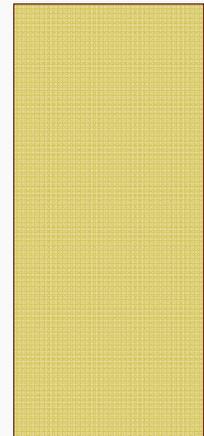


RESOURCE MANAGEMENT FOR PUBLIC & CHARTER SCHOOLS

BILL BALDRY, CPA
MICHIGAN DEPARTMENT OF EDUCATION, SCHOOL NUTRITION PROGRAMS



AGENDA FOR TODAY

- **Welcome & Introductions**
- **The Resource Management Review 2014-2015**
 - **The Resource Management Review vs. the Administrative Review**
 - Including known changes for 2014-2015 including important timelines
 - What to expect Off-site vs. On-site
 - **What the Resource Management Review Covers (all topics include the most frequent findings from 2013-2014)**
 - Maintenance of the Non-Profit Food Service Account
 - Paid Lunch Equity (PLE)
 - Revenue from Non-Program Foods
 - Indirect Costs
- **Closing/Wrap Up/Parking Lot**

WELCOME & INTRODUCTIONS

- **Bill Baldry, CPA (School Nutrition Programs, MDE)**
 - **Resource Management Review Lead**
- **Other School Nutrition Staff in the Room**
- **Please introduce yourself including:**
 - **Name**
 - **School District**
 - **Role within District**
 - **Most prominent question you hope to have answered today**



ADMINISTRATIVE REVIEW

The Healthy, Hunger-Free Kids Act of 2010 calls for a more effective and efficient review process:

- **Consolidate the Administrative Review processes**
- **Incorporate school breakfast, the new meal pattern and dietary specifications, and performance-based reimbursement**
- **Implement a 3-year review cycle**
- **Provide for off-site monitoring approaches**
- **Provide effective training and ongoing technical assistance**
- **Regulatory authority:**
 - **7 CFR 210.14**
 - **2 CFR 225**

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**

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

Administrative Review Process

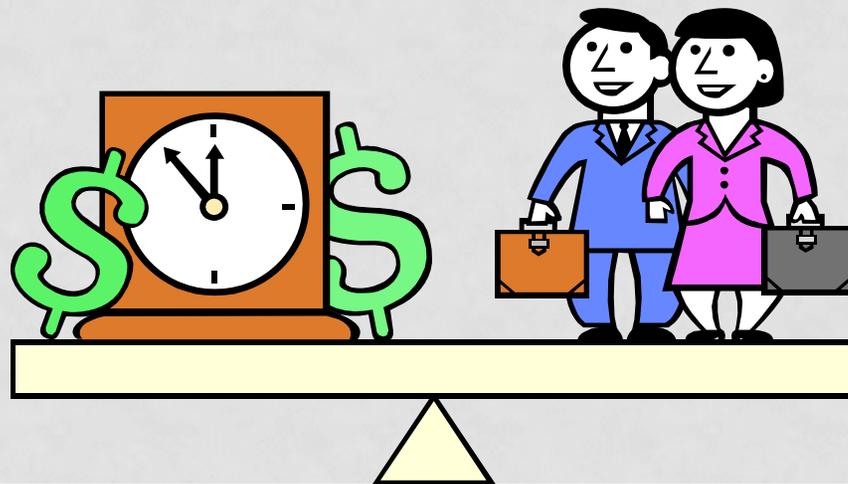
- **Email from Program Analyst to set up call & provide tools & checklists**
- **Complete & return tools & checklists ASAP**
- **2 week rule (prior to on-site)**
- **On-site review**
- **Submit any requested information ASAP**

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**

WHY IS MONITORING RESOURCE MANAGEMENT IMPORTANT?

- **SFAs must account for all revenues & expenditures of their nonprofit school food service**
- **Ensures effective & consistent management of program resources**
- **Previously inconsistent & sometimes inadequate review processes**



RESOURCE MANAGEMENT – USDA GOALS

1. Maximize Resources

- 1. Off-Site assessment**
- 2. Utilize Financial Management staff, when possible**

2. Identify Weaknesses

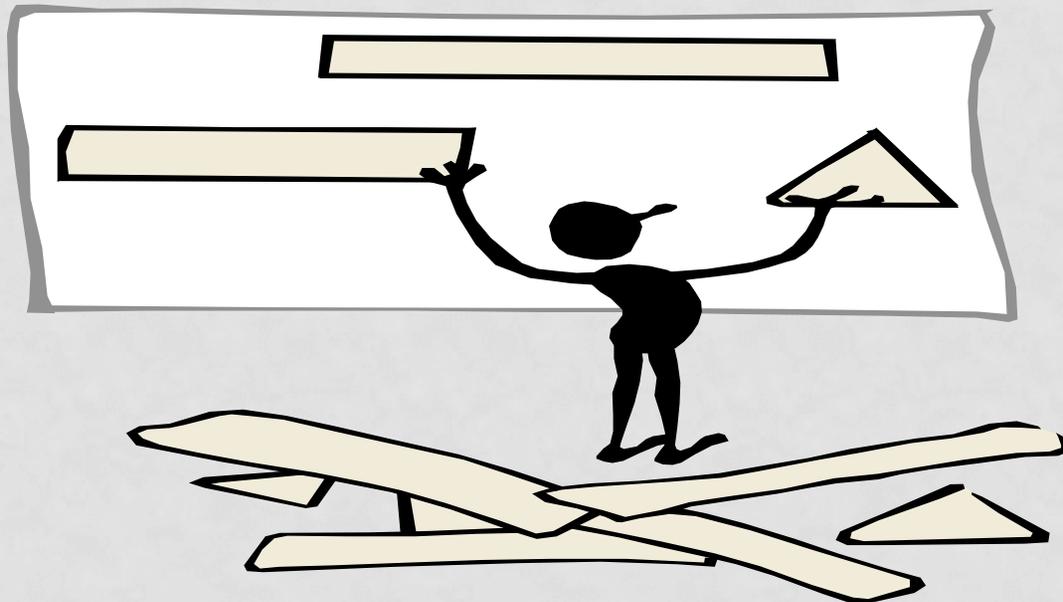
- 1. Off-site risk tool**
- 2. Corrective action, technical assistance and/or full review**

