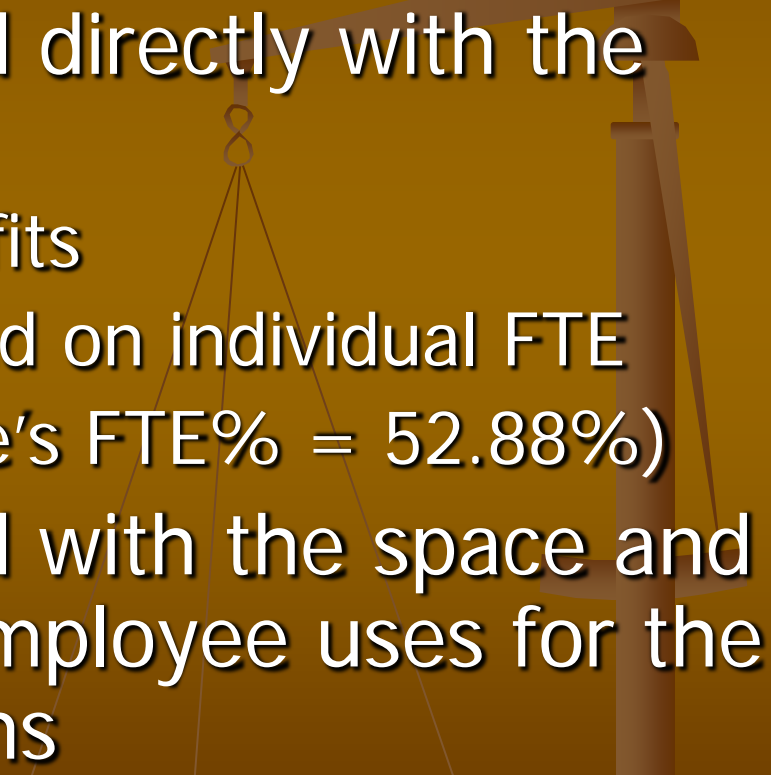
- Total weekly hours=40 hours
 - Annual Hours $(40 \times 52) = 2080$ hours
- Total Weekly CACFP hours =21 hours
 - Annual CACFP Hours $(21 \times 52) = 1100$ hours

■ Percentage allocated to CACFP

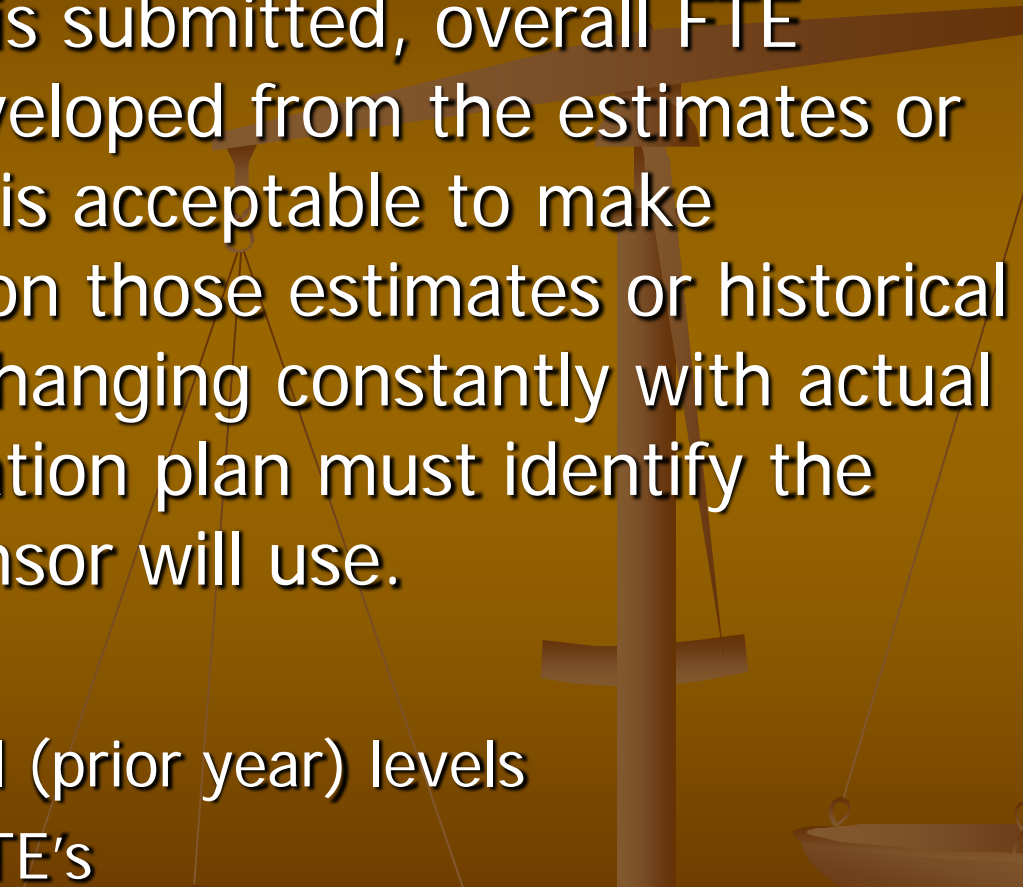
- $(1100/2080) = 52.88\%$



If Employee Is Allocated, What Costs Should Follow The Allocation?

- Costs associated directly with the Employee
 - Employee Benefits
(Allocation based on individual FTE
John Doe's FTE% = 52.88%)
 - Costs associated with the space and resources the employee uses for the CACFP operations
- 

Fixed FTE Allocations

- When the budget is submitted, overall FTE allocations are developed from the estimates or historical data. It is acceptable to make allocations based on those estimates or historical data rather than changing constantly with actual wages. The allocation plan must identify the allocation the sponsor will use.
 - Based on historical (prior year) levels
 - Based on actual FTE's
- 

Organizational Benefits

(Workers compensation, Directors and Officers Liability Insurance)

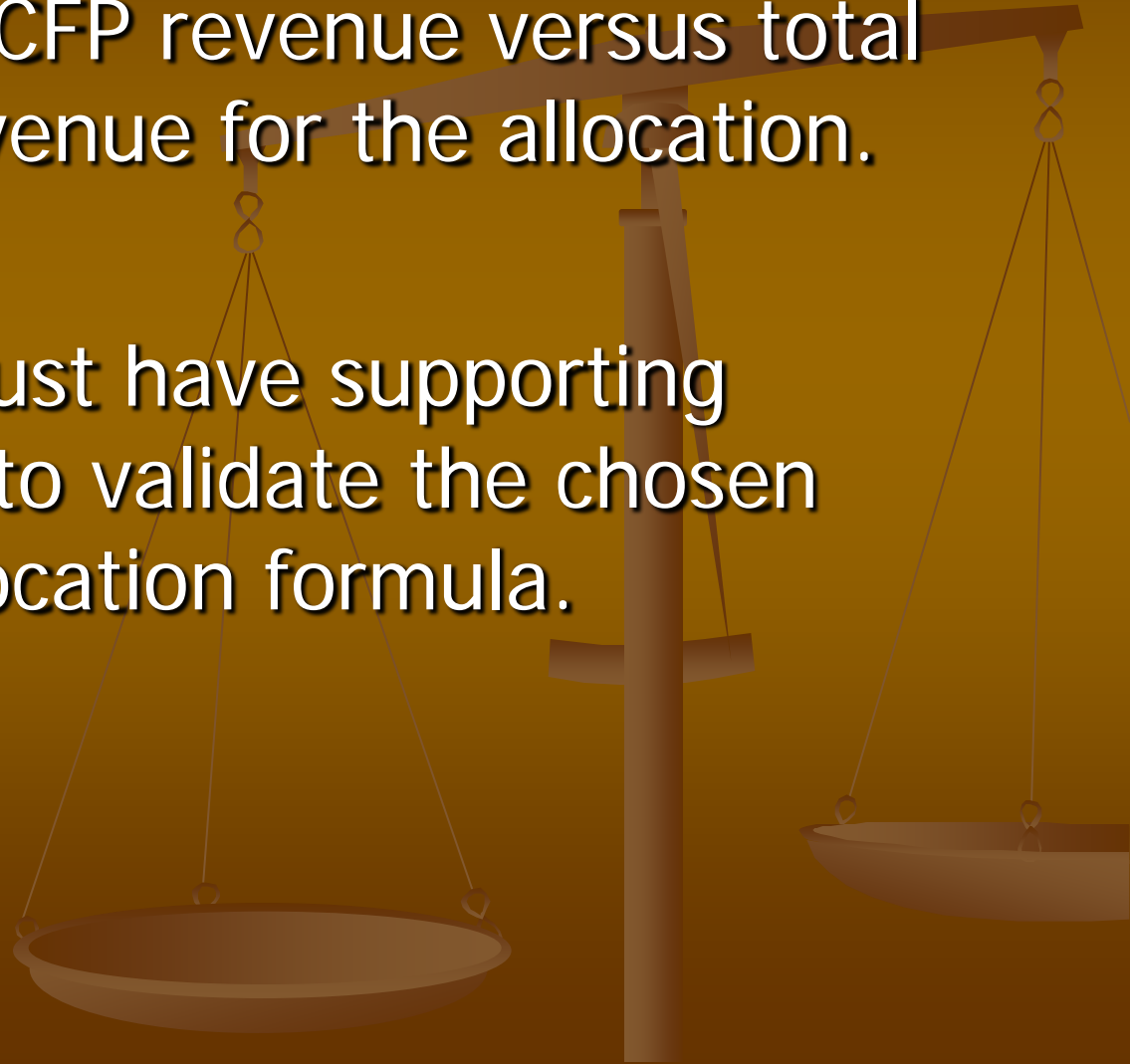
- Allocation based on overall CACFP FTE %

