RESOURCE MANAGEMENT

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RESOURCE MANAGEMENT REVIEW

- In Michigan, the Resource Management (RM) review is separate from the Administrative Review (AR) of your School Food Authority (SFA)
  - 2 separate trainings
- 3 year cycle = more ARs than ever (320 for SY 2014-2015)
- ARs are now taking much longer than the previous review
- 7.5 Program Analysts (ARs) but only 1 Financial Analyst (RMs)
- RM = more business office officials, less food service directors

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MY SFA HAS BEEN SELECTED FOR A REVIEW, NOW WHAT?

Administrative Review Process

- Email from Program Analyst to set up call & provide tools & checklists
- Complete & return tools & checklists **ASAP**
- 2 week rule (prior to on-site)
- On-site review
- Submit any requested information ASAP

Resource Management Review Process

- Off-site questions: complete & return ASAP
- 4 week rule (prior to AR)
- Determination of desk audit or comprehensive on-site review
- Submit the requested information ASAP

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THE RESOURCE MANAGEMENT REVIEW 2014-2015

- Includes a risk assessment that gives MDE:
  - The information needed to identify high-risk SFAs
  - Incorporate a targeted review
  - The latitude to review all or a portion of financial elements for low-risk SFAs
- This is a General Area, thus fiscal action is not <u>required</u>
  - FNS encourages withholding program payments for repeated or egregious violations that are not corrected

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MDE'S RM PROCEDURES

Pre-Visit/Off-Site
- Notify business official and food service director
- Initiate Off-site Assessment Tool
- Review SFA documentation & determine risk level (high/low)
- Obtain additional information as necessary
- Schedule on-site review as necessary

On-Site (high risk)
- Entrance Conference
- On-site Review
- Exit Conference

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STATE AGENCY RISK ASSESSMENT

- MDE assesses risk via "risk indicators"
  - SFAs may receive a total of 0-6 risk indicators
    - 0-2 risk indicators: technical assistance and/or corrective action where the risk was identified
    - 3+ risk indicators: more comprehensive review (on-site) required

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		YES	NO
700.	Is the SFA's enrollment 40,000 students or more?		
Comments:			
701.	Did the SFA have any financial findings related to the child nutrition programs on previous Administrative Reviews, A-133, OIG, or other state audits within the past three years?		
Comments:			

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REVIEW APPROACH: TECHNICAL ASSISTANCE & CORRECTIVE ACTION

- 1-2 risk indicators in monitoring Areas
- Further investigation of those areas
- Corrective Action and Technical Assistance documented

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COMPREHENSIVE REVIEW = ON-SITE

- 3 or more Risk indicators
- All Resource Management monitoring areas covered on-site
  - Exception: If no indirect costs charged, no review of indirect costs

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OVERVIEW OF THE RESOURCE MANAGEMENT REVIEW AREAS

- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Non-Program Foods
- Indirect Costs

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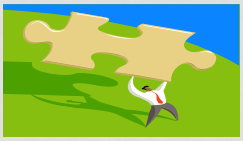
MAINTENANCE OF THE NONPROFIT SCHOOL FOOD SERVICE ACCOUNT

- Overview
  - 3 Components:
    - Nonprofit School Food Service Account
    - Net Cash Resources
    - Allowable Costs



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Module: Maintenance of Nonprofit School Food Service Account			
702.	Did the SFA have a separate financial account for the nonprofit school food service?	YES	NO
Comments:			
703.	Did the SFA conduct a year-end review of total revenues and expenses to determine the school food service's nonprofit status?	YES	NO
Comments:			

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		YES	NO	
704.	Did the SFA have year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance?			
Comments:				

		YES	NO
705.	Did the SFA transfer funds out of the nonprofit food school food service account to support other school operations during the school year?		
Comments:			
706.	Did the SFA complete a process to ensure its compliance with the net cash resources limitation to a level at or below three months' average expenses? This process could include a current SA Approved Plan to address resources that exceed the net cash resource limitation.		
Comments:			

NET CASH RESOURCES

Step 3. Identify Net Cash Resources

Annual Financial Statement	Total Revenues – Total Expenses **Plus Beginning Fund Balance**

Step 4. Calculate 3 months' average expenditures

(Full year expenditures/operating months) x 3

Step 5. Determine the SFA's compliance with requirements of net cash resources

Step 3 is **less** than Step 4 = the SFA is in compliance	Step 3 is greater than Step 4 = SFA is not in compliance

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NEXT STEPS

- **Verify prior approval**
  - **Equipment**
  - **Spend Down Plan**
- **Technical Assistance and Corrective Action**
  - **Work with the SFA to identify opportunities to spend down its net cash resources**
  - **Discuss SFA strategies to invest in program operations and improve service and meal quality**

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MAINTENANCE OF THE NONPROFIT SCHOOL FOOD SERVICE ACCOUNT: ALLOWABLE COSTS

- **Intent of Monitoring**
  - **Restrict the use of program funds to expenses that are reasonable, necessary, and otherwise allowable**
  - **Federal funds must be used only for the intended program purposes**
  - **Ensure SFA compliance with specific rules and regulations**

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STEP 1: REVIEW THE MOST RECENT FULL YEAR STATEMENT OF REVENUES AND EXPENSES

