SECTION 4: FISCAL MANAGEMENT
Allowable Activities and Expenses

This policy applies to organizations using EFAP funds.

1. **Bill only allowable activities and expenses.**
   - Contractors and subcontractors are allowed to use state funds for administrative and operational expenses, including direct service expenses, agency indirect expenses, and equipment purchases.
   - Facilities maintenance and repair costs are allowable.
   - Capital expenditures including equipment purchases and capital improvements are allowable.

2. **Shall not be reimbursed for unallowable expenses.**
   Funds awarded under the contract shall not be used for:
   - Activities not related to the food assistance programs.
   - Administrative and/or indirect expenses above the allowable ten percent of the contract.
   - Payment of mortgages or leases with option to buy.
Allowable Administrative Activities and Expenses

This policy applies to organizations using EFAP funds.

1. Allowable administrative activities and expenses.
   • Contractors, subcontractors to include food pantries, food banks and tribal contractors shall only bill for allowable administrative activities and expenses, including agency indirect expenses not attributable to any one specific program. It is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect cost in order to avoid possible double-charging of state awards.
   • Allowable administrative activities and expenses may include:
     o Salaries, wages and fringe benefits for administrative staff.
     o Office supplies and lease, rental and repairs of equipment.
     o Travel expenses for administrative staff.
     o Rental or lease of space.
     o Telephone, postage, mailing, printing, and copying.
     o Insurance and audit costs.

2. Administrative and indirect expenses are limited.
   • Contractors are limited to 10 percent administrative costs of the total contract award if performing one function (e.g. contractor), 15 percent administrative costs if performing two or more functions (e.g. contractor and/or food bank services and/or direct client food pantry services).
   • A food bank distribution center has the right to take up to 10 percent of its EFAP allocation for administrative purposes to cover its costs of being the county distribution center. If the food bank is also a food pantry, they may take up to 15 percent of their allocation for administrative purposes.
   • Food pantry and food bank subcontractors are limited to 10 percent of their allocation for administrative purposes.
   • Up to one percent of EFAP funds may be budgeted as administrative costs for membership dues to organizations whose concerns address emergency food assistance, anti-hunger, nutrition and health issues.
     o These types of membership dues will not be counted toward the maximum percentage allowed for administrative expenses.
   • Contractors with a federally approved indirect rate may use that rate to charge indirect costs. However, the total indirect charged for the year may not exceed the allowable 10 percent of the yearly award amount unless performing more than one function.
   • Subcontractors with a federally approved indirect rate may also use that rate to charge indirect costs. However, the total indirect charged for the year may not go over 10 percent of their yearly subcontract amount.
3. **Allowable agency indirect administrative activities and expenses.**

- Indirect costs must be classified within two broad categories: “Facilities” and “Administration”.
  - Facilities is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses.
  - “Administration” is defined as general administration and general expenses such as the director’s office, accounting, personnel and all other types of expenditures not directly or easily attributable to this program.
- Allowable indirect costs must be determined in accordance with generally accepted accounting principles (GAAP) and charged on the basis of modified total direct costs. Includes membership dues that cannot be readily identified with a particular program.
  - Indirect expenses on the basis of modified total direct costs excludes equipment, capital expenditures, rental costs, and the portion of each subaward in excess of $25,000.
- Costs not directly charged and that are spread among more than one program shall be charged to appropriate programs according to the agency’s cost allocation plan and state and federal regulations, policies, and laws, as applicable.
- If indirect rate is above 10% de minimis, contractor must have proof of a federally approved indirect rate.
- If you have questions regarding how to determine your agency indirect please contact your auditor.

4. **Allowable direct administrative activities and expenses.**

Direct administrative costs are those costs that can be identified specifically with the EFAP or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as direct costs.

- Includes membership dues specific to EFAP or its purpose.
- Unless otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under EFAP awards:

  Allowable costs must:
  - Be necessary and reasonable for the performance of the state award and be applicable to this program or its purpose.
  - Conform to any limitations or exclusions associated with this program or any applicable state and federal regulations, policies, and laws.
  - Be consistent with policies and procedures and other activities of the state pass-through agency.
  - A cost must be consistently applied and may not be assigned to a state award as a direct cost if any other cost incurred for the same purpose has been allocated to the state award as an indirect cost.
  - Be determined in accordance with Generally Accepted Accounting Principles (GAAP).
  - Be adequately documented per program and policy requirements.
  - Be reasonable and allocable to this program or its purpose.
5. **Administrative funds returned proportionate to contract budget.**

Contractors returning unexpended funds to WSDA during the contract period shall return administrative funds in an amount proportionate to the contract budget unless administrative funds have already been transferred to another budget category during the course of the contract.