3. State Flexibility

- 1. Minimum requirements**
- 2. States may implement more detailed reviews**

THE RESOURCE MANAGEMENT REVIEW 2014-2015

- **Known changes for 2014-2015**
 - **No USDA Foods portion – moves to procurement**
 - **Still required to conduct an annual reconciliation to ensure proper credits**
 - **Updated wording for improved clarity**
 - **Fewer off-site questions**



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 required**
 - **FNS encourages withholding program payments for repeated or egregious violations that are not corrected**

RESOURCE MANAGEMENT OFF-SITE TOOL

- **Intended for completion prior to the on-site visit**
 - **Goal of combining compliance/monitoring with technical assistance**
 - **SFA has more time to provide information to MDE than on-site only**
 - **MDE has more time to:**
 - **review documents thoroughly**
 - **conduct reviews more consistently**
 - **provide ongoing technical assistance to the SFA**

Identifies whether a Comprehensive On-Site Review or a Non-Comprehensive Off-Site Review is needed!

MDE'S RM PROCEDURES

Pre-Visit/Off-Site

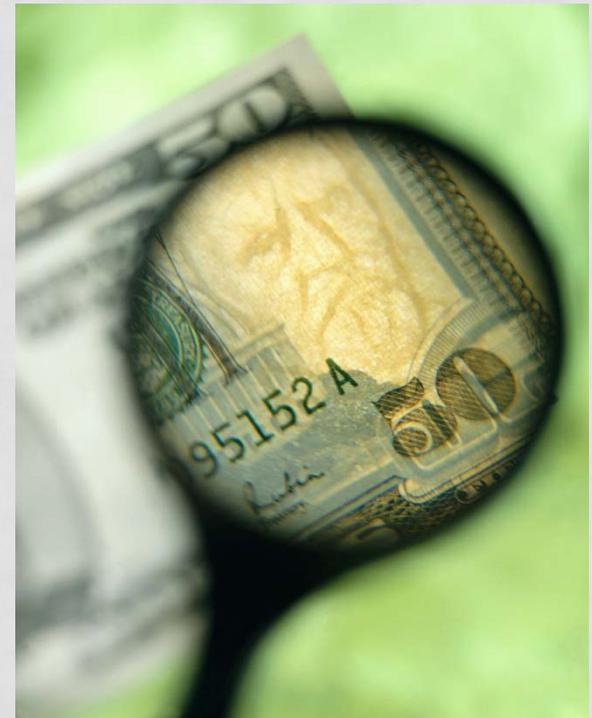
- **Notify business official and food service director**
- **Initiate Off-site Assessment Tool**
- **Review SFA documentation & determine risk level (high/low)**
- **Obtain additional information as necessary**
- **Schedule on-site review as necessary**

On-Site (high risk)

- **Entrance Conference**
- **On-site Review**
- **Exit Conference**

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**



700.	Is the SFA's enrollment 40,000 students or more?	YES	NO
		<input type="radio"/>	<input type="radio"/>
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?	YES	NO
		<input type="radio"/>	<input type="radio"/>
Comments:			

RISK INDICATOR TOOL

	Risk Indicator		Score
700	Is the SFA's enrollment 40,000 students or more?	-- SELECT VALUE --	0
	Risk Level	No Flag	0
	Previous Financial Findings		
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?	-- SELECT VALUE --	0
	Risk Level	No Flag	0
	Maintenance of the Nonprofit School Food Service Account		
702	Did the SFA have a separate financial account designated for the nonprofit school food service?		
703	Did the SFA conduct a year-end review of total revenues and expenses to determine the school food service's nonprofit status?	-- SELECT VALUE --	0
704	Did the SFA have year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance?	-- SELECT VALUE --	0
705	Did the SFA transfer funds out of the nonprofit school food service account to support other school operations during the school year?	-- SELECT VALUE --	0
706	Did the SFA complete a process or SA approved plan 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.	-- SELECT VALUE --	0
	Risk Level	No Flag	0
	Paid Lunch Equity	The SFA was non-pricing <input type="checkbox"/>	
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?	-- SELECT VALUE --	0
708	Did the SFA use non-Federal funds to support its paid lunch prices?	-- SELECT VALUE --	0
709	Did the SFA increase its paid lunch prices if the PLE tool indicated an increase in the paid lunch price was required?	-- SELECT VALUE --	0
	Risk Level	No Flag	0
	Revenue from Nonprogram Foods	The SFA did not sell any nonprogram foods at any of its sites <input type="checkbox"/>	
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 revenue?	-- SELECT VALUE --	0
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?	-- SELECT VALUE --	0
	Risk Level	No Flag	0
	Indirect Costs		
712	Were indirect costs charged to the SFA's nonprofit school food service account?	-- SELECT VALUE --	0
	Risk Level	No Flag	0

* If three or more (3+) Resource Management areas receive risk indicators, a comprehensive resource management review is required.

