



**United States  
Department of  
Agriculture**

Food and  
Nutrition  
Service

Northeast Region

10 Causeway St.  
Rm. 501  
Boston, MA  
02222

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Subject: Unallowable Charges to Non-profit School Food Service  
Accounts and the Serving of Meals to Non-paying Full and  
Reduced Price Students

To: All State Child Nutrition Program Directors

The frequency of schools allowing full and reduced price students who do not have lunch money to charge a meal has increased significantly in recent months. Often the moneys due from these students are never paid leaving the school food service program with an uncollectable debt.

The Office of Management and Budget's Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments", Attachment B, Item 7, Bad Debt covers these situations. This directive states that bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

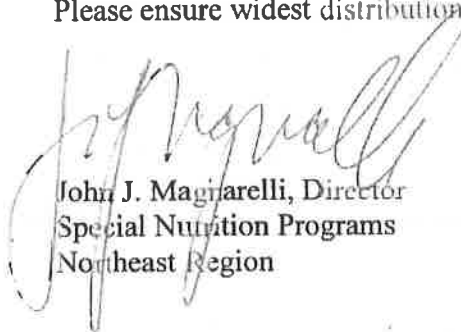
What this means is that funds from the non-profit school food service account cannot be used to cover the cost of charged meals that have not been paid.

There is also confusion as to whether schools/districts are required to provide meals to non-paying full or reduced price students as well as what elements need to be included in a charging policy. FNS guidance in this area is outdated and we have asked our National Office to issue revised guidance that would answer these questions.

In the interim, schools/districts may opt to provide an alternate meal such as a cheese or peanut butter sandwich at no charge to the student. Since the student is not being offered the required menu items, this type of meal is not reimbursable and the full cost must be borne by the school/district using funds that do not come from the school food service account. Schools/districts may also choose to serve a reimbursable meal to non-paying students so that some funds are received to offset food and labor costs. Schools/district that are providing meals to non-paying students should establish a written policy on what food will be provided to non-paying full or reduced price students as well as their policy on the charging of school meals and make this widely available to parents, guardians, and students.

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John J. Magriarelli, Director  
Special Nutrition Programs  
Northeast Region