

Section 3000

Program Agreement

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Section 3000

Program Agreement

The *Agreement Between Contracting Entity and Texas Department of Agriculture* (Form H1502) (“CSFP agreement”) provides the terms and conditions for participation in the Commodity Supplemental Food Program (CSFP). These terms and conditions relate to the following topics:

- Use, storage, and disposition of USDA Foods
- Accountability and reporting
- Misuse of USDA Foods
- Information Technology
- Fair Hearings
- Debarment, suspension, ineligibility, or voluntary exclusion for covered contracts
- Federal lobbying
- Conflicts of interest
- Subcontracts for goods and services
- Civil rights
- Nutrition education
- Program payments

The CSFP agreement, which is a legally binding document, is permanent unless terminated by either party — so CEs and TDA sign it once (rather than annually). TDA will not issue USDA foods or reimbursement for administrative costs before the CSFP agreement is signed by the CE’s authorized representative and TDA. TDA’s Food and Nutrition Program Specialist can answer questions and provide technical assistance.¹

¹ Call the Food and Nutrition Program Specialist at 1-877-TEX-MEAL (839-6325) or email commodityoperations@texasagriculture.gov.

3100 Program Requirements

3110 Financial Management System

CEs must maintain a financial management system that provides accurate, current and complete disclosure of the financial status of CSFP operation. This system must ensure the following:

- Accounting records are supported by source documentation, including canceled checks, paid bills, payroll, and contract and subcontract award documents.
- Records identify the source and application of funds and contain information about program reimbursement claimed and paid by the Texas Department of Agriculture (TDA), authorization, obligations, unobligated balances, assets, liabilities, outlays and income.
- Records include accurate, current and complete reports concerning program participation and the financial results of the program.
- Audits are conducted at least every other year to determine, at a minimum, the fiscal integrity of financial transactions and reports and compliance with laws, regulations and TDA guidelines.
- A systematic method is used to resolve audit and review findings and recommendations.
- Monthly reimbursement claims and adjusted claims are received by TDA in TX-UNPS in a timely manner. TDA recommends no later than 60 days after the claim month has ended.

3120 Allowable Administrative Costs

TDA determines the necessity and acceptability of administrative cost incurred by the contracting entity (CE) in accordance with federal regulations and state rules.

Requirements can be referenced in these publications:

- Code of Federal Regulations (CFR) at 7 CFR, Part 247, Commodity Supplemental Food Program
- 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; specifically, 200.420–.475
- Texas Administrative Code (TAC) at Title 4, Part 1, Chapter 24

TDA must approve the CE's administrative costs as part of the annual budget and whenever budget amendments are submitted.

3120.1 Brief List of Allowable Costs

- Nutrition education services provided to participants and used for training site staff members
- Transporting United States Department of Agriculture (USDA) Foods and administering the food distribution system
- Interpreters and translators for CSFP materials
- Outreach services
- Audits and fair hearings
- General administration, including but not limited to, personnel, warehousing, and insurance
- Monitoring and reviewing CSFP operations
- Transportation for participants to and from the CE's administrative office or a specific site (when the site has determined and documented the need for such assistance)

3120.2 Detailed List of Common Allowable Costs

Administrative labor – Administrative labor costs include salaries and benefits for administrative personnel, e.g., secretaries and accountants. Each element of an individual's compensation must be reasonable for the services provided by the individual and conform to the organization's written compensation policy. Such costs include the following:

- Salaries or hourly rates for administrative labor. These are reasonable when the rates that are charged are the same as the rates paid for similar work throughout the organization.
- The employer's share of federal, state, and local employment taxes such as Social Security, withholding tax, and state unemployment taxes. The employer's share of fringe benefit costs such as vacation leave, military leave, health benefits, life and disability insurance, paid nonwork holidays, and retirement benefits.
- Payment of overtime, holiday pay for work performed on a nonwork holiday, and compensatory leave. These are allowed with specific prior written approval for each instance, except for cases of emergencies. The CE must contact the Food and Nutrition Program Specialist² within two working days of any emergency situation.

² Email commodityoperations@texasagriculture.gov or call 1-877-TEX-MEAL (839-6325).

- Incentive payment or award given to an employee. Except for awards of nominal or minimal value, specific prior written approval is required for costs of an incentive payment or award given to an employee. Awards of minimal value include length of service pins, certificates of appreciation, floral arrangements, live plants, mugs, and plaques.
- Severance or dismissal pay. This is compensation paid to an employee whose employment is terminated. The cost of severance pay is allowed on a case-by-case basis, with specific prior written approval.