REVIEW APPROACH: TECHNICAL ASSISTANCE & CORRECTIVE ACTION

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



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**



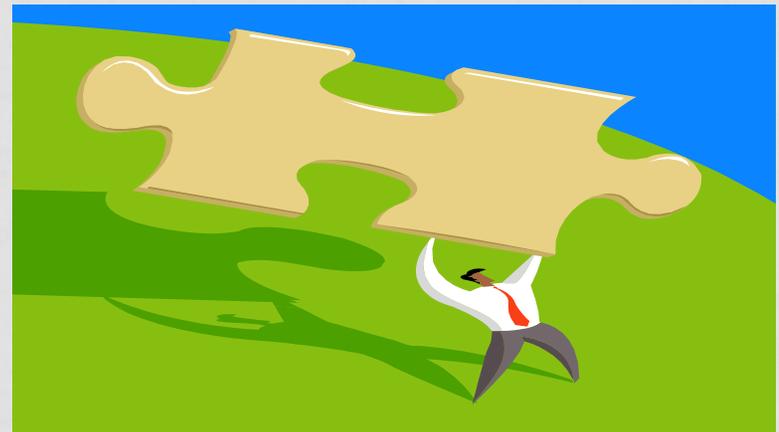
OVERVIEW OF THE RESOURCE MANAGEMENT REVIEW AREAS

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



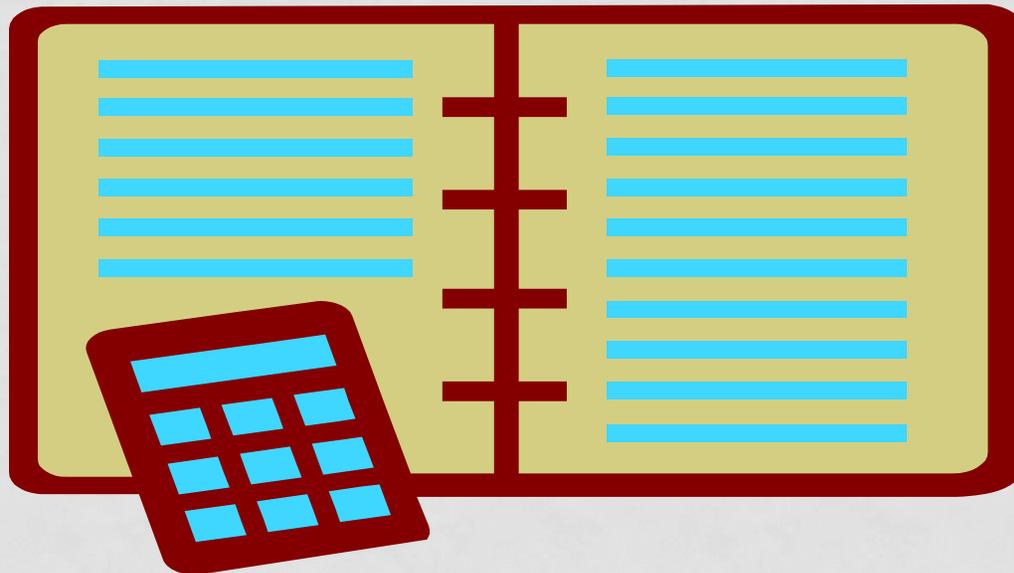
MAINTENANCE OF THE NONPROFIT SCHOOL FOOD SERVICE ACCOUNT

- **Overview**
 - **3 Components:**
 - **Nonprofit School Food Service Account**
 - **Net Cash Resources**
 - **Allowable Costs**
- **Applying the Risk Indicator Tool**
- **Conducting the Comprehensive Review**



WHY ARE SFAS REQUIRED TO MAINTAIN A NONPROFIT SCHOOL FOOD SERVICE ACCOUNT?

- **Maximize program benefits to enrolled students**
- **Federal funds must be used only for the operation and improvement of the school food service**
- **SFA Compliance with Regulations 7 CFR 210.14(a)**



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

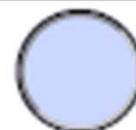


Comments:

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:

704.	Did the SFA have year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance?	YES	NO	
		<input type="radio"/>	<input type="radio"/>	

Comments:

705.	Did the SFA transfer funds out of the nonprofit food school food service account to support other school operations during the school year?	YES	NO
		<input type="radio"/>	<input type="radio"/>

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.	YES	NO
		<input type="radio"/>	<input type="radio"/>

Comments:

NONPROFIT STATUS

- **Nonprofit status does not require that the SFA operate at a break-even or loss**
- **MDE must ensure that SFAs observe the regulatory limitations on the use of nonprofit school food service revenue**
- **Identify revenue excess or shortfall**



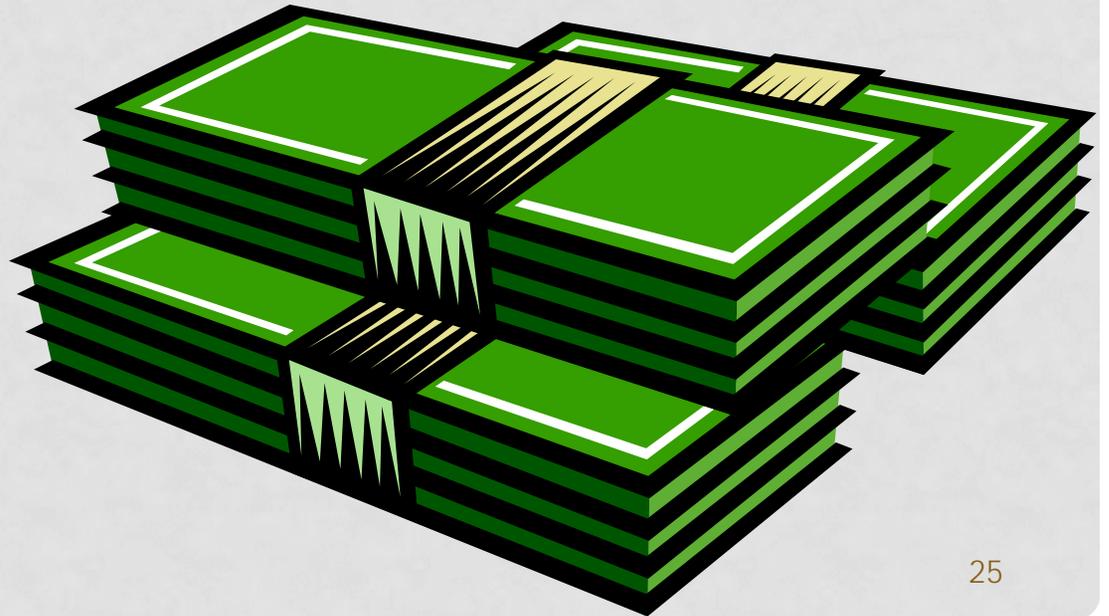
NET CASH RESOURCES: INTENT OF MONITORING