- Total FTE hours $(2080 + 1560 + 2080) = 5720$
- Total CACFP hours $(1100 + 1000 + 2080) = 4180$

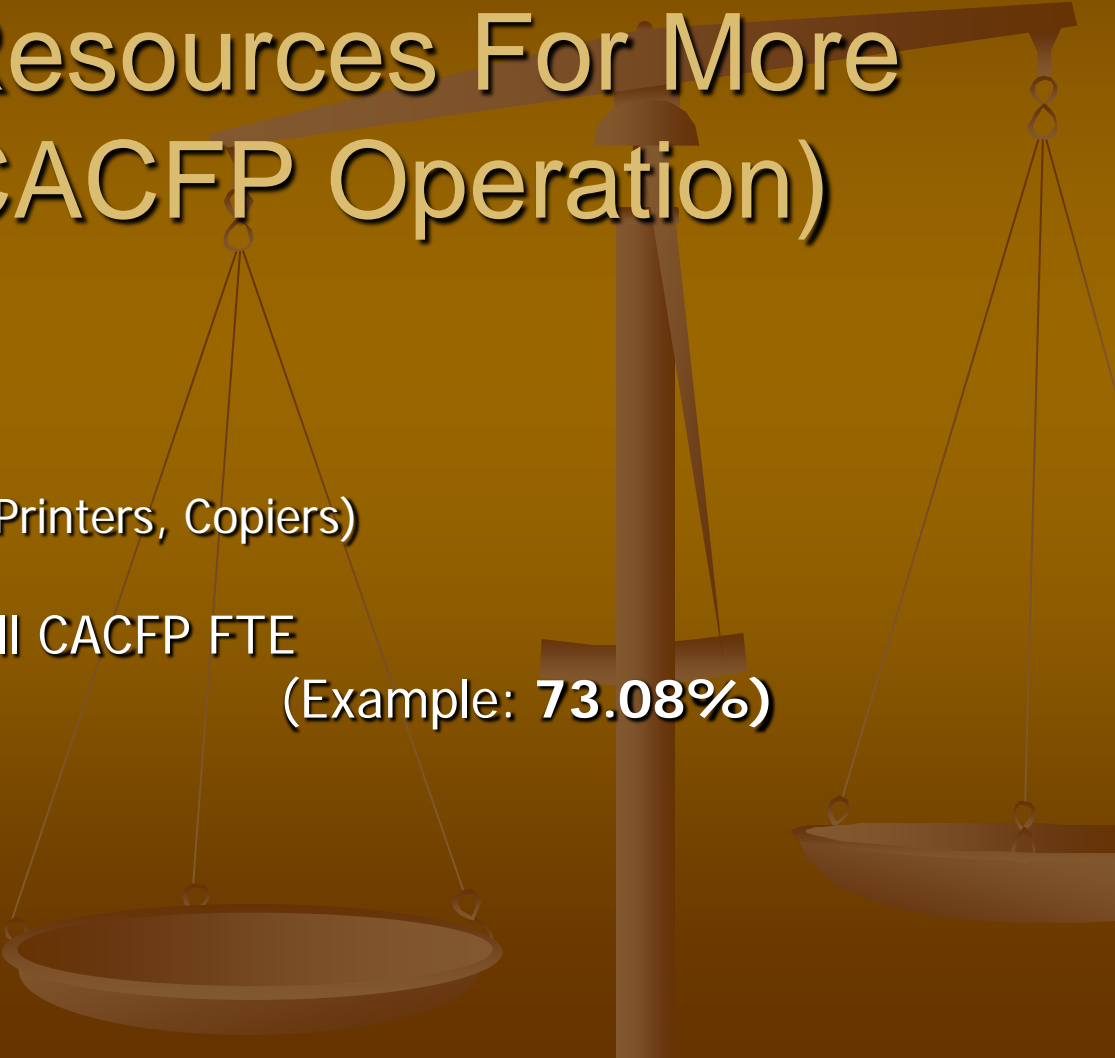
- $(4180 / 5720) = \mathbf{73.08\%}$

Director's And Officers' Liability

- May use the CACFP revenue versus total organization revenue for the allocation.
- An allocation must have supporting documentation to validate the chosen method and allocation formula.



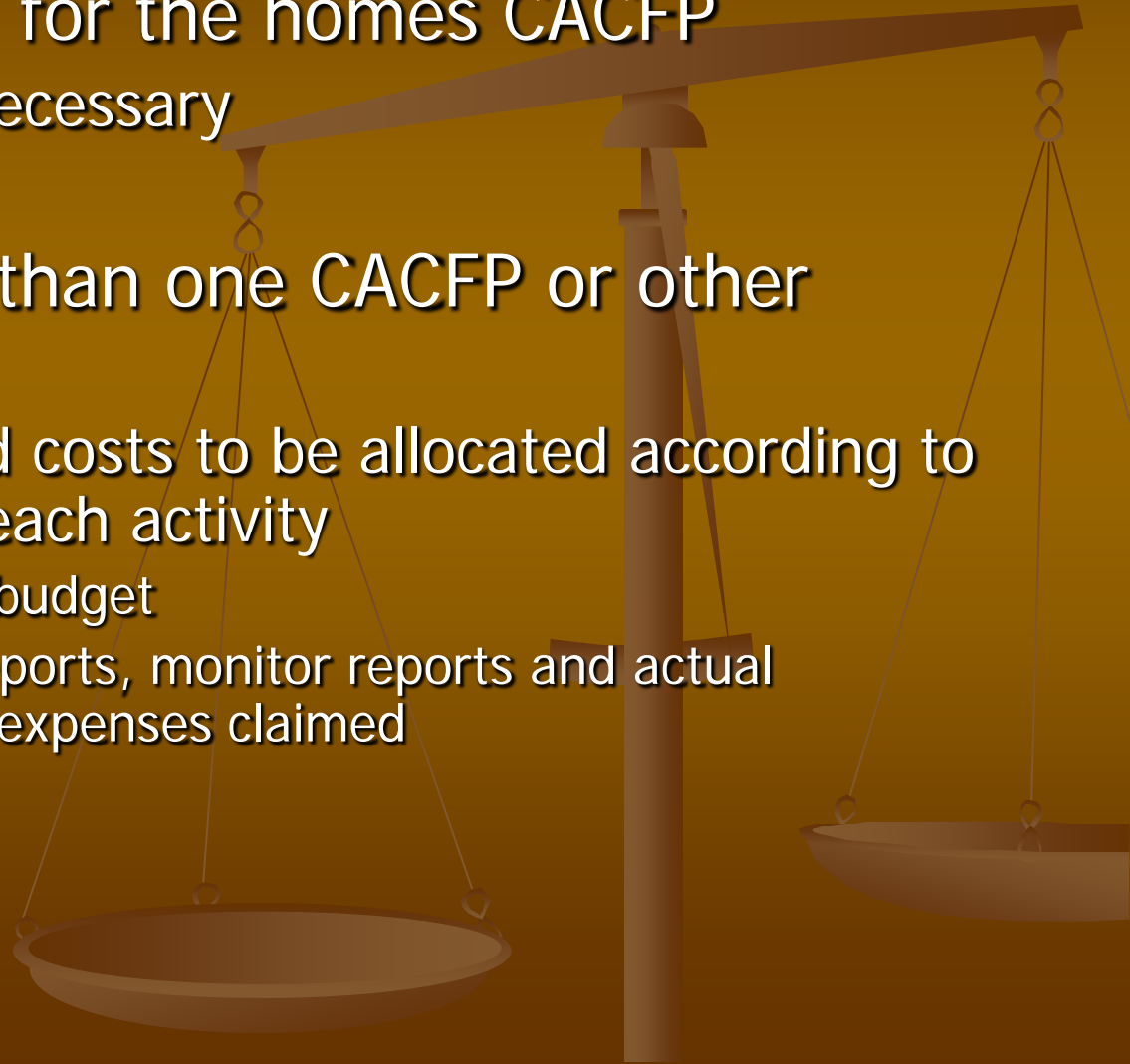
Equipment And Occupancy Usage (Employees Using The Same Space And Resources For More Than The CACFP Operation)



- Occupancy
 - Telephone
 - Copier
 - Equipment (Computers, Printers, Copiers)
-
- Allocation based on overall CACFP FTE
(Example: **73.08%**)

Travel Costs And Training Costs?