Accounting – CEs may include the cost of establishing and maintaining accounting and other information systems required for management of the nonprofit food service. CEs may not claim the cost of maintaining central accounting records to meet all of the organization's requirements.

Advertising and public relations – Advertising media can include, but is not limited to, magazines, newspapers, radio, television, direct mail, exhibits, electronic or computer transmittals. CEs may claim the costs of advertising media and resulting administrative costs, such as the following:

- The recruitment of personnel required by the CSFP
- The procurement of goods and services for the performance of the CSFP
- The disposal of scrap or surplus materials acquired in the performance of the CSFP except when the CE is reimbursed for disposal costs at a predetermined amount
- CSFP outreach and other specific purposes necessary to meet the requirements of the CSFP

Public relations are activities dedicated to 1) maintaining the CE's image or 2) maintaining or promoting understanding and favorable relations with the community or the public. The only allowable public relations costs are given below:

1. Costs specifically required by the CSFP
2. Costs necessary to the outreach effort for the CSFP, including costs of communicating with the public and press about specific activities or accomplishments that result from performance of the CSFP
3. Costs of conducting general, necessary communication and liaison with news media and government public relations officers for the specific purpose of informing the public on matters of public concern (for instance, notices of funding opportunities, financial matters, etc.)

Audits – CEs may claim the cost of audits required for the administration and management of the CSFP³.

Communications – Includes the costs of supplies and services such as telephone, telegrams, fax, license fees for electronic mail software, internet services, postage, and messenger services. Costs for communication supplies and services must be prorated accordingly.

Conferences. Meetings and conferences include federal, state, county, national, or regional conferences. (Meetings and conference costs are not the same as training costs.)

With prior approval, the following administrative costs are allowed:

- Rental costs of properly procured meeting and conference room space
- Fees for speakers who are not employees, officers, directors or trustees, or immediate family members
- Costs for meals and nonalcoholic beverages served to participants, but not guests, when CSFP training is presented concurrent with the meal service

With prior approval, the travel and registration fees for attending meetings and conferences devoted solely to the CSFP are allowable costs.

With specific prior written approval, the prorated share of travel and registration fees when the CSFP is only a portion of a larger related agenda

When the CE hosts or sponsors the conference, allowable costs include the following:

- Rental of facilities
- Speakers' fees
- Costs of meals and refreshments
- Local transportation
- Other items incidental to such conferences

Equipment – To be classified as equipment, an item must cost at least \$5,000 per unit and have a useful life of at least one year. Instead of using depreciation, an organization, with specific prior written approval from TDA, can charge the program for capital expenditures for special purpose equipment at the time the items are purchased. CEs must keep invoices, bills of sale, purchase orders, leases, contracts, and procurement documents to meet documentation requirements.

³ See section 5000, *Visits, Reviews and Audits* of this handbook for more details about audits.

Equipment management. Equipment purchased in whole or in part with CSFP funds must be managed according to, at a minimum, these requirements.

- A description of the equipment
- A serial number or other identification number
- The source of funding for the equipment (including the federal award identification number)
- The name of who holds the title
- The acquisition date
- The equipment's cost
- If not wholly used for CSFP, the percentage of CSFP funds used to acquire the equipment.
- The equipment's location
- The equipment's use
- The equipment's condition
- The ultimate disposition data, if applicable, including the date of disposal and the sale price

Equipment inventory. At least once every two years, CEs must take a physical inventory of the equipment and reconcile the inventory against the equipment records.

Equipment safeguards. CEs must develop a control system to adequately safeguard equipment against loss, damage, or theft. Similarly, CEs must develop adequate maintenance procedures to keep the equipment in good condition. CEs must investigate any loss, damage, or theft.

Equipment sales. If the CE is authorized or required to sell the equipment, proper sales procedures must be established to ensure the highest possible return.

Insurance – The CE may include insurance costs that are required for the administration of the CSFP.

Rental costs of real property and equipment – Allowable when considered in light of certain factors and limitations. Factors include

1. rental costs of comparable property, if any,
2. market conditions in the area,
3. available alternatives, and
4. the type, life expectancy, condition, and value of the property leased.

Limitations include, but are not limited to, leases that involve sale and lease-back and less than arm's length arrangements.

All rental arrangements should be reviewed periodically to determine if circumstances have changed and if other options are available.

Legal – CEs may include legal expenses required for the administration of the CSFP. However, CEs may not claim the cost of maintaining a legal staff with general responsibilities.