- Have prior written approval if applicable (e.g. equipment or capital expenditures over $5,000 in value).
- For additional guidance refer to the 2 CFR Part §200 Code of Federal Regulations.
Allowable Direct Operational Activities and Expenses

This policy applies to organizations receiving EFAP funding.

1. Allowable direct operational activities and expenses.

Direct costs are those costs that can be identified specifically with the EFAP and its purpose, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as direct costs.

Unless otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under EFAP awards.

Allowable costs must:

- Be necessary and reasonable for the performance of the state award and be applicable to this program or its purpose.
- Conform to any limitations or exclusions associated with this program or any applicable state and federal regulations, policies, and laws.
- Be consistent with policies and procedures and other activities of the state pass-through agency.
- A cost must be consistently applied and may not be assigned to an award as a direct cost if any other cost incurred for the same purpose has been allocated to the award as an indirect cost.
- Be determined in accordance with generally accepted accounting principles (GAAP).
- Be adequately documented per program and policy requirements.
- Be reasonable and allocable to this program or its purpose.
- Have prior written approval if applicable. (e.g. equipment over $5,000 in value, capital expenditures, etc.)
- Activities and expenses that are not charged (and paid) to other food assistance programs and support EFAP’s purpose, are considered allowable direct activities and expenses.
- For additional guidance refer to the 2 CFR Part §200 Code of Federal Regulations.

2. Operational activities and expenses.

Operational activities and expenses are those activities clearly identifiable with providing direct services to clients.

Operational costs may include:

- Personnel costs – salaries, wages and fringe benefits for personnel who are actually performing duties related to client service, including networking and outreach activities.
- Travel/Transportation – mileage expense related to direct provision of services.
- Food purchases for distribution to clients.
- Space Costs – rent or lease payments for facilities and costs of power, heat and water for space occupied by program staff and for storage and warehouse areas.
- Communication cost (telephone, mailing and printing) for direct program services.
- Other operational costs, such as supplies, lease and repair of equipment directly related to providing services.
• Computer purchases costing under $5,000. EFAP is following the Uniform Guidance that defines computer purchases costing under $5,000 as supplies.

• Up to 10 percent of food pantry, food bank or tribal food pantries’ allocation may be used on the purchase of essential nonfood items. These items include: cleaning supplies, dental adhesive, deodorant, detergent, diapers, dish soap, facial tissue, feminine products, hand soap, paper towels, napkins, shampoo, shaving products, teeth/denture cleaner products, toilet paper, and toothbrushes.

• There is no limit on the percentage contractors and subcontractors may spend on operational costs.

3. **Operational expenses returned proportionally to contract budget.**

Contractors returning unexpended funds to WSDA shall return operational funds in an amount proportionate to the contract budget unless operational funds have been transferred to another budget category during the course of the contract.
ALLOWABLE CAPITAL EXPENDITURES

Allowable Capital Expenditures

This policy applies to organizations receiving EFAP funding.

For all capital expenditures, refer to the associated guidance document pertaining to the type of capital asset being purchased.

- Equipment Procurement Guidelines (AGR 609-454)
- Capital Improvement Guidelines (AGR 609-898)

Overview of approval process:

- Prior WSDA approval is required before any reimbursable costs are incurred on equipment estimated to cost $5,000 or more.
  - For capital improvement projects in the $2,000-$4,999.99 range, no WSDA pre-approval is required. Subcontractors should seek contractor approval prior to implementing any capital improvement project.

- Receiving WSDA approval is a three-part process:
  - Contractor to submit the correct Food Assistance Purchase Request/Approval Form to the applicable FA regional representative. The form must include the estimated cost for the procurement and sufficient bid(s)/quote(s) from responsible bidders based on the cost as described in the associated guidance document
    - If utilizing the competitive proposal process or sealed bid process, a narrative description of the purchase and the procurement process is required.
  - WSDA will return approval form to contractor indicating the project or purchase is approved or not approved.
  - Contractor to resubmit form for post-purchase finalized cost verification along with final reimbursement invoice voucher. For the competitive or sealed bid process, proof of your publicized request for proposals/invitation for bids must be submitted with your reimbursement request. Payment will not be processed without all required documentation.