- **Ensure appropriate use of funds to improve program operations and meal quality**
- **Prevent neglect and underfunding of key program functions**
- **Maximize the use and investment of Federal funds in program operations**



NET CASH RESOURCES: SCOPE OF MONITORING

- **Calculate the SFA's net cash resources**
- **Ensure compliance with net cash resources in excess of 3 months average expenditures**
- **Provide technical assistance to SFAs on how to spend down net cash resources in expeditious and prudent manner**



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

$(\text{Full year expenditures} / \text{operating months}) \times 3$



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

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**



PRACTICE TIME

SFA has from 2013-2014:

Total Current Revenues	\$1,596,325
Total Current Expenses	\$ 894,670
Beginning Fund Balance	\$ 0

Net Cash Resources **\$ 701,645**

3 months operating Expense

$\$894,670/9 = \$99,407/\text{operating month}$

$\$ 99,407 \times 3 = \$298,221$

In Compliance? Yes or No

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**



CLASSIFICATION OF COSTS AND EXAMPLES OF ALLOWABLE AND UNALLOWABLE COSTS

Allowable costs

- Salaries & wages
- Travel
- Training and staff development
- Meetings and conferences
- Printing and publications
- Food service or business supplies

Allowable costs with prior SA approval

- Capital expenditures (equipment purchases, etc.)

Unallowable costs

- Alcoholic beverages
- Entertainment
- Costs of general government lobbying
- Contribution to contingency funds
- Bad debts

ALLOWABLE COSTS: SCOPE OF MONITORING

- **Test actual expenses for compliance with allowable cost requirements**
- **Identify and correct unallowable costs**
- **Ensure costs are adequately documented and treated consistently**



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**

10% Sample



- \$100,000 Total expenses → \$10,000
(10% of 100,000)
- \$40,000 Food → \$4,000
- \$50,000 Labor → \$5,000
- \$10,000 Other → \$1,000

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**

IDENTIFY ALLOWABLE COSTS

- **Food:**
 - Hamburger patties
 - Regular soda
- **Labor:**
 - Food service assistant
 - School secretary
 - Moving expenses
- **Other:**
 - unpaid charges
 - capital improvement
 - school board dinner
- **Allowable**
 - Food: hamburger patties
 - Labor: food service assistant
- **Unallowable**
 - Food: regular soda
 - Other: unpaid charges
- **Possibly Allowable**
 - Labor: school secretary
 - Labor: moving expenses
 - Other: capital improvement
 - Other: school board dinner

STEP 3: ENSURE ACCURATE AND SUFFICIENT SUPPORT DOCUMENTS ARE MAINTAINED FOR ALLOWABLE COSTS

- **SFAs must meet documentation and recordkeeping requirements**
 - **(3 years plus current)**
- **Verify accuracy of cost documents**
- **Ensure records are adequate to support expense transactions**
- **Ensure expense records are supported with source documents such as cancelled checks, paid bills**



RM MOST COMMON FINDINGS FROM SY 2013-2014

- **Unallowable expenses charged to program**
- **Commodity values need to be shown as revenue and expenses**
- **Varying revenue and expenses between statement of activity and FID**
- **Net cash resources exceed three month average expenditures**
- **Food service account expenses need to be separate from all other programs**
- **Evidence of bad debt - large outstanding charge balances carried over each year**
- **Not conducting a year end review**
- **Not tracking adult meals or returning payments to account**

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**

Step 1

Enter the SY 2013-14 Unrounded Price Requirement in the box below	SY 2014-15 Weighted Average Price Requirement
<i>This is can be found in Section 1: Box A of the SY 2013-2014 REPORT from the SY 2013-14 tool or you may find it below (Price 2.)</i>	Requirement price to the nearest cent
	\$ -
<i>Note: Above prices are based on adjusting SY 2013-2014 price requirement by the 2% rate increase plus the Consumer Price Index (2.27%)</i>	

Complete if you do NOT know your SY2013-2014 Unrounded Price Requirement

Annual Unrounded Requirement Finder

Enter the SY 2010-11 Weighted Average Price below

**** The weighted average price for SY 2010-11 is the weighted average of all paid lunch prices charged in the SFA**

SY 2010-11 Weighted Average Price	Unrounded Price Requirements	
	Price 1: SY 2012-2013 Requirement price to the nearest cent	Price 2: SY 2013-2014 Requirement price to the nearest cent
	\$ -	\$ 39 -

SY 2014-15 Price Adjustment Calculator

[Go to Instructions](#)

SY 2014-15 Weighted Average Price Requirement

Requirement price to the nearest cent	<i>Optional</i> price requirement ROUNDED DOWN to nearest 5 cent
\$ -	\$ -

Note: Above prices are based on adjusting SY 2013-2014 price requirement by the 2% rate increase plus the Consumer Price Index

SY 2013-14 Weighted Average Price Calculator

Enter the paid prices and number of paid lunches sold at each price for October 2013.

	Monthly # of Paid Lunches	Paid Lunch Price	Monthly Revenue	SY 2013-14 Weighted Average Price
1.			\$ -	
2.			\$ -	
3.			\$ -	
4.			\$ -	
5.			\$ -	
6.			\$ -	
7.			\$ -	
8.			\$ -	
9.			\$ -	
10.			\$ -	
TOTAL	-		\$ -	\$ -

Note: SY 2013-14 Weighted Average Price equal to or above \$2.65 are compliant for SY 2014-15. \$2.65 is the difference between the Free and Paid reimbursement rates for SY 2013-14.

