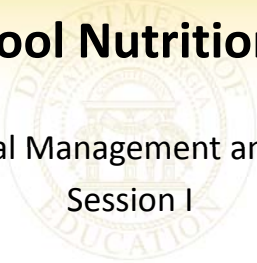


# School Nutrition

## Financial Management and More

### Session I



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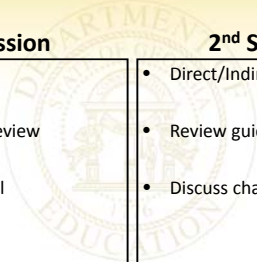
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### Topic Outline

1st Session	2nd Session
<ul style="list-style-type: none"><li>Reminders</li><li>SN Year in Review</li><li>CRE Financial</li></ul>	<ul style="list-style-type: none"><li>Direct/Indirect Cost</li><li>Review guidance booklet</li><li>Discuss challenges</li></ul>



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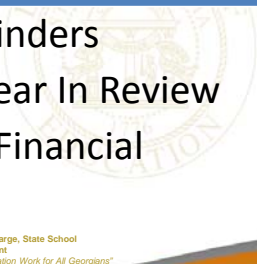
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## Learning Objectives:

- Reminders
- SN Year In Review
- CRE Financial



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Five business tools on the verge of extinction.....

1. Telephone Booth/Beeepers
2. Checks
3. Fax Machine
4. Typewriter
5. Phonebook



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## Reminders

- Deadlines:
  - Claims 20<sup>th</sup> day after month end
  - Financials 30<sup>th</sup> day after month end
- Meal Price Equity
  - October 2011 data
- Uploading financial files into SNO
- Compare DE46/DE 106

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## Facts and Figures

<u>FY 2010</u>	<u>FY 2011</u>
▪ 213,679,371 Total lunches served	▪ 209,850,992 Total lunches served
▪ 1.178 million Lunches served daily	▪ 1.195 million Lunches served daily
▪ 74.5% Lunch participation	▪ 75.1% Lunch participation
▪ 6 <sup>th</sup> In the Nation for lunch Participation	▪ 5 <sup>th</sup> In the Nation for lunch Participation
▪ 521,838 Breakfasts are served daily	▪ 532,301 Breakfasts are served daily
▪ 34.5% of Breakfast participation	▪ 34.9% of Breakfast participation
▪ 56.6% are on F&R	▪ 57.39% are on F&R

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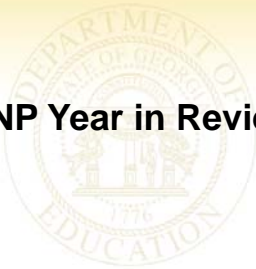
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# SNP Year in Review



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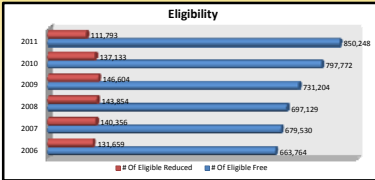
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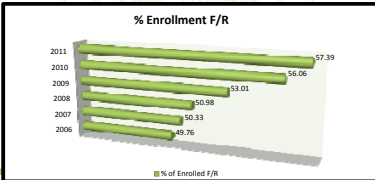
### Eligibility



Year	# Of Eligible Reduced	# Of Eligible Free
2011	111,793	850,248
2010	117,133	797,772
2009	146,604	731,204
2008	143,854	697,129
2007	140,356	679,530
2006	131,659	663,764

### % Enrollment F/R



Year	% of Enrolled F/R
2011	57.39
2010	56.06
2009	53.01
2008	50.88
2007	50.33
2006	49.76

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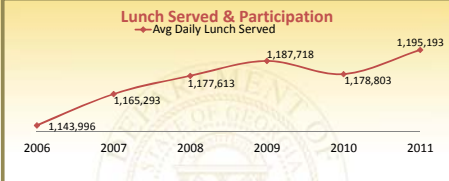
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### Lunch Served & Participation

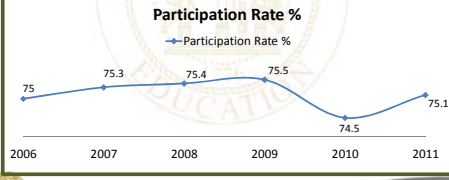
#### Avg Daily Lunch Served



Year	Avg Daily Lunch Served
2006	1,143,996
2007	1,165,293
2008	1,177,613
2009	1,187,718
2010	1,178,803
2011	1,195,193