- **Verify that the statement of expenses includes all costs charged to the school food service account**
- **Ensure costs represent charges for actual expenses, not budgeted or projected amounts**
- **Select a sample of at least 10% of the expenses to test compliance and allowability**

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STEP 2: DETERMINE WHETHER SELECTED EXPENSES ARE ALLOWABLE

- **Ensure costs are reasonable and necessary for specific program functions**
- **Use Appendixes A & B of 2 CFR 225 as guidance to determine if the cost is allowable**
- **Review actual invoices and receipts as necessary to verify compliance**
- **Identify unallowable costs**

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PAID LUNCH EQUITY (PLE)

- Intent of PLE: To ensure that paid lunch prices are sufficient to cover the costs of paid meals or otherwise provide enough funds to support paid meal costs
- Step one: Gather PLE documents from SFA.
- Step two: calculate PLE
- Step three: Verify SFA's PLE calculation
- Step four: Determine if the SFA raised its paid lunch prices, if required
- Step five: Verify that the SFA submitted its most frequently charged paid lunch price

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Module: Paid Lunch Equity				
707.	Did the SFA charge the minimum target paid lunch price at all sites or use the USDA *Paid Lunch Equity Tool* to evaluate its paid lunch prices?	YES	NO	N/A*
Comments:				
*N/A selection is only allowable if all sites at the SFA are nonpricing				
708.	Did the SFA use non-federal funds to support its paid lunch prices?	YES	NO	N/A
Comments:				
709.	Did the SFA increase its paid lunch prices if the *Paid Lunch Equity Tool* indicated an increase in the paid lunch price was required?	YES	NO	
Comments:				

REVENUE FROM NON-PROGRAM FOODS

- What are non-program foods? Includes:
  - A la carte items
    - Milk, second entree
  - Adult meals
  - Items purchased with nonprofit school food service account funds for vending machines, fundraisers, school stores and for catered and vended meals
- Intent: all food sold in a school and purchased with funds from the nonprofit school food service must generate revenue at least equal to the cost of such foods

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Module: Revenue from Nonprogram Foods				
710.	Did the SFA use the *USDA Nonprogram Food Revenue Tool* or a USDA-approved alternative method to calculate its nonprogram food costs and nonprogram food revenues?	YES	NO	N/A*
Comments:				
*N/A selection is only allowable if the SFA did not sell nonprogram foods or beverages, including adult meals				
711.	Was the SFA's proportion of total revenue from the sale of nonprogram foods to the total revenue of the school food service account **equal to or greater than** the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account?	YES	NO	
Nonprogram Food Revenue (program+nonprogram revenue) ≥ Nonprogram Food Cost (cost of program+cost of nonprogram foods)				
Comments:				

IN THE EVENT OF A COMPREHENSIVE ON-SITE REVIEW

- **Step one: Gather appropriate documents. Information needed:**
  1. **Food costs of reimbursable meals;**
  2. **Food costs of non-program foods;**
  3. **Revenue from non-program foods;**
  4. **Total revenue**

The MDE reviewer will check that the SFA included all appropriate non-program food revenues and costs in its figures

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STEP TWO: DETERMINE COMPLIANCE WITH NON-PROGRAM FOOD REVENUE AND COSTS

Check Non-program Food Revenue Tool or alternative mechanism

1. **Additional documentation that details how the SFA assessed its compliance with the Revenue from Non-program Foods requirements**

Revenue Ratio: $\frac{\text{Nonprogram revenue}}{\text{(program revenue + nonprogram food revenue)}}$

Food Cost Ratio: $\frac{\text{Cost of nonprogram foods}}{\text{(cost of program foods + cost of nonprogram foods}}$

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DIRECT AND INDIRECT COSTS

Direct costs - Incurred specifically for a program or other cost objective; clearly identifiable.

Indirect Costs - Incurred for the benefit of multiple programs, functions, or other cost objectives; not readily identifiable. Costs that cannot be exclusively attributable to the SMPs should generally be treated as indirect costs.

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BACKGROUND

Direct Costs	Indirect Costs
• Wages & salaries of food service workers • Cost of food purchased • Food service supplies • Promotional/marketing materials for food service • Food service equipment purchases	• Payroll services • Human resources • Workers' compensation • Electricity • Gas • Sewer • Trash • Superintendent's Office

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INDIRECT COST RATE

- Approved by MDE for SFAs on an annual basis (15% max for public schools)
- The indirect cost rate is applied to the direct cost base, which is the sum of allowable costs (FID expenditures sub total)
- Resource is FNS Indirect Cost Guidance (SP 41-2011)
- MDE may cover this area on or off site

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Module: Indirect Costs			
712.	Were indirect costs charged to the SFA's nonprofit school food service account?	YES	NO
Comments:			

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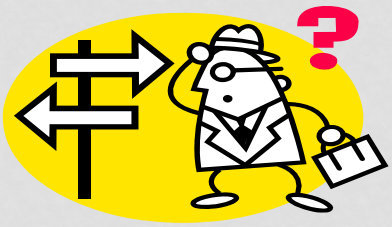
QUESTIONS??



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THANK YOU FOR JOINING US

Please contact us if you have further questions

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  - **www.michigan.gov/schoolnutrition**
    - **Scroll under "compliance" and choose "Resource Management"**

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