Total Price Increase for SY 2014-15

\$ -

Required price increase for SY 2014-15 (with 10 cent cap)

\$ -

Remaining increase carried forward to SY 2015-16

\$ -

Remaining credit carried forward to SY 2015-16

\$ -

SY 2014-15 Non-Federal Contribution Calculator

[Go to Instructions](#)

SY 2014-15 Weighted Average Price Requirement	
Requirement price to the nearest cent	<i>Optional</i> price ROUNDED DOWN to nearest 5 cent
\$ -	\$ -
<i>Note: Above prices are based on adjusting SY 2013-2014 price requirement by the 2% rate increase plus the Consumer Price Index (2.27%)</i>	
Current Weighted Average Paid Price	
Enter in the current weighted average paid lunch price. <i>Note: If SFA did not change the weighted average paid lunch price in SY2011-2012, SY2012-2013 or SY2013-14, enter the SY2010-11 weighted average price. Otherwise, click the link below.</i>	
	Click here to determine SY2013-2014 weighted average price

Non-Federal Source Contribution Calculator for SY 2014-15		
Enter the total paid lunch count (for all prices). <i>** Annual Non-Federal Source funds for SY2014-2015 are estimated based on the ACTUAL lunch count entered below</i>		
Enter annual # of Paid Lunches **	TOTAL Price Increase for SY 2014-15	TOTAL SY 2014-15 Annual Non-Federal Source Contribution
	\$ -	\$ -
<i>Note: Total price increase for SY 2014-2015 is based on the difference between the weighted average price entered above and SY 2014-2015 rounded DOWN requirement.</i>		

Enter total amount of Non-Federal Source Funds Contributed for SY 2011-12, SY 2012-13 and SY 2013-14	Annual Non-Federal Source Contribution Requirement for SY 2014-15
\$ -	\$ -

Price Increase Requirement for SY 2014-15 (with 10 cent cap)	SY 2014-15 Annual Non-Federal Source Contribution (with 10 cent cap)
\$ -	\$ -

Remaining Annual Non-Federal Source Contribution carried forward to SY 2015-16
\$ -

Remaining Credit carried forward to SY 2015-16
\$ -

SY 2014-15 Split Price and Non-Federal Calculator

[Go to Instructions](#)

SY 2014-15 Weighted Average Price Requirement	
Requirement price to the nearest cent	Optional price requirement ROUNDED DOWN to
\$ -	\$ -
<i>Note: Paid prices are raised or adjusting SY 2013-2014 price requirement by the State increase by the Consumer</i>	

SY 2013-14 Weighted Average Price Calculator			
Enter the paid prices and number of paid lunches sold at each price for October 2013.			
Monthly # of Paid Lunches	Paid Lunch Price	Monthly Revenue	SY 2012-13 Weighted Average
1.		\$ -	
2.		\$ -	
3.		\$ -	
4.		\$ -	
5.		\$ -	
6.		\$ -	
7.		\$ -	
8.		\$ -	
9.		\$ -	
10.		\$ -	
TOTAL	-	\$ -	\$ -
<i>Note: SY 2013-14 Weighted Average Price equal to or above \$2.65 are compliant for SY 2014-15. \$2.65 is the difference between the Free and Paid reimbursement rates for SY 2013-14.</i>			

Total Price Increase for SY 2014-15	
\$	-

Required price increase for SY 2014-15 (with 10 cent cap)	
\$	-

New Price Increase
<i>Enter the new price increase for SY 2014-2015 to assist in meeting the requirement</i>

Non-Federal Source Contribution Calculator for SY 2014-15				
Enter the total paid lunch count (for all prices). ** Annual Non-Federal Source funds for SY 2014-2015 are estimated based on the ACTUAL lunch count entered below				
Enter annual # of Paid Lunches **	Total required Price Increase	TOTAL SY 2014-15 Annual Non-Federal Source Contribution	Price Increase Requirement for SY 2014-15 (with 10 cent	SY 2014-15 Annual Non-Federal Source Contribution (with 10 cent
	\$ -	\$ -	\$ -	\$ -
<i>Note: Total price increase for SY 2014-2015 is based on the difference between the weighted average price entered above and SY 2014-2015 rounded LDC/N requirement.</i>				

Enter amount of Non-Federal Source Funds Contributed for SY 2011-	Annual Non-Federal Source Contribution Requirement for SY 2014-15	Remaining Annual Non-Federal Source Contribution carried forward to SY 2015-16	Remaining Credit carried forward to SY 2015-16
	\$ -	\$ -	\$ -

SY2014-2015 Weighted Average Pricing Report

This report assists in tracking the pricing requirements and amounts carried forward for SY 2014-2015. Information on this report is used to determine the

SY 2014-2015 weighted average price requirements.