- Costs for 100% for the homes CACFP
 - No allocation necessary
- Costs for more than one CACFP or other program
 - Travel time and costs to be allocated according to time spent on each activity
 - Estimates for budget
 - As per time reports, monitor reports and actual itineraries for expenses claimed



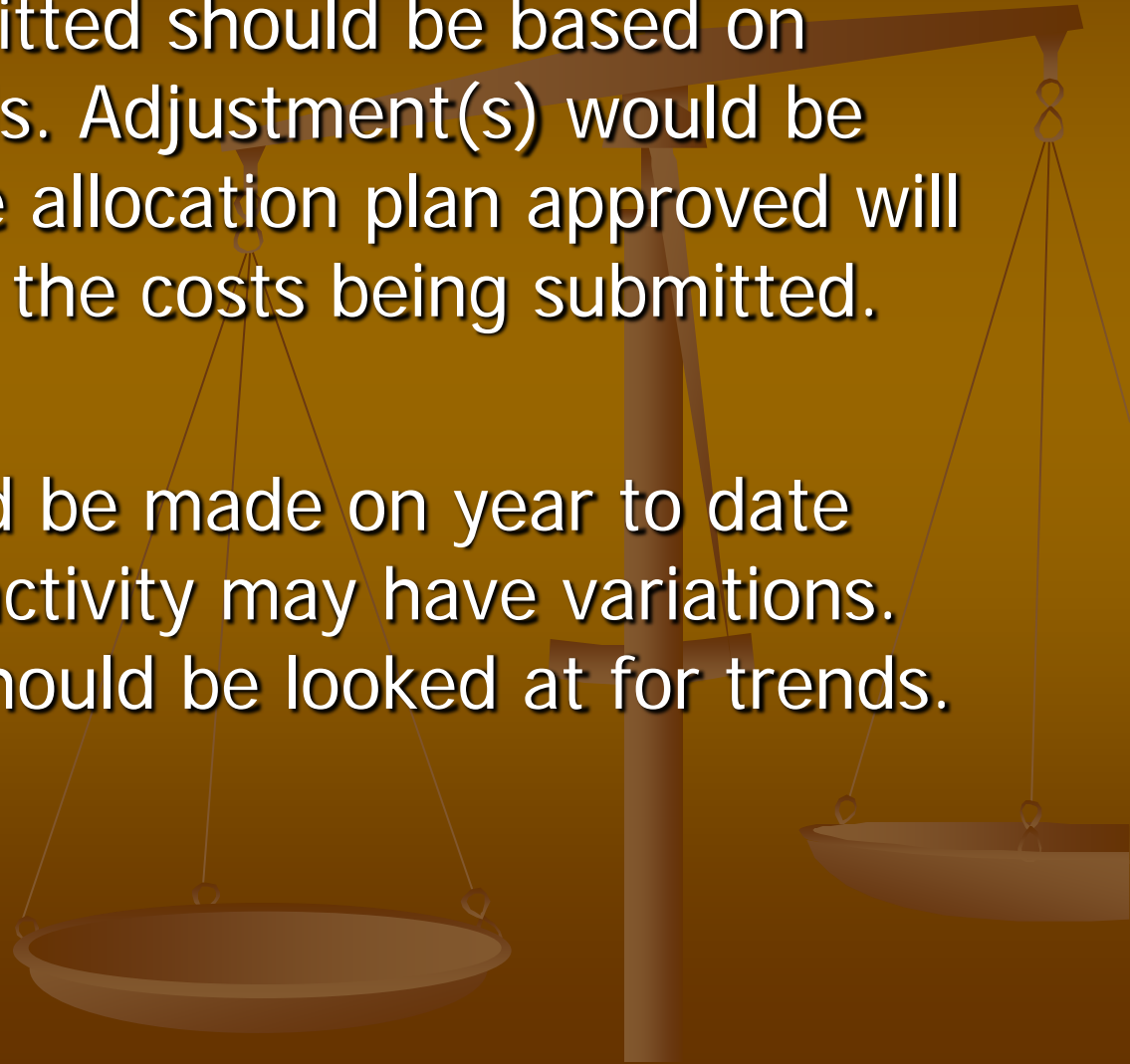
Fundraising Activities



- If income is derived for the organization through profit making ventures using CACFP resources, the earnings become a reduction of earned CACFP administrative reimbursement
 - Interest income earned from CACFP funded checking accounts
- CACFP funded activities can not be sold.
 - If employees or resources are not allocated to fundraising activities, the product is considered property of the CACFP
 - Training videos
 - Newsletters

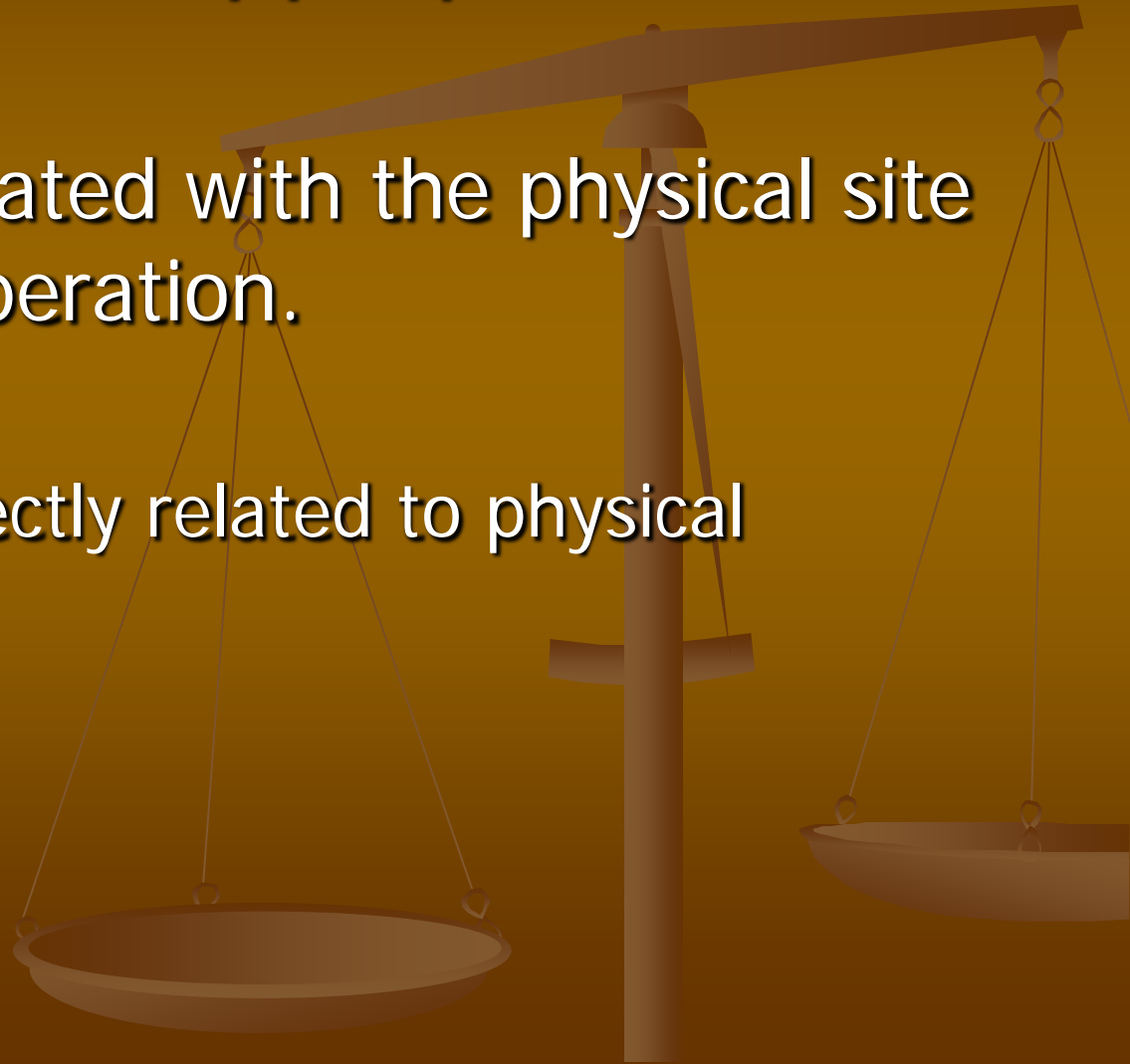
When Should The FTE Allocation Be Adjusted?

- Actual costs submitted should be based on actual time records. Adjustment(s) would be required when the allocation plan approved will no longer support the costs being submitted.
- Evaluations should be made on year to date activity. Monthly activity may have variations. Monthly activity should be looked at for trends.