#### Participation Rate %



Year	Participation Rate %
2006	75
2007	75.3
2008	75.4
2009	75.5
2010	74.5
2011	75.1

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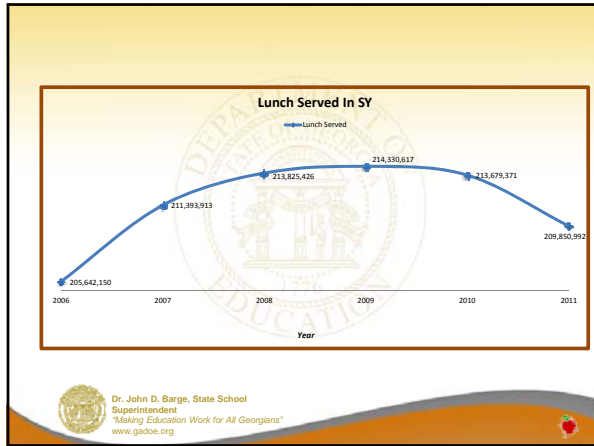
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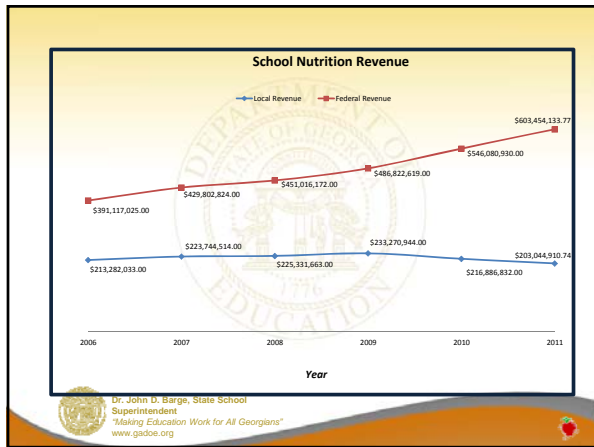
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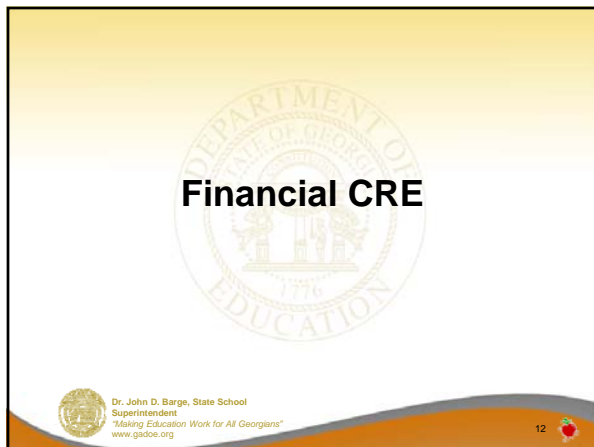
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**7 CFR 210.14 Resource management/220.7(e)(1)(i) – (v) Requirement for Participation**

**(a) Nonprofit school food service.** School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.).



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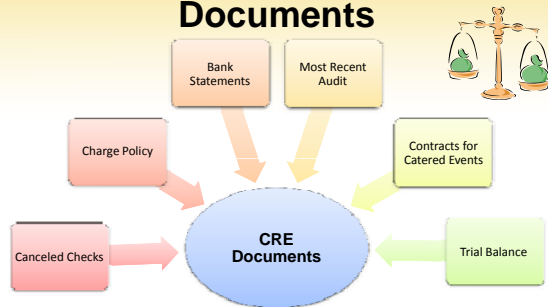
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### Sample Financial CRE Documents



Bank Statements

Most Recent Audit


Charge Policy

Canceled Checks

Contracts for Catered Events

Trial Balance

CRE Documents



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### Sample CRE Questions

If the school has a charge policy, is it properly implemented?

Are only eligible adults receiving In-kind meals

Are SNP funds used only for SNP expenditures?



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### Sample CRE Questions

If applicable, are indirect costs being appropriately charged?

If applicable, are costs between the SNP and other federally funded programs allocated appropriately?

Does the Net Cash Resource exceed 3 months average operating expenditures at the end of fiscal year? Is there a detail plan available to eliminate excess cash?



