ALLOWABLE COSTS PERFORMANCE STANDARDS MANUAL

BUSINESS ENTERPRISE PROGRAM

Idaho Commission for the Blind and Visually Impaired

August 2003

The purpose of the Allowable Costs and Performance Standards Manual is to clarify how a vendor should report financial information on their monthly set aside report and to provide performance standards for the Business Enterprise Program of the Idaho Commission for the Blind and Visually Impaired.

This procedure manual is not related to Federal Tax Returns prepared by the vendor. Should vendors wish to claim further business deductions on their personal Federal Tax Return, this is their own decision.

I. DEFINITIONS:

A. Auto Liability Insurance: This coverage provides a broad range of protection to the vendor while the vendor is using an automobile.

B. Commercial General Liability (GCL) Insurance: This is a broad form of liability insurance usually covering businesses and independent contractors to protect them against liability for claims for bodily injury and property damage arising out of operations, products and completed operations. It generally excludes coverage for liability arising out of the use of an automobile.

C. Gross Income: Gross income includes all income received from vendor's operation of a Business Enterprise Program Facility.

D. Gross Profit: Gross profit is the amount remaining from the sale of merchandise of a facility, all vending machine income, and other income accruing to the vendor from the facility after deducting allowable expenses of sales, but excluding set-aside charges required to be paid by the vendor. The formula used to calculate the gross profit on the set aside report is as follows:

Gross Income - Allowable Expenses = Gross Profit

E. Income: Income includes all of the following types of receipts.

1. Rebate Income: This is income to the facility from rebates provided by the supplier for volume purchases or for purchase incentives (kickbacks). This should be shown as "Other Income".

2. Vending machine Income: This income includes all money collected from the products sold in vending machines.

3. Cafeteria or Snack Bar Income: This income includes all money collected for goods sold. Including non-taxable catering for government agencies and wholesaling to other Business Enterprise Program operators.

F. **Net Profit:** Net profit is the amount remaining after deducting the set aside (presently 10% of the gross profit) from gross profit.

Gross Profit – Set Aside = Net Profit

G. Allowable Expense: Set forth below are all expenses which vendor can claim on their monthly set aside report.

1. Food or product purchases: items purchased for resale during the reporting month.

2. Labor Expenses:

a. Wages: Wages actually paid for services and work actually performed by employees, including family members according to the wage rate categories set forth below. The rate category used should be the one that most closely relates to the substantial portion of the work usually performed by an employee. (Note: these wage rates are not minimum wages that must be paid, these are maximum wage amounts that can be deducted as allowable expenses.) The Business Enterprise supervisor will reset wage rates periodically by reference to the wage tables issued by the Idaho Department of Labor.

Dishwasher/Bus Person	$6.60
Preparation Cook/Cafeteria Cook	$9.65
Supervisor/Manager	$10.84
Drivers	$10.24

b. Benefits: Expenses paid for benefits for full-time employees as long as all full-time employees are offered the same benefits.

c. Employment Taxes: Employment taxes including all employer taxes such as Federal, State, social security, Medicare taxes, unemployment taxes and workman's compensation taxes.

3. Miscellaneous General Expenses:

a. Accounting: Fees paid to a bookkeeper / accountant can be claimed up to $200.00 per month.

b. Licenses: Expenses relating to licenses required by law to operate the vendor's Business Enterprise Program facility.

c. Insurance: Premium paid for commercial general liability insurance and all insurance required by law such as Workmen's Compensation insurance. Premium paid for auto liability insurance may only be taken as an allowable expense by those vendors who use a vehicle as a substantial part of the performance of their work and have the Business Enterprise Program Supervisor's prior written approval to deduct that expense.

d. Laundry: Expenses relating to cleaning business related laundry including aprons, bar towels, and uniforms.

e. Mileage: An expense for vehicle mileage driven between facilities, but only if the vendor has more than one (1) facility location. The expense rate per mile is the applicable rate specified in the then current Idaho State Travel Policies and Procedures Manual. (www.scc.state.id.us)

f. Permits: Expenses for permits required to operate the vendor's facility.

g. Telephone: Monthly charges for business phones, long-distance, cell phones and answering machine service costs relating to the vendor's facility.

h. Advertising: Promotional expenses relating to the vendor's facility.

i. Paper: Paper products purchase for use in the operation a location, such as napkins, cups, trays and lids.

j. Office Supplies: Supplies under $100.00 per month needed for operations such as register tape, calculator tapes, file folders, paper, cartridges and software.

k. Other Pre-approved Expenses: Additional expenses as pre-approved in writing by the Program Supervisor.

H. Non-Allowed Expense:

The following items constitute non-allowed expenses and are not allowed to be claimed on the monthly set aside report as allowable expenses:

1. Expenses related to mailing of vendor related documents, bid letters and grievance letters.

2. Costs associated with traveling to grievance hearings and interviews.

3. Legal fees directly or indirectly related to a grievance filed by a vendor or lawsuits filed against a vendor by employees or customers.

4. Bank overdraft charges and bank charges incurred as a result of bad check received from customers.

5. Computer hardware and software expenses.

6. Other Non-Allowable Expenses. Any expenses not identified as an allowable expense in this Manual (which are not otherwise specifically approved in writing by the Business Enterprise Program supervisor as an allowable expense, prior claiming it on the set aside report) are

non-allowable expenses.

I. **Setaside:** The dollar amount that is to be paid by a vendor to the Business Enterprise Program on a monthly basis as a percentage of the gross profit received from the operation of vendor's facility during the prior month. The monthly charge is calculated by multiplying the gross profit received by that vendor during the reporting period by the percentage equal to the then existing set aside. At present the set aside is set at ten percent (10%). The formula used to calculate the set aside amount on the set aside report is as follows:

Step 1:
Gross Income - Allowable Expenses = Gross Profit

Step 2:
Gross Profit x 0.10 = Set Aside

II. PERFORMANCE STANDARDS:
In order to operate a successful and profitable business, the vendor's facilities must meet the following performance percentage standards for food costs, labor costs and net profit.

A. **Food Cost:**

1. Vending Operations: Maximum of 52% of Gross Income from Vending Operations

2. Snack Bar Operations: Maximum of 53% of Gross Income from Snack Bar Operations

3. Cafeteria Operations: Maximum of 43% of Gross Income from Cafeteria Operations

B. **Labor Cost:**

1. Vending Operations: Maximum of 16% of Gross Income from Vending Operations

2. Snack Bar Operations: Maximum of 20% of Gross Income from Snack Bar Operations

3. Cafeteria Operations: **Maximum of 30% of Gross Income from Cafeteria Operations**

C. <u>Net Profit:</u>

1. Vending Operations: **Minimum of 27% of Gross Income from Vending Operations**

2. Snack Bar Operations: **Minimum of 19% of Gross Income from Snack Bar Operations**

3. Cafeteria Operations: **Minimum of 15% of Gross Income from Cafeteria Operations**