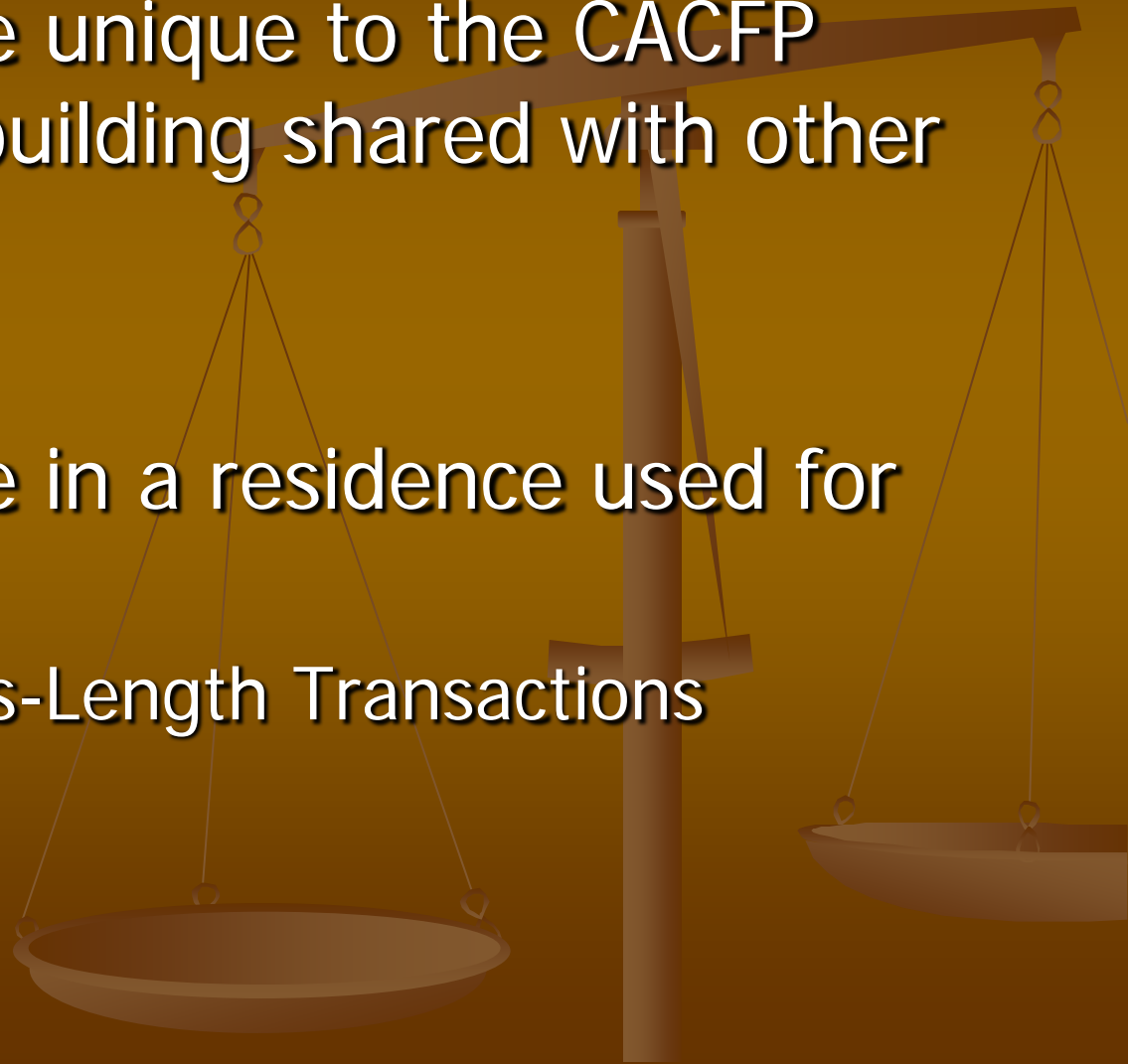
When Is Physical Space (Square Feet) Calculation Appropriate?

- For costs associated with the physical site of the CACFP operation.
 - Occupancy
 - Other costs directly related to physical space



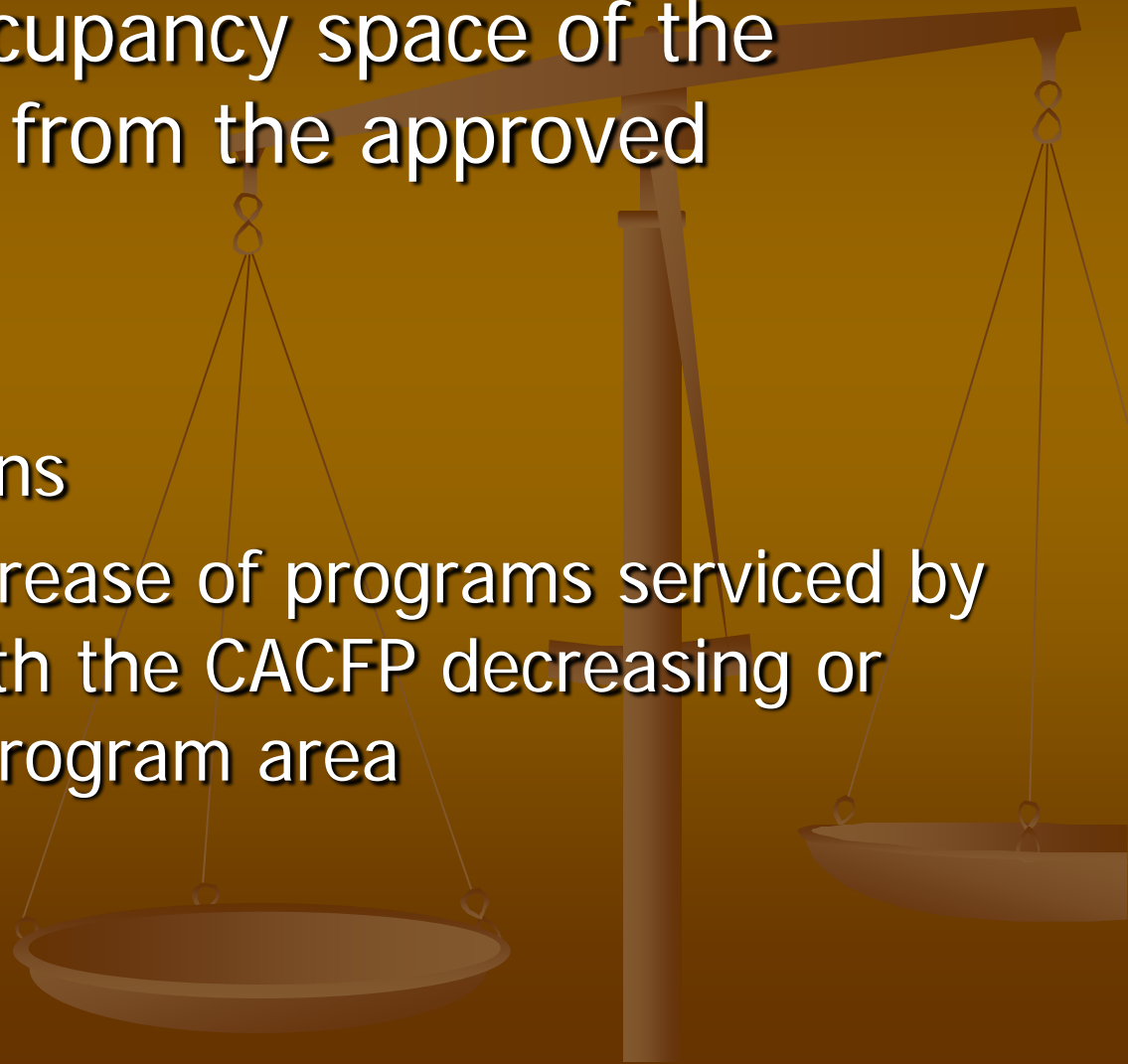
When Is Physical Space Allocation Appropriate?

- Dedicated space unique to the CACFP contained in a building shared with other programs
- Dedicated space in a residence used for the CACFP
 - Less-Than-Arms-Length Transactions



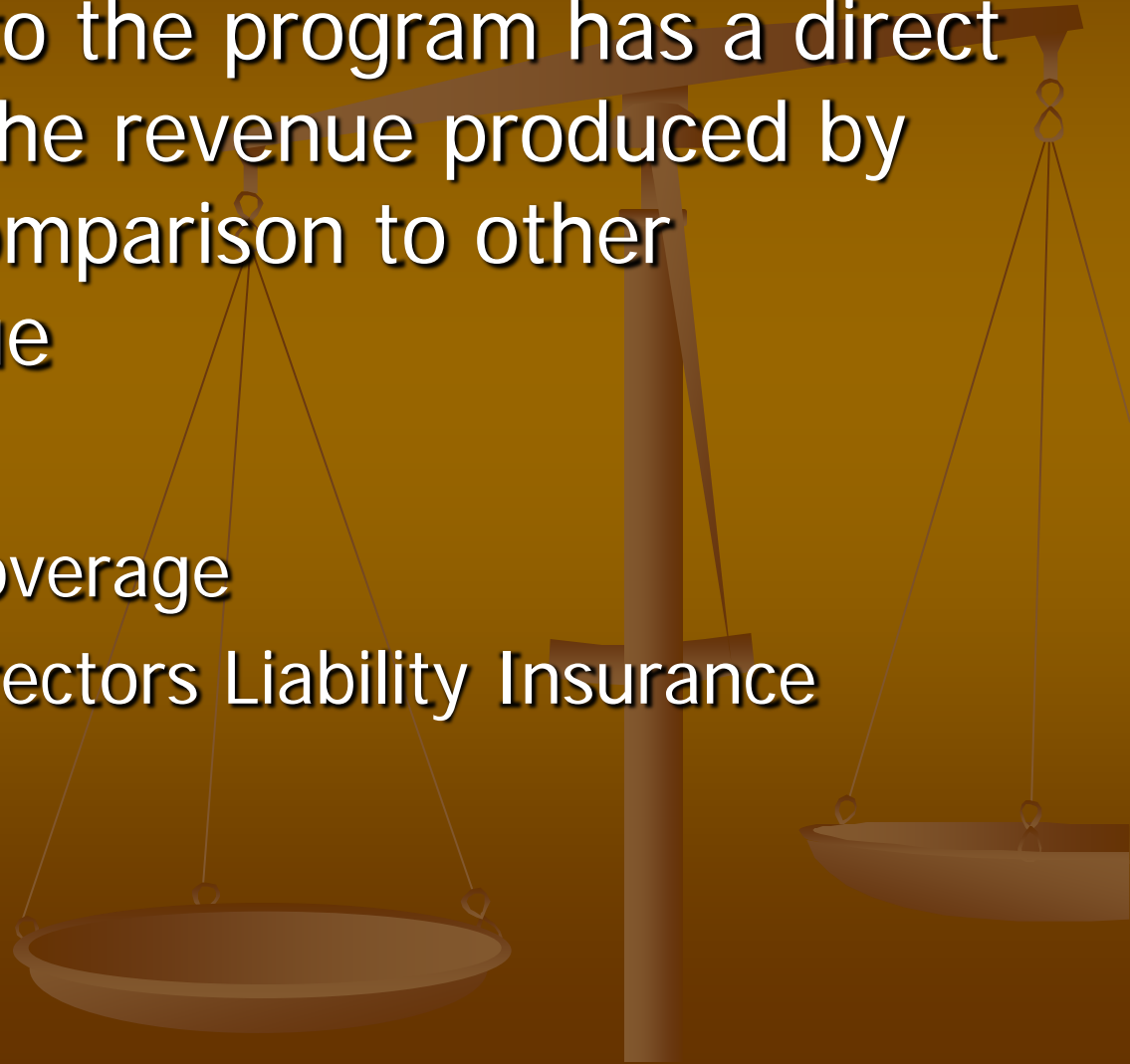
When Would Physical Space Allocations Need To Be Revised?