Memberships, subscriptions, and professional activity – Membership costs in civic, business, technical and professional organizations and subscriptions to professional and technical periodicals are included in this category. Allowable costs include the following:

- Membership fees and annual dues for the CE's membership in business, technical, and professional organizations related to the CSFP
- Membership fees and annual dues for one individual membership per CE in business, technical, and professional organizations related to the CSFP when the organization will accept only individual and not organizational memberships
- Costs for the CE's subscription to periodicals related to the CSFP

Materials and supplies, including computing devices – Costs incurred for materials, supplies, and fabricated parts necessary to run CSFP are allowable.

Materials and supplies that are purchased. These items must be charged at their actual prices, net of applicable credits.

Materials or supplies that are withdrawn from general stores or stockrooms. These items must be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

Materials and supplies that are used for the performance of the CSFP. These items may be charged as direct costs. Specifically for computing devices, charging as direct costs is allowable when the devices are essential and allocable to – but are not solely dedicated to – the performance of the CSFP.

Materials that are federally-donated are used in performing the CSFP. These items will be used without charge.

Space and facilities – Space and facilities costs may be charged through rental/lease fees or depreciation. Whether in privately or publicly owned buildings, the total cost for space and facilities cannot exceed the rental costs of comparable space and facilities for privately owned buildings in the same locality.

Procurement – Procurement service costs include the cost of soliciting bids, preparing and awarding contracts, and all phases of the contract administrative system related to the CSFP.

Publication – Publication, printing, and reproduction include the costs for in-house and outside publication, printing, and reproduction costs. All allowable costs are limited to the direct costs for publication, printing, and reproduction of materials related solely to the CSFP, or the prorated share when necessary.

Records – Costs for supplies, storage, and maintenance of records necessary for the administration of the CSFP.

Services – Costs of utilities, purchased security, and janitorial service, etc., not already included in space costs or labor compensation costs.

Taxes – Taxes or payments in lieu of taxes that the organization is legally required to pay as a result of operating the CSFP.

Training and education – The cost of training and education provided for CSFP employee development.

Travel – The expenses for transportation, lodging, subsistence, and related items incurred by employees while traveling on the CE's official business for CSFP.

Travel 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. However, the method used 1) must be in accordance with the CE's written travel reimbursement policies and 2) must be applied to an entire trip (not to selected days of the trip). Additionally, the method must result in charges that are consistent with charges typically allowed in similar circumstances in the CE's non-CSFP activities.

Vehicle Expenses. When employees use their own vehicle or a CE's vehicle to conduct CSFP business, the reasonable cost is an allowable administrative cost. Each CE may develop its own travel form containing these elements:

1. The date of each trip
2. The driver's name
3. The mileage
4. The origin and destination of each trip
5. Parking costs
6. The reason for each trip

Lodging and subsistence. As defined above, lodging and subsistence costs are reasonable and allowable only when they do not exceed charges typically allowed by the CE in its regular operations, as described in its written travel policy.

Travel costs charged directly to the CSFP. The CE must maintain documentation to reflect the following:

- The traveler's participation is necessary to the CSFP.
- The costs are reasonable and consistent with the CE's written travel policy.

Commercial air travel. Airfare costs of the basic, least expensive unrestricted accommodations class offered by commercial airlines.

3130 Unallowable Costs

CEs' expenditures that are inapplicable to CSFP objectives are unallowable and include the following:

- Administrative costs not approved by TDA
- Bad debts
- Contingencies
- Contributions and donations
- Entertainment
- Fines and penalties
- Fund raising
- Interest and other financial costs, such as insufficient funds/returned check charges as well as late payment fees
- Lobbying to obtain grants, contracts, cooperative agreements, or loans
- Political or partisan costs
- Under-recovery of costs under grant agreements (These are costs exceeding income in other federal programs, including all grant agreements regardless of funding source or program year. Also included are disallowed costs in the current or prior program years.)
- Personal income taxes, corporate income taxes, and taxes resulting from non-CSFP operations

3200 Program Payments and USDA Foods

3210 Claims for Reimbursement

TDA reimburses CEs for their actual, allowable costs of storing, transporting, and distributing USDA Foods, as administrative funds are available, according to the terms and conditions of *Agreement Between Contracting Entity and Texas Department of Agriculture* (Form H1502). For additional information, refer to Section 4000, *Managing the Program*, in this handbook.

3220 USDA Foods

TDA orders USDA Foods on behalf of CEs, at each CE's caseload. Refer to section 4000, *Managing the Program* in this handbook for additional information.