

Additional Information:

United States Department of Agriculture Uniform Federal Assistance Regulations, 7 CFR Parts 3016, 3019, and 3052.

www.gpo.gov/nara/cfr/index.html

United States Department of Agriculture, Child and Adult Care Food Program Regulation, 7 CFR Part 226.

www.usda.gov/cnd

United States Department of Agriculture, Food and Nutrition Service, Instruction 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.

Office of Management and Budget Circulars: A-87, August 29, 1997; A-102, March 11, 1988; A-110, November 29, 1993; A-122, June 1, 1998; and A-133, June 24, 1997.

www.whitehouse.gov

United States General Services Administration, Federal Acquisition Regulations, 48 CFR Part 31.

www.gsa.gov

Contact State administering agencies or United States Department of Agriculture, Food and Nutrition Service Regional Offices for a copy of FNS Instruction, 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.



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**CHILD and ADULT
CARE FOOD
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**FNS INSTRUCTION
796-2, Rev. 3**

**# 6
LABOR COST
CATEGORIES**

*This is the sixth in a series of brochures on
FNS Instruction 796-2, Revision 3.*

Labor costs include all forms of compensation earned and all forms of payment made either in cash or noncash for personal services.

What are the elements or categories of labor costs?

- Salaries and Wages;
- Overtime, Holiday Pay and Compensatory Time;
- Fringe Benefits;
- Employment Taxes;
- Incentive Award Payments; and
- Severance Pay.

Should all employees performing the same work receive the same level and types of compensation?

Yes. Except for differences resulting from longevity, employees performing the same work within an institution should receive the same compensation.

Are all payments made to individuals that perform program duties included in labor costs?

No. Only the payments made to the institution's employees are classified as labor costs. Costs for contracted labor are contract costs.

Are benefits paid only to certain employees allowable?

The costs can be allowable when:

- The benefits are provided equally to the same class of employees; and

- The benefits are paid consistent with the institution's written compensation policy.

What is in a written compensation policy?

A written compensation policy includes every element of compensation earned by an employee. This written policy, which is usually part of the institution's larger set of personnel policies, establishes the way the institution's employees earn compensation and the way in which the institution will pay that compensation.

What is compensatory time?

Compensatory time is paid time off in lieu of paid overtime. Federal and State labor laws exempt certain employees from receiving overtime compensation. Some organizations provide compensatory time for exempt employees.

What are some examples of allowable fringe benefits?

- Paid vacation, military and sick leave;
- Health and retirement benefits; and
- Disability and life insurance.

Are family health benefit plan costs allowable?

Yes, to the extent the employee's salary on which the benefits are earned is allowable.

Is the employee's share of employment taxes allowable?

No, only the employer's share is allowable.

What are allowable forms of incentive awards?

- Cash;
- Additional paid vacation; and
- Minor value awards such as pins, plants, etc.

When is severance pay allowable?

When the payment is required by:

- Law;
- Written employer-employee agreement; or
- A labor relations agreement.

Can an institution claim the cost of fringe benefits and incentive awards provided to contractors?

No. Allowable fringe benefit and incentive award costs are limited to employees.

Do the same rules apply to each of these elements of labor cost?

While costs for each of these elements must be necessary and reasonable, specific requirements apply to each of these elements.

NOTE: Additional requirements may apply. Consult 796-2, Rev. 3 and the appropriate administering agency for more information.