- The physical occupancy space of the CACFP changes from the approved allocation
 - Building additions
 - Decrease or increase of programs serviced by organization with the CACFP decreasing or increasing it's program area

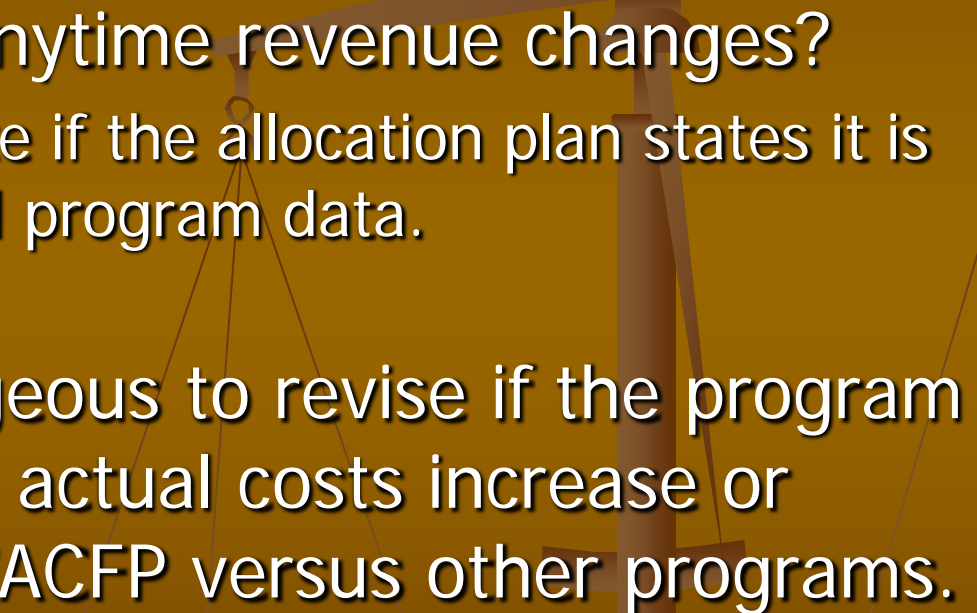


When Is Program Revenue Appropriate For Allocation Plans?

- When the cost to the program has a direct relationship to the revenue produced by the CACFP in comparison to other program revenue
 - Fidelity Bond coverage
 - Officers and Directors Liability Insurance

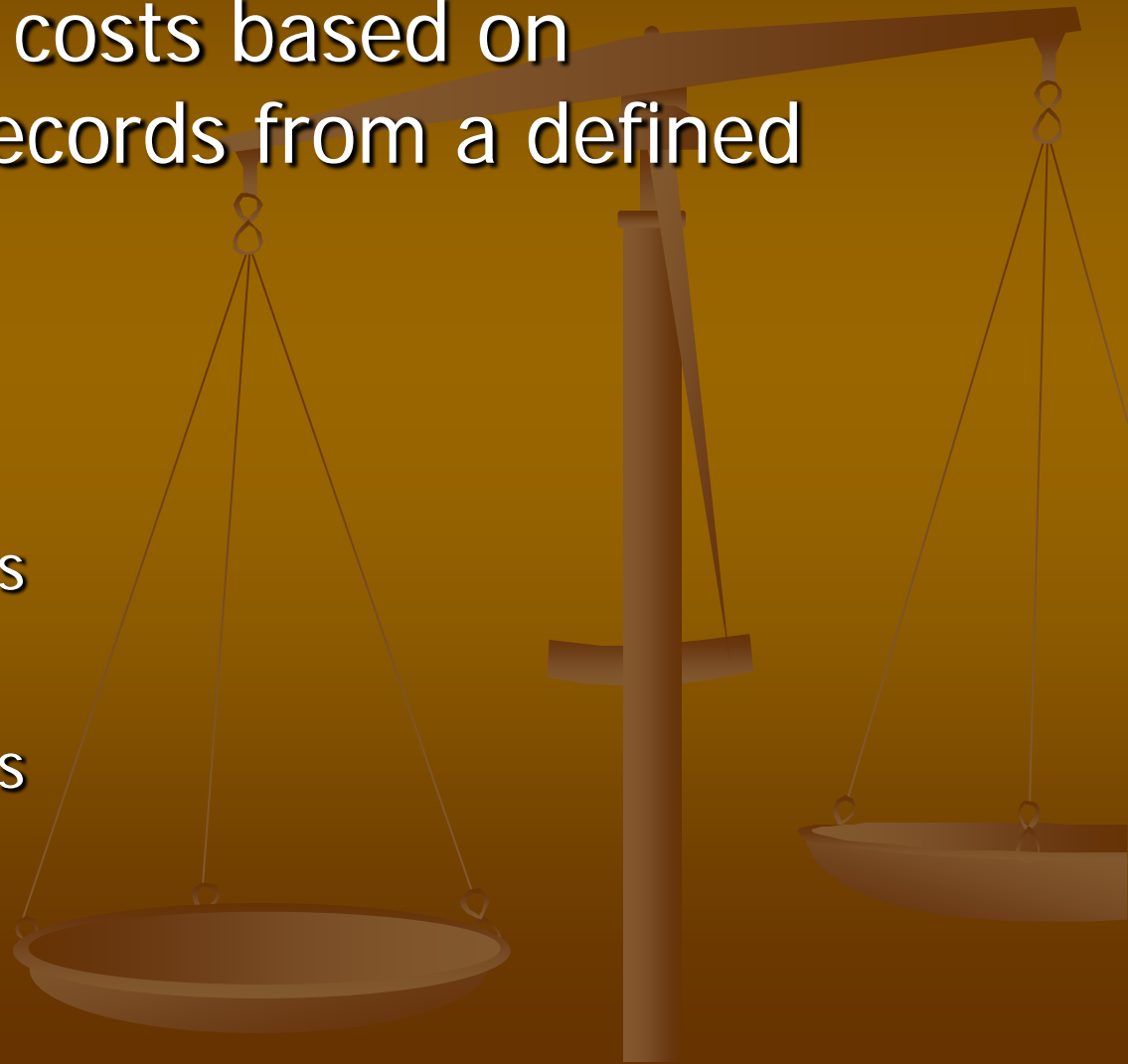


When Would Program Revenue Allocation Require Revision?