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### Sample CRE Questions

Did the Child Nutrition single audit report (State Audit Department) indicate any financial exceptions?

Are daily receipts verified by more than one person?

Is the adult meal price sufficient to cover the cost of the meals?



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### Sample CRE Questions

Are all SNP funds moved to SNP account from the general operating account within 3 banking days?

Is the cash balance reconciled with the bank statements/trustee report monthly?

Has all interest earned on SNP funds been credited to the SNP account and used only for School Nutrition Program purposes?



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### Sample CRE Questions

Does the School Nutrition Program have a written agreement for all catered events? Does a separate account exist for catering activity?

Is the SFA in compliance with section 205 of Hunger Act concerning Paid Lunch equity?

Are all invoices approved by the School Nutrition Director or designee before payment?

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## School Nutrition

### Financial Management and More

#### Session II

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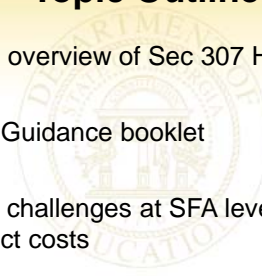
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### Topic Outline

- General overview of Sec 307 Hunger Act
- Review Guidance booklet
- Discuss challenges at SFA level regards to indirect costs



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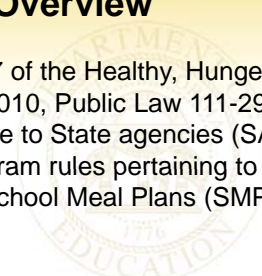
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### Basic Overview

- Sec 307 of the Healthy, Hunger-Free Kids Act of 2010, Public Law 111-296 to provide guidance to State agencies (SA) and SFAs on program rules pertaining to indirect cost in the School Meal Plans (SMP)



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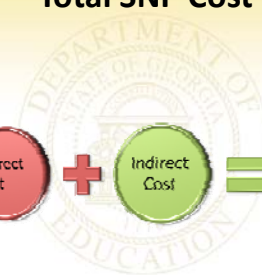
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### Total SNP Cost



Direct Cost + Indirect Cost = Total Program Cost



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### Program Cost

<ul style="list-style-type: none"> <li>• <b>Direct Cost:</b> cost incurred specifically for a program or other cost objective; and <b>can be readily identified to a particular objective</b> such as food service.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Indirect Cost:</b> cost incurred for the benefit of multiple programs, functions, or other cost objectives and <b>therefore canNOT be readily identified and specifically with a particular program</b></li> </ul>
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### Examples of costs...

<u>Direct Cost (paid by SNP)</u>	<u>Indirect Cost (paid by Gen Fund)</u>
<ul style="list-style-type: none"> <li>• Wages and salaries of food service workers</li> <li>• Cost of purchased food</li> <li>• <b>Food service supplies</b></li> <li>• Media/promotional materials relating to SNP</li> <li>• Capital expenditure (equipment, etc..)</li> </ul>	<ul style="list-style-type: none"> <li>• Payroll service</li> <li>• Human resources</li> <li>• Worker's comp</li> <li>• Utilities</li> <li>• Trash</li> <li>• Water</li> <li>• Superintendent's Office</li> </ul>

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### How are indirect cost assigned?

- Allocation is a method to assign to school food service their fair share of indirect cost
  
- This methodology normally entails applying a calculated indirect cost rate to a direct base (*more later*)

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**Federal Cost Principles Apply to Indirect Costs**



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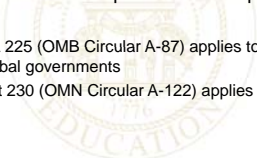
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**What are the federal cost principles ?**

- ❑ Government-wide principles for determining allowable cost under contracts, grants, and other agreements with the various entities that operate Federal programs
  - ❑ 2 CFR part 225 (OMB Circular A-87) applies to state, local, or Indian Tribal governments
  - ❑ 2 CFR Part 230 (OMN Circular A-122) applies to nonprofits



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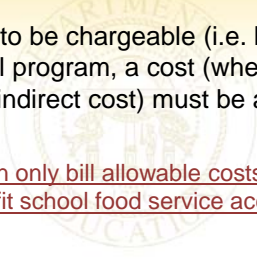
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**Why are they important?**

- ❑ In order to be chargeable (i.e. billable) to a Federal program, a cost (whether a direct or indirect cost) must be allowable
  - SFA can only bill allowable costs to the nonprofit school food service account!