NOTE: If information is changed in the tool, the report contents will

refresh

Section 1: SY2014-2015 Weighted Average Paid Price Requirements

A. SY 2014-15 Weighted Average Price Requirement*:	\$0.00
<small>* This price will be entered into the SY 2014-2015 tool to</small>	
B. Optional Price ROUNDED DOWN to nearest 5 cents:	\$0.00

Section 2: Amounts Carried Forward to SY 2015-2016

Select the SY 2014-2015 method used to ensure sufficient funds are provided for PAID Lunches

Average Weighted Price Adjustments

A. Remaining increase carried forward to SY 2015-16:	
B. Remaining credit carried forward to SY 2015-16:	

Non-Federal Source Contributions

C. Remaining Annual Non-Federal Source Contribution carried forward to SY 2015-16:	
D. Remaining Credit carried forward to SY 2015-16:	

Split Calculations

E. Remaining Annual Non-Federal Source Contribution carried forward to SY 2015-16:	
F. Remaining Credit carried forward to SY 2015-16:	

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 allow able 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:

RM MOST COMMON PLE FINDINGS FROM 13-14

- **PLE tool not used to determine proper meal pricing**
- **Adult pricing too low**
- **Used PLE tool but did not comply with what tool indicated and did not request a waiver to not raise prices according to the PLE tool**



ALLOWABLE & UNALLOWABLE NON-FEDERAL SOURCES IN SUPPORT OF PLE:

Allowable:

- **Funds provided by organizations**

Unallowable:

- **Any in-kind contributions converted to direct cash expenditures**
- **Per-meal reimbursements for breakfast from states, counties, school districts and others may be unallowable**

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**
- **Revenue from Non-program Foods risk indicators identify risk of noncompliance**

Module: Revenue from Nonprogram Foods

710.	Did the SFA use the <i>USDA Nonprogram Food Revenue Tool</i> or a USDA-approved alternative method to calculate its nonprogram food costs and nonprogram food revenues?	YES	NO	N/A*
		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments:

*N/A selection is only allow able 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
		<input type="radio"/>	<input type="radio"/>

$\frac{\text{Nonprogram Food Revenue}}{(\text{program} + \text{nonprogram revenue})} \geq \frac{\text{Nonprogram Food Cost}}{(\text{cost of program} + \text{cost of nonprogram foods})}$

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

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

STEP THREE: REVIEW ADULT MEAL PRICES

- **Adult meal prices should include the value of any USDA entitlement and bonus donated foods used to prepare the meal**
- **Must also include sales tax**

SETTING THE PRICE FOR ADULT MEALS	
Breakfast:	
School:	School Name or District Wide
*Price of student breakfast	\$0.00
Value of paid student	\$0.28
Subtotal	\$0.28
Sales tax	\$0.02
Total minimum adult price	\$0.30
Lunch:	
School:	School Name or District Wide
*Price of student lunch	\$0.00
Value of commodity foods	\$0.24
Value of paid student	\$0.28
Subtotal	\$0.52
Sales tax	\$0.03
Total minimum adult price	\$0.55

RM MOST COMMON FINDINGS FROM SY 2013-2014 AND BEST PRACTICES

- **Not utilizing the full commodity value received**
- **Adult pricing too low**
- **Non-program food revenues are not being separated from program foods**
- **Non-program foods priced too low/Did not use non-program revenue tool**
- **Costs of non-program foods undeterminable**
- **Non-program food cost not separated from program food cost**
- **Did not have a sufficient process in place to accurately and thoroughly assess compliance with revenue from non-program foods**
- **Not all revenues are being recorded**
- **Unallowable expenses charged to program**
- **Commodity values need to be shown as revenue and expenses**
- **Varying revenue and expenses between statement of activity and FID**

INDIRECT COSTS

- **Statutory Authority:**
 - **Healthy, Hunger-Free Kids Act [Section 307(a)]**
- **FNS Guidance:**
 - **Policy Memo SP 41 - 2011 – Indirect Cost Guidance**
- **Regulatory Authority:**
 - **2 CFR 225 (OMB Circular A-87) Cost Principles for states and local governments**
- **Intent of Monitoring**
 - **Ensure SFAs are correctly determining if their costs are allowable, allocable and appropriately charged as a direct or indirect cost.**

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.

BACKGROUND

Direct Costs

- **Wages & salaries of food service workers**
- **Cost of food purchased**
- **Food service supplies**
- **Promotional/marketing materials for food service**
- **Food service equipment purchases**

Indirect Costs

- **Payroll services**
- **Human resources**
- **Workers' compensation**
- **Electricity**
- **Gas**
- **Sewer**
- **Trash**
- **Superintendent's Office**

School Meals Report for 2013

Fiscal Year: 2013

Revenue

Local (11x-15x, 17x-19x)	\$35,105.35
Pupil (161)	\$188,468.83
Patron (162)	\$1,376.00
Milk (163)	\$8,831.50
Ala Carte (164)	\$306,230.35
Catering (165)	\$0.00
Other (169)	\$22,866.78
Total Local (1xx)	\$562,868.81
Intermediate Revenue (2xx)	\$0.00
State (31x)	\$48,789.40
Federal (41x)	\$818,097.97
Commodity (481)	\$95,357.09
Bonus Commodity (482)	\$0.00
Another Public School	\$0.00
Other Finance Source (511-517,519-54x, 59x)	\$0.00
Fund Modifications (6xx)	\$0.00
Total School Meals Revenue	\$1,525,113.27

School Meals Beginning Fund Balance

School Meals Beginning Fund Balance	\$219,968.16
Total School Meals Revenue	\$1,525,113.27
Total School Meals Cost w/o CO	\$1,515,302.93
Capital Outlay	\$1,553.11
Prior Period Adjustment	\$0.00
School Meals Ending Fund Balance	\$228,225.39
Allowable Fund Balance	\$505,100.98
Excess Fund Balance	\$0.00

Expenditures

	Breakfast Programs	Lunch Programs	All Other Programs	Total
Salaries	\$51,964.12	\$319,208.18	\$104,689.62	\$475,861.92
Benefits	\$21,266.39	\$130,636.38	\$42,844.35	\$194,747.12
Purchased Services	\$4,912.80	\$30,178.64	\$9,897.60	\$44,989.04
Thru another Public School	\$0.00	\$0.00	\$0.00	\$0.00
Supplies and Other	\$7,700.59	\$53,445.50	\$2,627.05	\$63,773.14
Sub Total	\$85,843.90	\$533,468.70	\$160,058.62	\$779,371.22
Food Costs	\$62,333.65	\$382,906.67	\$220,937.67	\$666,177.99
Capital Outlay	\$169.60	\$1,041.83	\$341.68	\$1,553.11
Indirect Costs	\$7,679.88	\$47,746.42	\$14,327.42	\$69,753.72
Total Program Cost	\$155,857.43	\$964,121.79	\$395,323.71	\$1,515,302.93

