

Commissioner's Memo  
1/26/2018

## Guidance Regarding Act 575 and Child Nutrition Allowable Expenses

### Memo Information

Memo Number **CNU-18-032**

Memo Date 1/26/2018

Memo Type Regulatory

Unit Child Nutrition

Regulatory Authority 2 CFR 200.403(a)

Response Required NO

Attention Superintendents; Principals; General Business Manager

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### Memo Text

#### **ATTENTION CO-OP DIRECTORS, CHILD NUTRITION DIRECTORS**

The purpose of this memo is to provide guidance to School Food Authorities (SFAs) regarding Arkansas Act 575.

Act 575 is titled "AN ACT TO PROVIDE CERTAIN EMPLOYERS WITH THE OPTION TO PAY A SURCHARGE FOR EMBEDDED EMPLOYEES IN LIEU OF MEMBERSHIP IN THE ARKANSAS TEACHER RETIREMENT SYSTEM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."

This Act states "Embedded employee" means a person who:

- (i) Provides an outsourced service on the premises of a covered employer; and
- (ii) Is employed and paid by an outsource contractor.

With regard to Child Nutrition, this would be any contracted employee working in the District child nutrition program not employed by the District.

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The Child Nutrition Unit requested guidance from the Southwest Region Office (SWRO) of the United States Department of Agriculture (USDA) to determine if the surcharge would be an allowable expense for the non-profit child nutrition account.

USDA determined the surcharge paid by the district for the “embedded” employee would **NOT be an allowable child nutrition expense**, Based on 2 CFR 200.403(a)-**Factors affecting allowability of costs. (a)** Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles, Therefore, the surcharge must be paid out of district funds and cannot be charged to the districts child nutrition program.

Please ensure that business officials, bookkeepers, district child nutrition directors and others involved in financial transactions for the child nutrition program are provided this Commissioner’s Memo.