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### General criteria for allowable costs!

- o **Necessary**
- o **Reasonable**
- o **Allocable**
- o Legal under State and local law
- o Conforms w/ Fed law, regulation and grant terms
- o **Consistently treated as direct or indirect**
- o Determined in accordance to GAAP



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### General criteria for allowable costs cont....!

- o Not included as a cost or matching contribution of any other grant (except where allowed by federal regulations);
- o Net of applicable credits and
- o Adequately documented



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### Criteria to help determine reasonable & necessary

<ul style="list-style-type: none"><li>• What are particular objectives of the SMP?</li><li>• How does the cost contribute to achieving an objective of the SMP?</li><li>• Is the cost recognized as ordinary and necessary for the operation of SMP?</li><li>• Could the SMP be carried out without incurring this cost?</li></ul>	<ul style="list-style-type: none"><li>• Would a prudent person find the cost to be reasonable under the circumstances?</li><li>• Is this cost charged at a fair rate</li><li>• Could the SFA defend this purchase to the SA, the media, auditors, etc..?</li></ul>
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## Allocable

- ❑ A cost must be assigned to the program, function, activity or other cost objective that benefited from the school district having incurred that cost.
  - Each cost objective, program, etc. must be charged its fair share of the cost (*cost allocation is the process of achieving this*)



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## Allocable Cont....

- ❑ A cost allocable to a particular Federal award or other cost objective **may not be charged (i.e billed) to other Federal awards to overcome fund deficiencies**, to avoid restrictions imposed by regulations or terms of the Federal awards, or for other reasons
  - *NOTE: school food service can't be billed a higher share of utility costs just because the school district doesn't have the funds.*



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## Treated consistently

- ❑ A cost may NOT be assigned to a Federal award as 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



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### Treated consistently example...

- ❑ School district requires its custodians to record the time spent cleaning only 2 categories: "Kitchen & Cafeteria" and "Other" (i.e "Other" is the rest of the school except the kitchen & cafeteria).
  - Custodial expenses recorded under "Kitchen & Cafeteria" is billed to the school food service as a direct cost.
  - Custodial expenses recorded under "Other" category is billed as an indirect cost to all of the other departments within the SFA.



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### Treated consistently example...

- Note: Custodial expenses may be charged as direct or indirect cost, **as long as it is treated consistently in all activities of the SFA.** An SFA may not charge custodial expenses as direct cost to food services and as indirect cost for other programs.



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### Considerations – Takeaways



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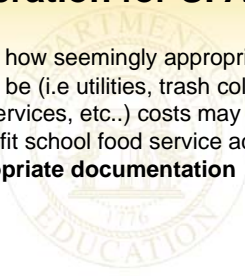
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## Consideration for SFAs..

- No matter how seemingly appropriate a cost appears to be (i.e utilities, trash collection, janitorial services, etc..) costs may be billed to the nonprofit school food service account only with **appropriate documentation**



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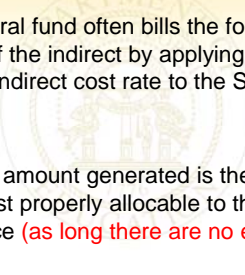
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## How does the school district bill food service for indirect cost?

- The general fund often bills the food service for its share of the indirect by applying the State-approved indirect cost rate to the SNP adjusted cost base
- The billed amount generated is the amount of indirect cost properly allocable to the school food service **(as long there are no errors)**



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## SFA must not overpay!

- SFA is NOT allowed to pay any amount in excess of the properly billed indirect cost with funds from the nonprofit school food serviced account.
- SFA MUST be provided the necessary tools to verify and validate costs when necessary**



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### SFA must not overpay... cont!

- Compare the provided rate against state website
- Compare actual amount of indirect cost billed to ensure no mathematical errors have occurred
- Review undocumented costs in the indirect cost pool or direct cost base
- Review inclusion of the same cost in both the indirect and direct cost pool
- Treating a cost inconsistently



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### Retroactive Billing NOT OK !

- It is unallowable to bill the nonprofit school food service account for indirect costs that were paid from the general fund in prior years unless an agreement exists to show that the district had been "loaning" the nonprofit school food service account funds to cover the indirect costs in one or more prior years.



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### What is in the guidance?

### What are your challenges regarding indirect cost?



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