Indirect Rate

Indirect Rate 8.95%

Maximum Allowable Indirect

Maximum Allowable Indirect \$69,753.72

2012 2013

Breakfast Meals Served 58,932 60,139

Breakfast Cost per Meal \$2.77 \$2.59

Lunch Meals Served 352,007 310,208

Lunch Cost per meal \$2.76 \$3.11

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**

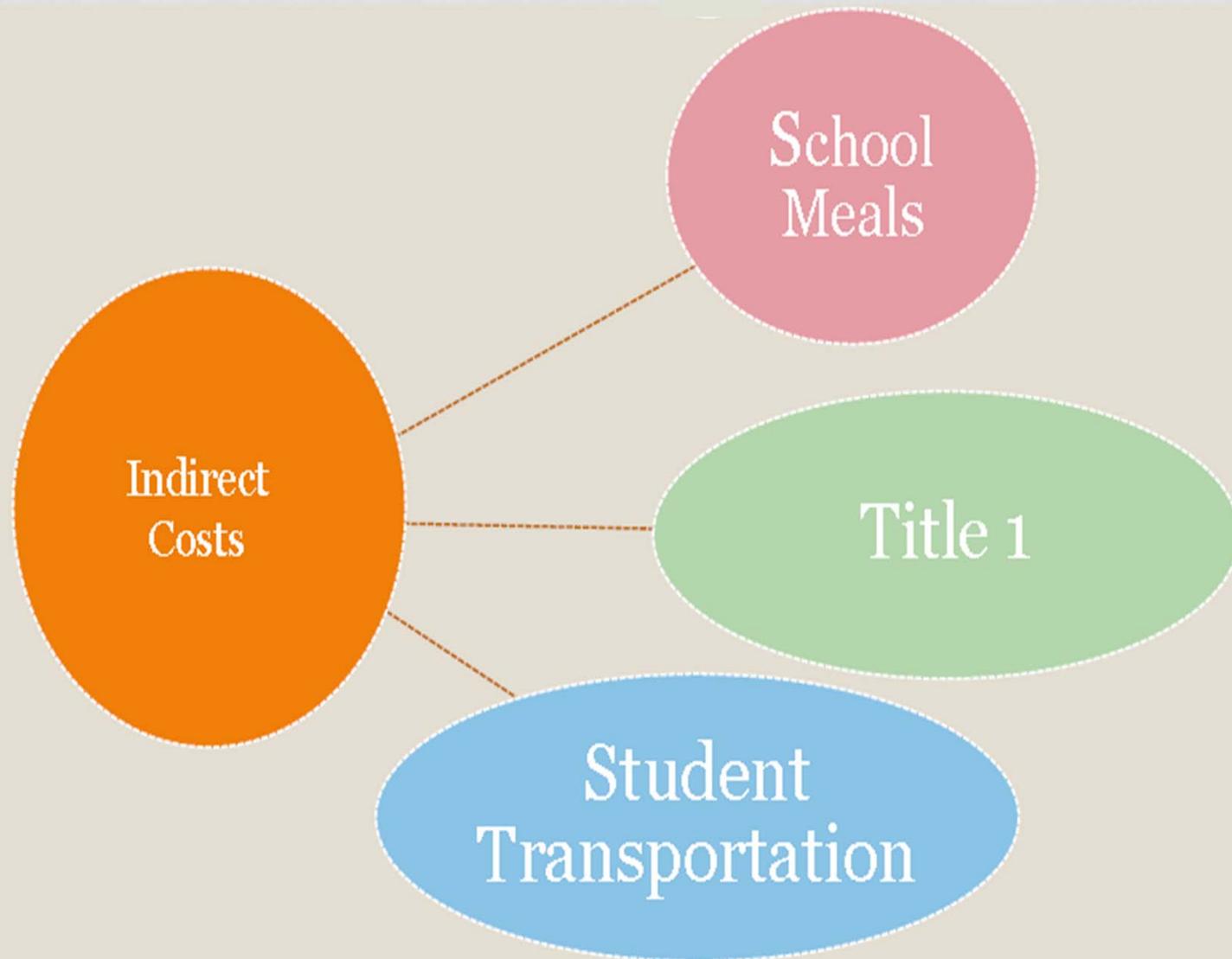
INDIRECT COST RATE

- www.michigan.gov/schoolnutrition
- In the top right search 'indirect'
- 1st result 'MDE – Indirect Cost Rates – Michigan'
- Choose the indirect cost rate summary for the appropriate year
- Use the unrestricted rate (max of 15%)

OTHER CALCULATION METHODS...

- **Can also use GL summary or detail information for fund 25 but must back out all unallowable items (food, capital outlay, contracts > \$25,000)**



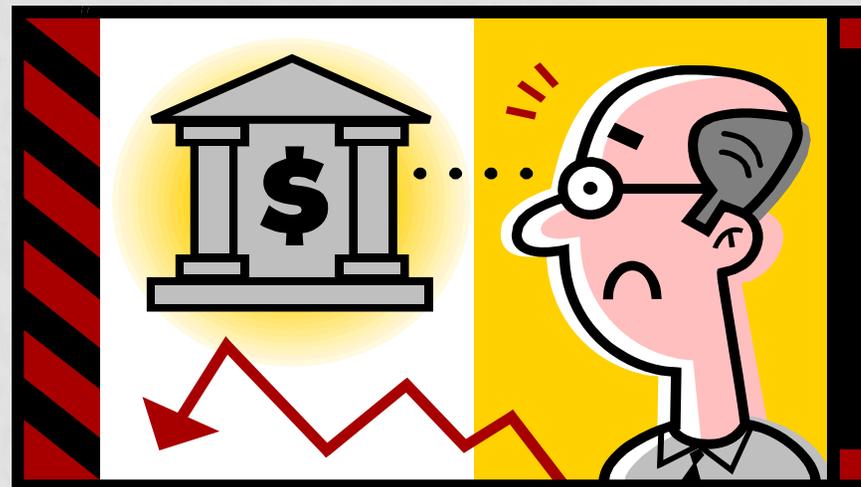


Module: Indirect Costs

712.	Were indirect costs charged to the SFA's nonprofit school food service account?	YES	NO
		<input type="radio"/>	<input type="radio"/>
Comments: <div style="background-color: #e6f2ff; height: 60px; width: 100%;"></div>			