- Would it change anytime revenue changes?
 - No, still appropriate if the allocation plan states it is based on historical program data.
 - Might be advantageous to revise if the program needs change and actual costs increase or decrease for the CACFP versus other programs.
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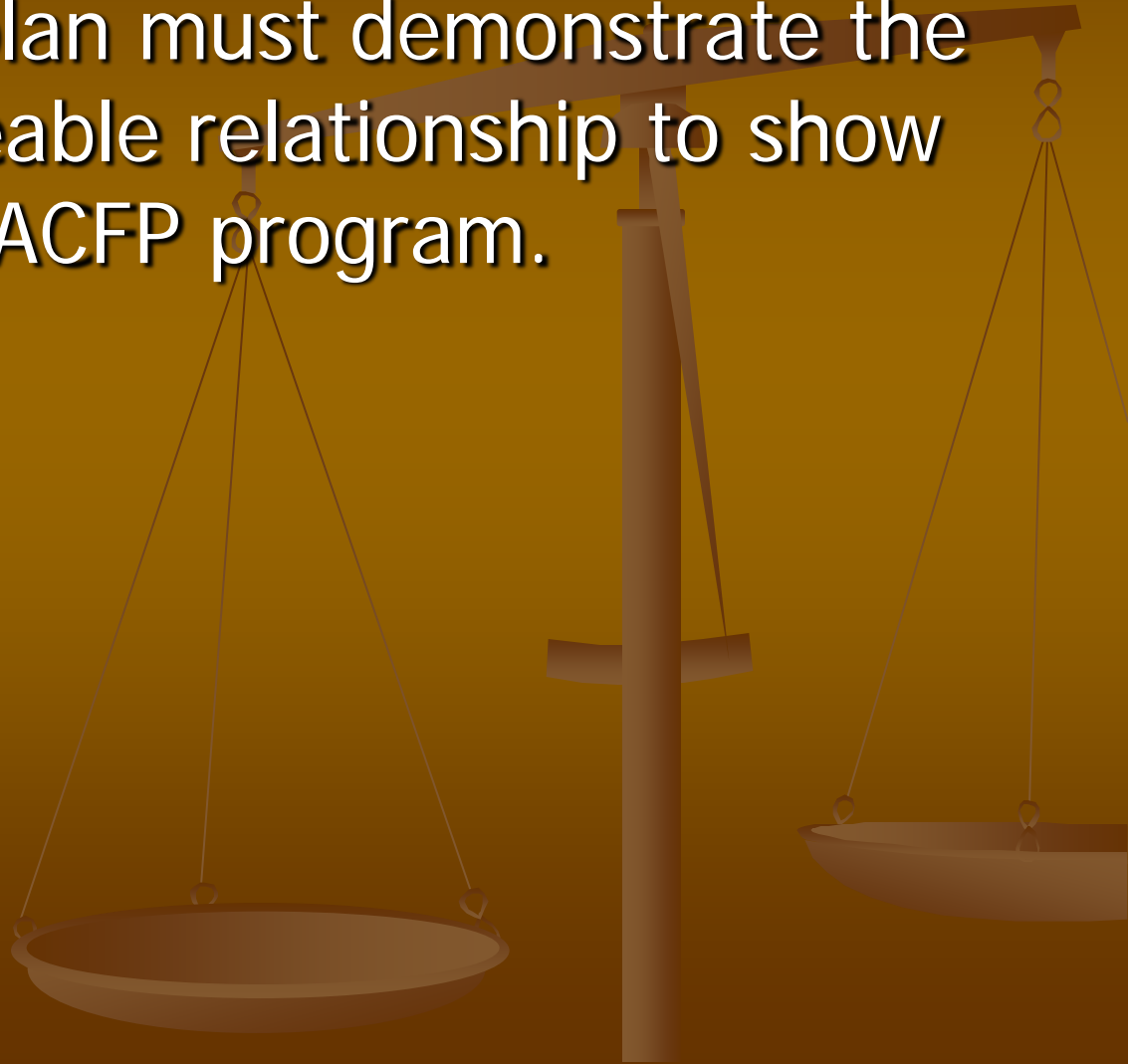
Historical Costs

- Budgeting the costs based on documented records from a defined period.
 - Copier Usage
 - Meter systems
 - Postage
 - Meter systems



Other Allocation Plans

- The allocation plan must demonstrate the closest measureable relationship to show benefit to the CACFP program.

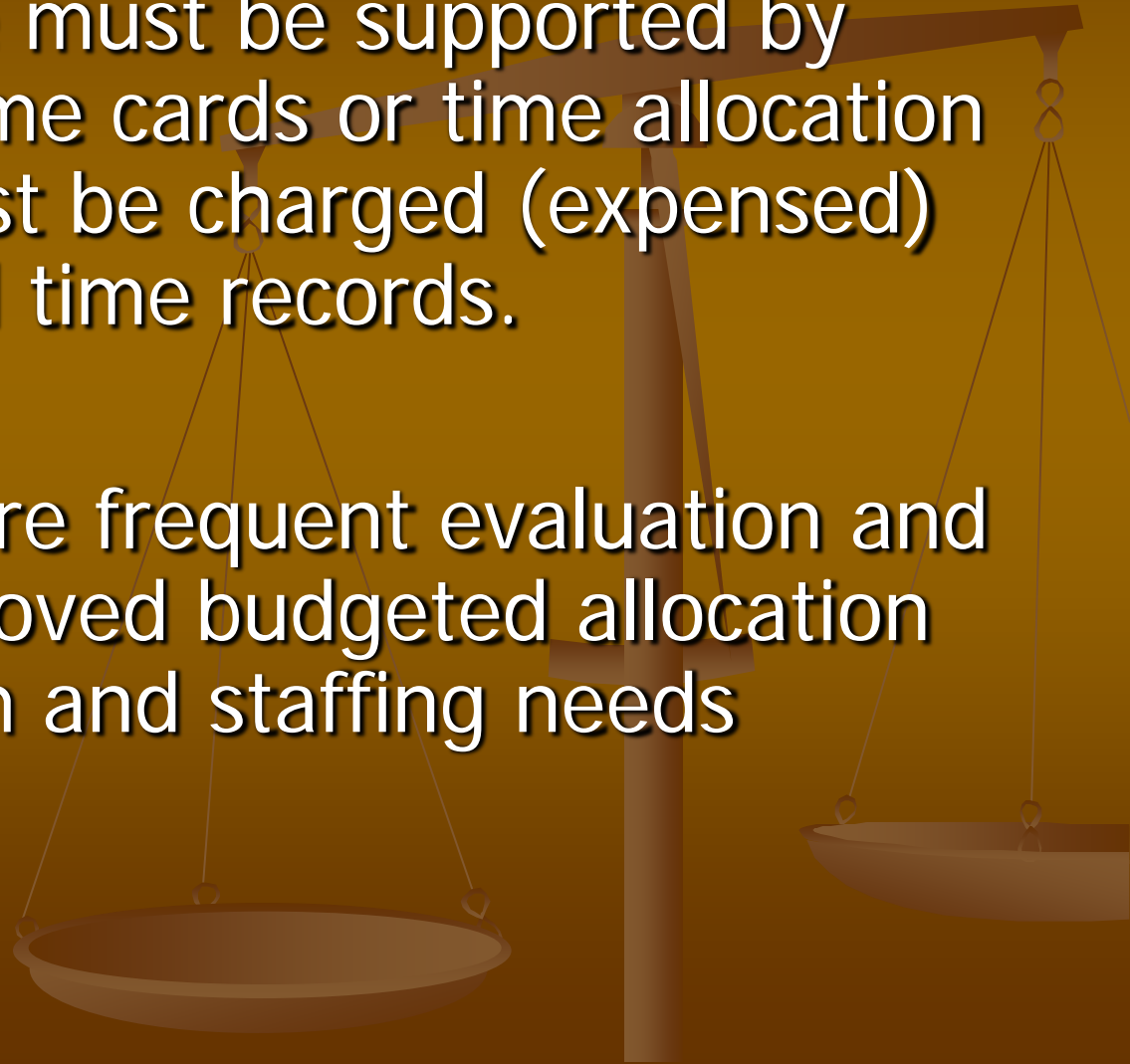


Revising Allocation Plans

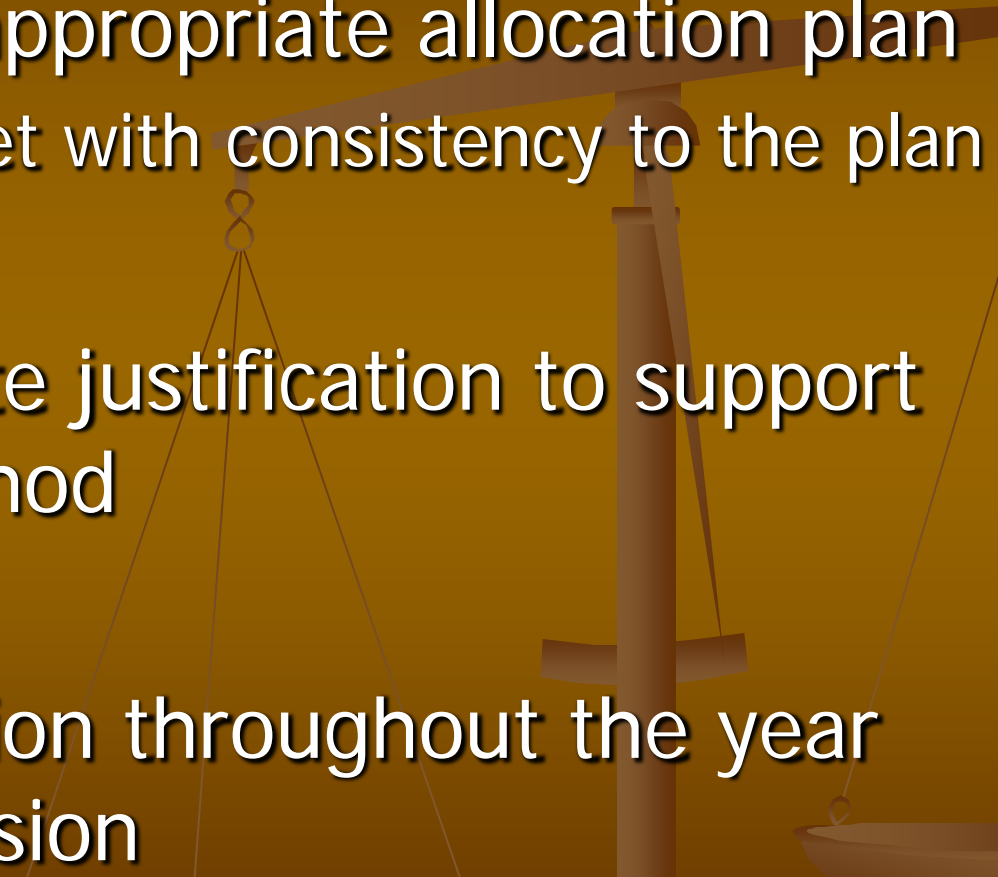
- A revised allocation plan **should** always be submitted with a revised budget anytime the actual performance is no longer supported by the approved allocation plan.
- Until a new allocation plan is evaluated and approved by ISBE, the approved allocation is the allowable allocation.