- Contractors are to submit the form on their behalf and/or on behalf of their subcontractor(s).
- The contractor must submit the bid/quote(s) attached to the approval form. A responsible bidder cannot be suspended, debarred or have an active exclusion.
Required Expenditure and Data Reports

This procedure applies to contractors and subcontractors using EFAP funds.

1. Required expenditure and data reports.

Each contractor reports the total activity for themselves and their subcontractors, if applicable. The contractor expenditure and data information is reported in the contractor invoice voucher template (required) and the subcontractor’s expenditure and data information is reported in the subcontractor invoice voucher template (format optional) is provided by WSDA and located on the FA Forms and Publications webpage.

There are multiple tabs in the contractor and subcontractor invoice voucher templates that include instructions, year rollup (auto populates), each month in the state fiscal year, and the closeout report (auto populates most fields).

Contractor reports are due to WSDA by the 20th of the month following the month in which the costs were incurred or the client activity occurred. Even if a contractor doesn’t have any fiscal activity it still must submit the contractor invoice voucher, including any client activity. Tribal contractors have the option to submit reports to WSDA either monthly or quarterly. All tribal contractors must identify the method they wish to use to submit the report, (monthly or quarterly) during the application process which applies for the entire contract period. WSDA may require the last report of each fiscal year, the June’s report, be submitted earlier than July 20th.

Subcontractor reports are due to the contractor by the date indicated by the contractor of the month following the month in which the costs were incurred.

The contractor and subcontractor invoice vouchers include the following sections:

Expenditure detail section:
- The invoice voucher includes compiled costs by budget category, incurred for the contractor and their subcontractors (food pantries and food banks).
- The contractor shall include with each monthly invoice voucher a detailed Expanded General Ledger indicating the EFAP costs charged each month by the budget category in which they are charging costs.
  - Source documents are required for equipment and capital improvements of $5,000 or more.
  - For subcontractors’ expenses, the contractor shall include in the detailed Expanded General Ledger at least the aggregate amounts spent by all food pantries and food banks by budget category.
- Subcontractor food pantries and food banks must submit backup expenditure documentation for each cost to contractors with all subcontractor invoice vouchers (expenditure reports).
- WSDA staff may, at its discretion, request backup documentation for charged expenditures.
**Food purchases section**

- Contractors shall breakout and report the amount of EFAP funds spent on food purchases by food pantries and food bank distribution centers (if applicable). This shall include funding spent for special dietary needs food.

**Clients served section**

For the purposes of demographic reporting, there are four different groups of food pantry clients: Full service clients, supplemental clients, special dietary needs clients, and kids weekend bags clients. Tribal contractor clients served section also includes food voucher client data (if applicable). WSDA requires contractors and food pantry subcontractors to report full service client data but also requests that you report client data for special dietary needs, supplemental, and kid’s weekend bags. This data is critical in telling the story of your unique hunger relief efforts that are taking place in your county and the state.

- **Full service clients (mandatory):** Food pantries must report full service clients, including special dietary needs clients. Full Service food bags must include at least three of any of the five main food groups as identified by USDA and are expected to supply full service clients with nutritionally balanced meals.
  - The number of full service clients and households served each month by age group.
    - New (unduplicated), first visit/voucher of the year and;
    - Returning (duplicate), not a client’s first visit/voucher that year.

- **Supplemental clients (optional):** Food pantries typically offer clients additional food that is not part of a complete food bag. Supplemental clients are clients who receive only items that are comprised of fewer than 3 of the 5 food groups (e.g. a loaf of bread and some potatoes) and nothing else.
  - Though clients receiving solely supplemental food must be tracked separately from full service clients, clients who pick up the supplemental items and the full service products must be included in the full service count only.

- **Special dietary needs clients (optional):** New (unduplicated) and returning (duplicated) clients. Special dietary needs clients are reported in both the full service clients’ data and the special dietary needs clients’ data. In addition, food pantries may track clients who receive special dietary bags, whether or not the food pantry uses EFAP funds to purchase SDN food. As identified by the WA State legislature, these groups include: Infants under one year of age, children with disabilities, pregnant and lactating women, people with chronic diseases such as cancer and diabetes, people with acquired immune deficiency syndrome, people with lactose intolerance, people with chewing difficulties, alcoholics, intravenous drug users, and people with cultural food preferences.

