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School Nutrition Programs
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Resource Management
Resource Management Review Areas

- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Nonprogram Foods
- Indirect Costs
- USDA Foods
Resource Management Review Process

- SFA Off-Site Assessment
- Risk Assessment
- Review Approach
  - Technical Assistance & Corrective Action
  - Comprehensive Review
SFA Off-Site Assessment

- 18 questions required to be completed by all SFAs scheduled for review.
- MDE will require the questions be completed early in the school year in which an SFA is scheduled for review.
- SFA answers will be used by MDE to complete Step 2- State Agency Resource Management Risk Indicator Tool.
Risk Indicator Tool

Risk Indicator Categories

1. SFA enrollment
2. Previous Financial Findings
3. Maintenance of Nonprofit School Food Service Account
4. Paid Lunch Equity
5. Revenue from Nonprogram Foods
6. Indirect Costs
7. USDA Foods
Risk Indicator Tool

- 0-2 Risk Indicators = technical assistance and/corrective action

- 3-7 Risk Indicators = Resource Management Comprehensive Review
Comprehensive Review

- Completed as part of the on-site review
- SFAs will be required to provide documentation for all Resource Management Areas
  - Maintenance of the Nonprofit School Food Service Account
  - Paid Lunch Equity
  - Revenue from Nonprogram Foods
  - Indirect Costs
  - USDA Foods
Resource Management

Maintenance of the Non-Profit School Food Service Account
Maintenance of the Non-Profit School Food Service Account

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

Why do we require SFAs 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)
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
• Ensure timely and appropriate use of funds in the nonprofit school food service account 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

• Ensure the SFA followed the SA’s criteria to obtain prior approval

• Verify the actual documents used by the SFA to obtain SA’s prior approval

• 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
Allowable Costs

- Restrict the use of program funds to expenses that meet the requirements of 2 CFR 225 and are reasonable, necessary, and otherwise allowable.

- Federal funds must be used only for the intended program purposes.

- Ensure SFA compliance with government-wide and specific rules and regulations.
Allowable Costs

Legal under State and local law

Conforms with Federal law, regulations, and program terms

Consistently treated as direct or indirect

Net of applicable credits

Determined in accordance with GAAP

Adequately documented

Reasonable

Necessary

Allocable
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

Step 1
- Review the SFA’s most recent full year statement of revenues and expenses

Step 2
- Determine whether selected expenses are allowable

Step 3
- Ensure accurate and sufficient support documents are maintained for allowable costs
Paid Lunch Equity: Intent of Monitoring

- Included in the Healthy, Hunger-Free Kids Act (Section 205).
- Intent of PLE: To ensure that SFAs charge paid lunch prices sufficient to cover the costs of paid meals or otherwise provide enough funds to support paid meal costs.
1-Did you use the USDA PLE Tool?
2-Was the correct previous school years data used to determine the current year prices?
3-Were the calculations done correctly?
4-Were the appropriate non-federal funds used if applicable?
5-Did the paid meal prices increase and is there documentation to support that?
Allowable non-Federal sources

- Per-lunch reimbursements for paid lunches from states, counties, school districts and others;
- Funds provided by organizations;
- Any portion of State revenue matching funds that exceed the minimum requirement & that’s provided for paid lunches
Unallowable non-Federal sources

- Any payments provided to the SFA for support of the School Breakfast Program or other Child Nutrition Programs;
- Any payments provided specifically to support free and reduced price meals;
- Any in-kind contributions converted to direct cash expenditures after July 1, 2011.
Resource Management

Revenue from Nonprogram Foods
Revenue from Nonprogram Foods

- “Nonprogram foods” - Foods and beverages sold in a participating school that are purchased using funds from the nonprofit school food service account.

- Includes à la carte items, adult meals, items purchased with nonprofit school food service account funds for vending machines, fundraisers, school stores and for catered and vended meals.
Revenue from Nonprogram Foods: Intent of Monitoring

- Included in the HHFKA (Section 206)

- Intent: With the exception of reimbursable meals, 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.
Information needed:
1. Food costs of reimbursable meals;
2. Food costs of nonprogram foods;
3. Revenue from nonprogram foods;
4. Total revenue
5. Completed Revenue from Nonprogram Foods Tool
6. Alternative method used to document compliance
**Revenue Ratio:** Nonprogram revenue

(program revenue + nonprogram food revenue)

**Food Cost Ratio:** Cost of nonprogram foods

(cost of program foods + cost of nonprogram foods)
Adult Meal Prices

• Adult meal prices should include the value of any USDA entitlement and bonus donated foods used to prepare the meal.

• Paid lunch reimbursement

• Sales Tax
Resource Management

Indirect Costs
Indirect Costs

Statutory Authority:
The Healthy, Hunger-Free Kids Act of 2010
Section 307(a), Public Law 111-296

FNS Guidance:
Policy Memo SP 41 - 2011 – Indirect Cost Guidance

Regulatory Authority:
2 CFR Part 225 (OMB Circular A-87) Cost Principles for States and Local governments
Intent of Monitoring

• Ensure SFAs are correctly determining if their costs are necessary and reasonable, and if they are allowable, allocable and appropriately charged as a direct or indirect cost.
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.

Cost assignments are unique to the organization.
### Background

#### DIRECT COSTS

- Wages & salaries of food service workers
- Cost of food purchased
- Food service supplies
- Food service equipment purchases

#### INDIRECT COSTS

- Payroll services
- Human resources
- Workers’ compensation
- Electricity
- Gas
- Trash
Indirect Cost Allocation

Indirect Costs

- School Meals
- Title I
- Student Transportation
Indirect Cost Rate - Method for determining the proportion of indirect costs that the other individual programs should bear.

Indirect cost pool = Indirect cost rate
Direct cost base
Indirect Cost Rate Application

- Guidance on the development and use of the Indirect Cost Rates may be found on the MDE Website:

  http://www.michigan.gov/mde/0,4615,7-140-6530_6605-118785--,00.html
Are direct and indirect costs treated consistent?

- Allowable costs, both direct and indirect, must be identified and treated in a consistent manner.

- An LEA must identify indirect costs by using the same methodology to allocate certain shared costs across the entire spectrum of its Federal and non-Federal programs.

- A cost may not be assigned to a Federal award as a direct cost if that same cost, incurred for the same purpose, in similar circumstances, has been allocated to other Federal awards as an indirect cost.
More Questions???

- Is retroactive billing done correctly?
- Are direct and indirect costs properly classified?
- Is “double dipping” occurring?
- Does documentation support costs charged to the nonprofit school food service account?
- Were indirect costs calculated based on the correct unrestricted indirect cost rate and applied to the direct cost base?
Resource Management

USDA Foods
USDA Foods

- USDA Foods requirements: Included under Section 14 of the NSLA, 7 CFR 210.14(d), 7 CFR 250, FD instructions/policy memoranda.

- Monitoring intent: Ensure that SFAs have adequate policies and procedures in place to safeguard and fully utilize USDA foods.
USDA Foods

- Review the use of USDA Foods in school meals
- Review the SFA’s procurement of end products containing USDA Foods
- Ensure the SFA conducts an annual reconciliation