Exception For FTE Allocation Plans

- Employees time must be supported by time reports (time cards or time allocation report) and must be charged (expensed) using the actual time records.
- May require more frequent evaluation and revision of approved budgeted allocation plan as program and staffing needs change.



In Conclusion

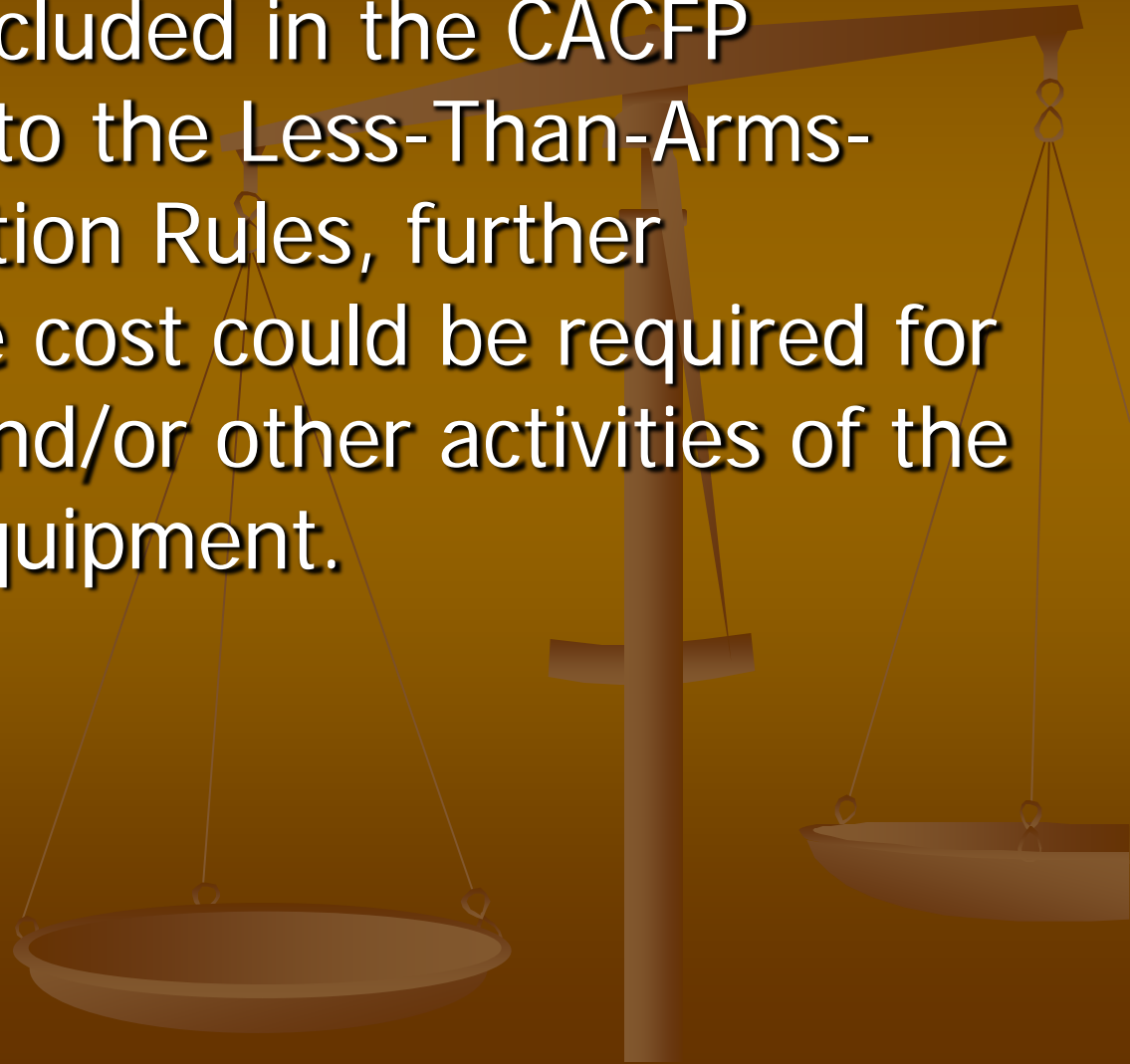
- Determine the appropriate allocation plan
 - Complete budget with consistency to the plan
 - Provide adequate justification to support the chosen method
 - Evaluate allocation throughout the year for possible revision
- 

Less-Than-Arms-Length Transactions



Less-Than-Arms-Length Transactions

- If a charge is included in the CACFP budget subject to the Less-Than-Arms-Length Transaction Rules, further allocation of the cost could be required for personal time and/or other activities of the rented space/equipment.



What Cost Is Affected?

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 members**, either directly or through corporations, trusts, or similar arrangements in which a controlling interest is held.

FNS Instruction 796-2 Revision 3 Exhibit A Glossary T

Less-Than-Arms-Length Transaction Calculation

Property acquisition cost
minus value of land
30 years (for real estate)

X Square feet of CACFP
Total square feet of
building

- Example: ABC director owns a building (total square footage = 2500) and uses two rooms of the building for the CACFP (square footage = 500). He/she purchased the building for \$160,000 (land value = \$10,000). If the two rooms were 100 percent used for the CACFP only, the calculation for rent would be:

$$\frac{\$150,000}{30 \text{ years}} \times \frac{500}{2500} = \$1,000 \text{ per year}$$

Less-Than-Arms-Length Transaction (Personal Space Calculation)

- If this area also includes personal use, the amount would then be further prorated by the amount of time used for the CACFP. The calculation would be as follows:

$$\begin{array}{rcl} \text{Value from previous} & & \text{Hours of operation} \\ \text{calculation} & \times & \text{for CACFP} \\ & & \text{-----} \\ & & \text{Total hours available for use} \end{array}$$

- Example: If the space is in a personal residence and used only 33 percent of the time for the CACFP, this would further reduce the allowable rent to \$333 a year as follows:

$$\begin{array}{rcl} \$1000 & \times & \frac{\text{8 hours}}{\text{24 hours}} \\ & & = \\ & & \$333.33 \end{array}$$