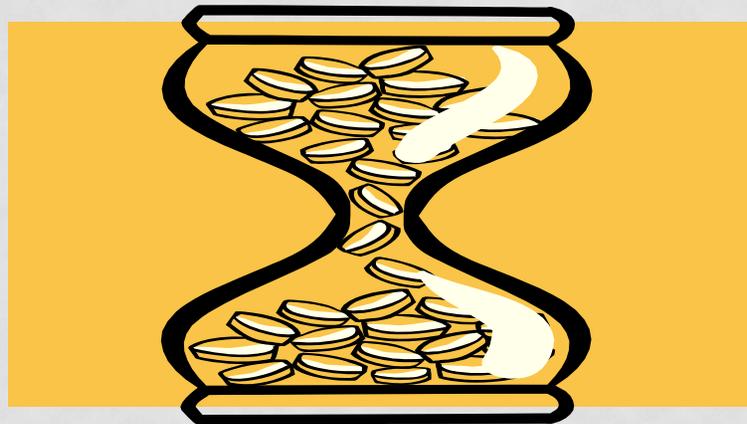
INDIRECT COST: COMPREHENSIVE REVIEW

- **Information needed for review:**
 - **Approved Indirect Cost Rate Agreement (ICRA)**
 - **Financial statements General Ledger Summary**
 - **Accounting records- prior year's retroactive billing and accounting records**



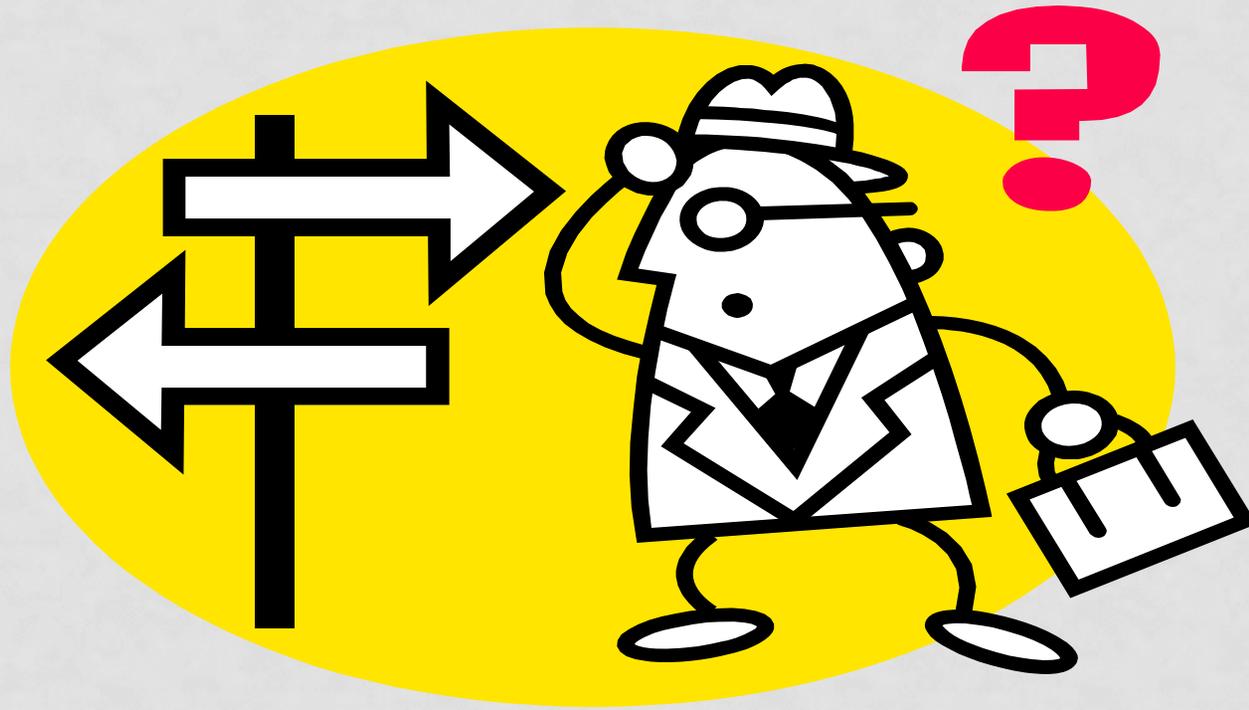
RM MOST COMMON FINDINGS FROM SY 2013-2014

- **Indirect cost calculated improperly**
- **Indirect costs charged were not consistent**
- **Indirect cost calculations not available**



QUESTIONS??

- **Parking lot**
- **What additional questions do you have?**



TELL US WHAT YOU THINK

- **Evaluations – please complete both sides**



THANK YOU FOR JOINING US

Please contact us if you have further questions

- **Bill Baldry, Resource Management Review Lead**
 - **517-373-6389**
 - **BaldryW@michigan.gov**
- **School Nutrition Programs Unit:**
 - **517-373-3347**
 - **MDE-SchoolNutrition@michigan.gov**
 - **www.michigan.gov/schoolnutrition**
 - **Scroll under “compliance” and choose “Resource Management”**