- **Kids weekend bag clients (optional):** New (unduplicated) and returning (duplicated) clients. Kids weekend bags clients that are full service are reported in both the full service clients’ data and the kids weekend bags clients’ data. In addition, food pantries may track clients who receive kid’s weekend bags. Bags are expected to supply clients with nutritionally balanced meals. Bags must include at least three of any of the five main food groups as identified by USDA and provide food for at least two days.
EXPENDITURE & DATA REPORTS

- Bags that do not meet the definition above should be considered supplemental.
- **Total kids weekend bags (optional):** The total number of kid's weekend bags distributed each month.
- **Food voucher client data (mandatory, if applicable):** Tribal contractors who administer the EFAP-Tribal Food Vouchers must include this information.
- **Food pantry subcontractor match (mandatory, if applicable):** Food pantry subcontractors have an additional section for tracking match.

**Pounds of food distributed section**

The number of pounds of food distributed to clients by food pantries and the number of pounds of food its food bank(s) delivered to the EFAP food pantries, if applicable.

- **Food pantry full service (mandatory):** The number of pounds of food distributed to full service clients by the contractor and food pantry subcontractors. This includes full service special dietary foods.
- **Food bank distribution center (mandatory, if applicable):** The number of pounds of food distributed to EFAP food pantries by the food bank(s).
- **Supplemental (optional):** The number of pounds of food distributed to supplemental clients. In order to quantify the additional food that providers sometimes offer clients, providers have the option to additionally track supplemental pounds of food.
  - **Note:** Though clients receiving solely supplemental food must be tracked separately from full service clients, clients who pick up the supplemental items and the full service products must be included in the full service count only.
- **Kids weekend bags (optional):** The number of pounds of food distributed through Kids Weekend Bags.

**EFAP closeout report required**

- The contractor must submit closeout reports after the close of each fiscal year as required by the WSDA, during the transfer of obligations to another contractor, or upon termination of the contract for any reason.
- The final closeout report shall accurately reflect the work completed, the funds expended by the contractor during the contract period, the demographics required by WSDA and the reporting of the required match.
- Typically this report is due 45 days after the end of the fiscal year for contractors and 30 days after the end of the fiscal year for tribal contractors.

### 2. Failure to submit expenditure and data reports.

The WSDA may recapture unclaimed funds if contractor does not submit invoice vouchers in a timely manner.

- For monthly billers, if the contractor fails to file an invoice voucher within any two consecutive month period, the WSDA may elect to terminate the contract.
- For quarterly tribal billers, if the contractor fails to file the three monthly invoice vouchers for the quarter within 30 days of the end of the quarter, the WSDA may elect to terminate the contract.
3. **Required reports and schedule of submittals.**
   Unless otherwise expressly required by a provision the contract, contractor shall adhere to the following schedule for reporting:

<table>
<thead>
<tr>
<th>DUE DATE</th>
<th>EFAP REPORT</th>
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<tbody>
<tr>
<td>20th of the month following provision of services</td>
<td>Nontribal and tribal monthly reporting contractors</td>
</tr>
<tr>
<td></td>
<td>• Monthly invoice voucher/ request for reimbursement</td>
</tr>
<tr>
<td></td>
<td>• Demographics – new and returning clients by age group and pounds of food data.</td>
</tr>
<tr>
<td>The 20th of the month following the quarter for the provision of services:</td>
<td>Tribal only, quarterly reporting contractors</td>
</tr>
<tr>
<td>October 20, January 20, April 20 and July 20.</td>
<td>• Quarterly includes monthly invoice voucher / request for reimbursement</td>
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<td>• Demographics – new and returning clients by age group and pounds of food data.</td>
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<tr>
<td>Within 30 days (tribal) and 45 days (non-tribal) after the close of the fiscal year.</td>
<td>All food pantry and tribal contractors and subcontractors</td>
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<td>• Emergency Food Assistance Program Closeout Report</td>
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<tr>
<td>Within 30 days of subcontract execution</td>
<td>• Subcontract face sheets</td>
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<tr>
<td></td>
<td>• Subcontractor site list (if applicable)</td>
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<td>• Other reports and data as requested</td>
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<tr>
<td>Annually, nine months following end of contractor’s fiscal year</td>
<td>• Single Audit report, if applicable</td>
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<td></td>
<td>• Financial Audit, if applicable and if contractor is conducting an annual audit.</td>
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<tr>
<td>Every two years, nine months following the end of contractor’s fiscal year</td>
<td>• Financial Audit or Accounting System Verification Form, if applicable</td>
</tr>
<tr>
<td>Within 30 days of contract execution and thereafter upon each renewal.</td>
<td>• Insurance certificates</td>
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</tbody>
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Forms listed above are located on the [FA Forms and Publications](https://example.com/forms) webpage.