Annual Updates



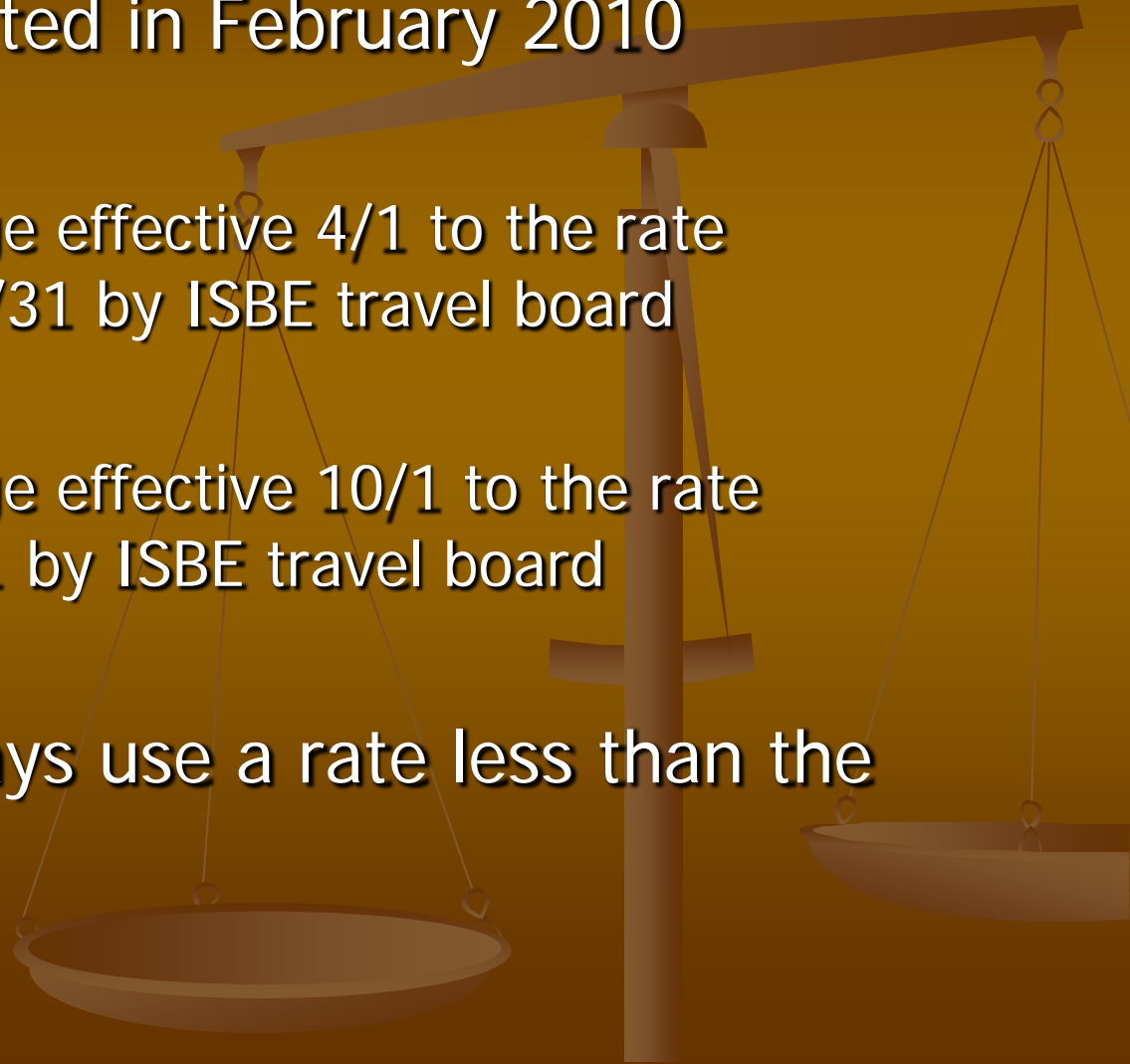
2011 Budget Workbook

- No changes from prior year
- Automation improvements
 - rounding of formulas corrected



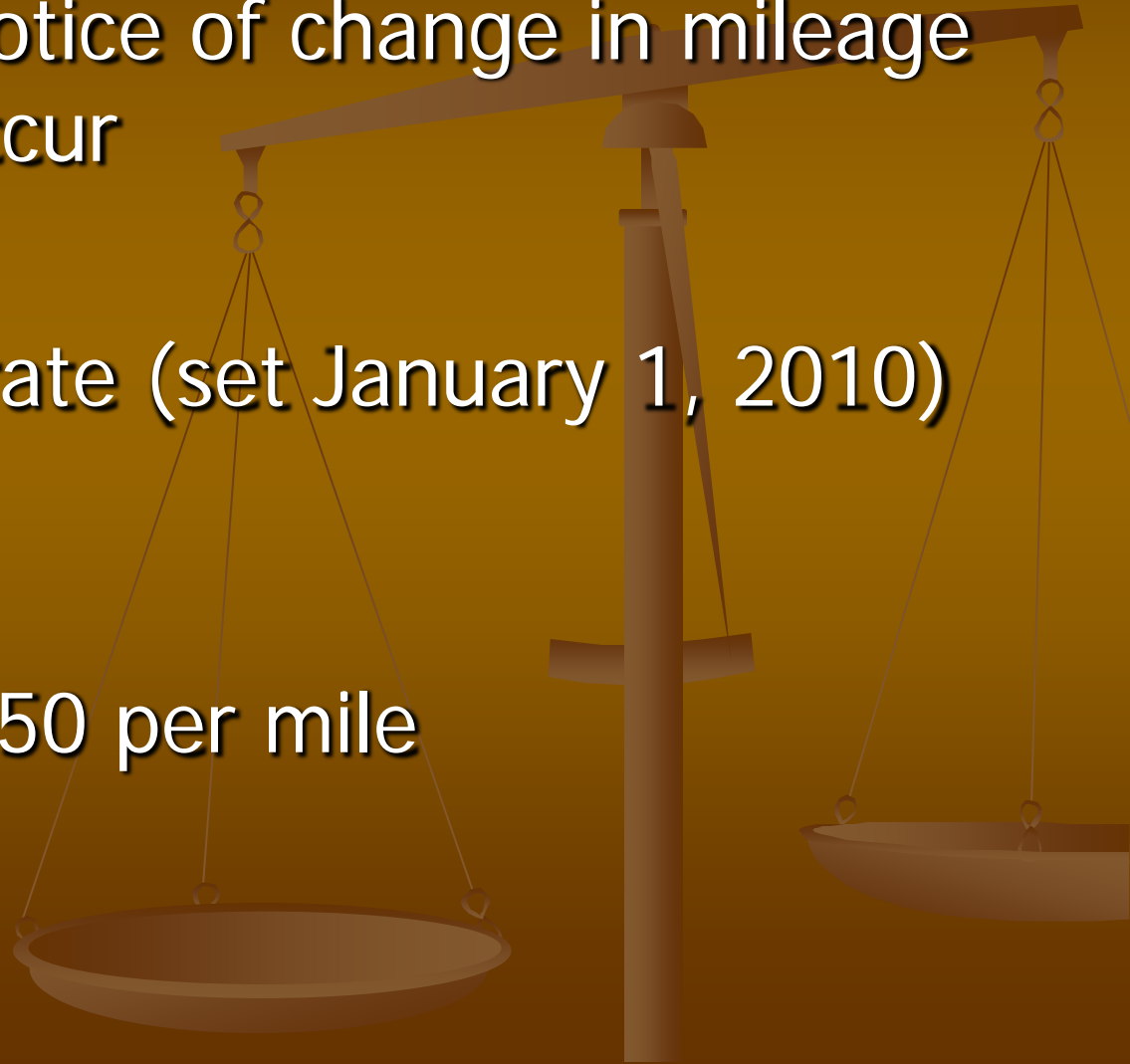
Mileage Rates

- Per notice distributed in February 2010
 - Mileage will change effective 4/1 to the rate established on 12/31 by ISBE travel board
 - Mileage will change effective 10/1 to the rate established on 7/1 by ISBE travel board
- Sponsor may always use a rate less than the published rate

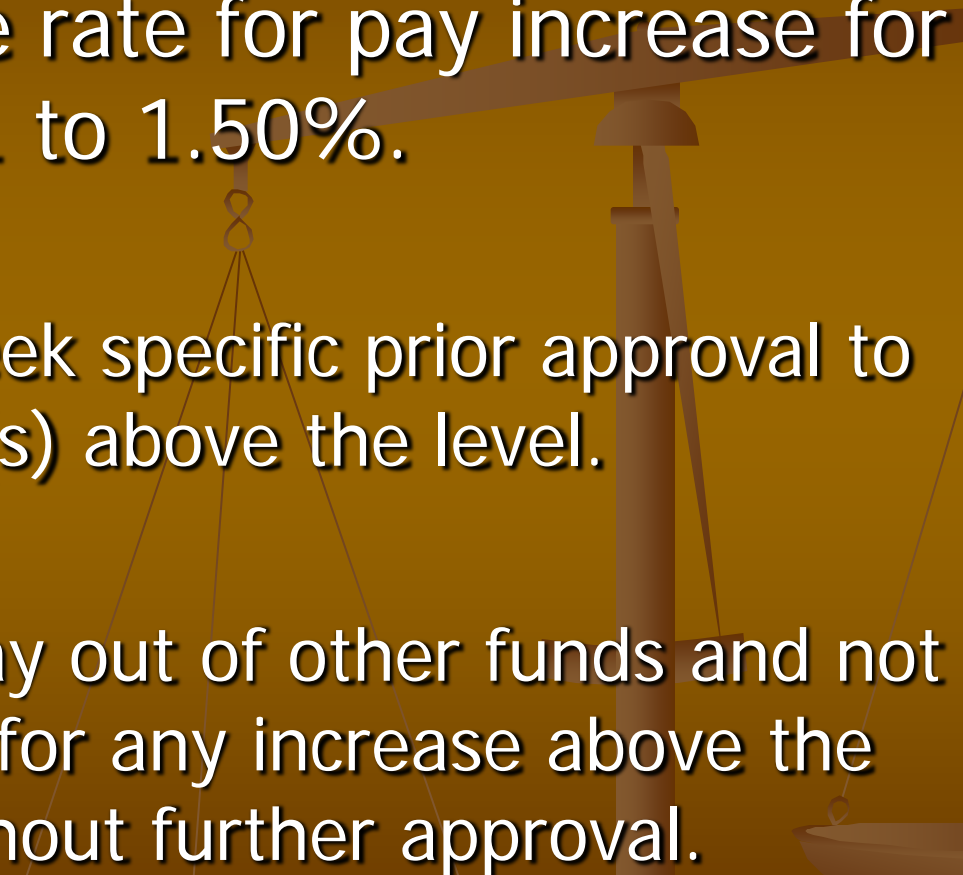


Mileage Rate Changes

- ISBE will give notice of change in mileage rates as they occur
- Last published rate (set January 1, 2010) is still in effect
- 2010 rate is \$0.50 per mile



Annual Wage Increase

- ISBE has set the rate for pay increase for Fiscal Year 2011 to 1.50%.
 - Sponsor may seek specific prior approval to justify increase(s) above the level.
 - Sponsor may pay out of other funds and not be reimbursed, for any increase above the annual limit without further approval.
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Questions?

Deborah Stoneburner
Principal Consultant
Nutrition Programs
Illinois State Board of Education
(800) 545-7892
(217) 782-2491
dstonebu@isbe.net

