



BACK TO SCHOOL TRAINING – SCHOOL NUTRITION

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School Lunch Requirements



Prepaid School Lunch Fund



- Fund 8400 Prepaid School Lunch Fund
- Should be treated as a Trust Fund Holding Students' Money to be used to purchase meals/ala carte items at future time

Payment Received on Account



- Not considered income at this time
- Deposit should be posted to student's individual account and Fund 8400 using receipt account 1630 Special Functions

Income Recognized



- Considered revenue when students charge meals or ala cart to account
- Amount charged should be deducted from student's account immediately

Transfer of Funds



- Establish a school policy on Frequency of transfer of income (at least monthly)
- Use expenditure account 31900 Other Food Services to disburse recognized revenue from fund 8400

Transfer of Funds



- Receipt recognized as revenue into Fund 800 – School Lunch Fund

- 1611 – Daily Sales - School Lunch Program
- 1612 – Daily Sales - School Breakfast Program
- 1613 – Daily Sales – Special Milk Program
- 1614 – Daily Sales – After School Programs
- 1621 – Adult Sales
- 1622 – Additional Paid Student Lunch Sales
- 1623 – Ala Cart

Reconciliation



- **Monthly Basis** – The Balance of fund 8400 Prepaid School Lunch should be reconciled to the total of the individual meal accounts.

Meal Charge Policy



- USDA Memo 46-2016 Requires SFAs to establish and communicate written meal charge policy

Policy may include:

1. Allowing students to charge all types of available reimbursable meals
2. Offering alternate meals
3. Impose a limit on charges
4. Allow neither meal charges nor offer alternate meals

Meal Charge Policy



Policy ***MUST*** include:

Steps taken for collecting delinquent meal charge debt, if allowed

School Corporations have the ability to make the meal charge policy throughout the entire School Corporation or it can vary based on student grade levels.

Delinquent Debt



- USDA Memo 47-2016
- Delinquent Debt – debt that is considered collectible and efforts are being made to collect it
 - Since considered collectible – should remain in Fund 8400
 - Balance of delinquent debt **carries over from previous school year**
- SFA must make reasonable effort to collect
- Expenses incurred while attempting to collect are allowable

Bad Debt



- Bad Debt – debt which have been determined to be uncollectible
- Amounts classified as bad debt must be written off and taken as a operating loss
- 2 CFR 200.426 Bad debts including losses and related collection costs including related legal costs are unallowable
- Transfers to the Prepaid Lunch Fund to cover bad debt may be made from the Operations fund, special funding from State or Local grants, funding received from school or community organizations, or other donations.

ACCOUNTING FOR BAD DEBT



- Receipt Account – 5390 Other
- Object Code – 825 Seldom or Non-recurring Fines
- Expenditure Account Code – 31900 Other Food Services

Internal Controls



INTERNAL CONTROL



Internal control - *a process executed by officials and employees that is designed to provide reasonable assurance that the **objectives** of the political subdivision is achieved*

INTERNAL CONTROL



- SBOA prohibited from prescribing internal control procedures (GAGAS)
- Internal Controls are Management Decisions

INTERNAL CONTROL MANUAL



- SBOA developed the “*Uniform Internal Control Standards for Indiana Political Subdivisions Manual*”
 - *Provides examples and case studies to demonstrate implementation strategies*
 - <https://www.in.gov/sboa/files/UniformInternalControlStandards.pdf>

INTERNAL CONTROLS



- Benefits
 - Financial information reliability
 - Achievement of goals
 - Compliance with laws and regulations
 - Detection of errors and fraud

FIVE COMPONENTS



- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

CONTROL ENVIRONMENT



- Basic commonality for all and Comprises the integrity and ethical values established by oversight body and management
 - Tone at the top
 - Integrity of the political subdivision

RISK ASSESSMENT



- The process used to identify and assess internal and external risks to the achievement of objectives
 - Identify where the greatest amount of risk is involved (handling of cash or more complex compliance requirements)

CONTROL ACTIVITIES



- Actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks

EXAMPLES OF CONTROL ACTIVITIES



- Reconciliation of bank accounts
- Approval of school lunch fund claims
- Verification of Free/Reduced School applications

INFORMATION AND COMMUNICATION



- Relevant information from both Internal and external sources is necessary to support the functioning of other components of internal control
 - External – *Communication path establish so that information would be received timely from grantor agencies*
 - Internal – *Does management relate any changes in compliance requirements, or other procedures in a timely manner to properly implement changes*

MONITORING



- The process of review by Management to ensure the objective or goal is being met
 - *A review of reconciliation with the intent to detect errors would be a control activity while a review of the same reconciliation with the intent to determine if internal control procedures are in place and functioning would be a monitoring activity*

INTERNAL CONTROLS



- ***Document everything!***

- Significant Areas to Consider:
 - Who does what and when
 - Proof that procedures and policies are being followed
 - Evaluation of how effective the policies and procedures are
 - Corrective actions taken to address identified problems

FEDERAL REQUIREMENTS



INTERNAL CONTROLS – FEDERAL REQUIREMENTS



- 2 CFR 200.303 states in part: "The non-Federal entity **must**: (a) Establish and **maintain effective internal control** over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

COMPLIANCE SUPPLEMENT



- Compliance Supplement issued June 2019
 - https://www.whitehouse.gov/wp-content/uploads/2019/07/2-CFR_Part-200_Appendix-XI_Compliance-Supplement_2019_FINAL_07.01.19.pdf
- New Section added: Part 6 – Internal Control

OBJECTIVES OF INTERNAL CONTROL OVER COMPLIANCE



- Transactions are properly recorded and accounted for in order to:
 - a) Permit the **preparation of reliable** financial statements and **federal reports**
 - b) Maintain **accountability over assets**, and
 - c) Demonstrate **compliance with Federal statutes**, regulations and the terms and conditions of the federal awards

OBJECTIVES OF INTERNAL CONTROLS OVER COMPLIANCE



- Funds, property, and other **assets are safeguarded** against loss from unauthorized use or disposition.

CHILD NUTRITION CLUSTER (CNC)



- 10.553 School Breakfast Program (SBP)
- 10.555 National School Lunch Program (NSLP)
- 10.556 Special Milk Program for Children (SMP)
- 10.559 Summer Food Service Program for Children

CFDA 10.579



- Child Nutrition Discretionary Grants Limited Availability – Equipment Assistance Grants (CFDA 10.579)
 - **NOT** part of Child Nutrition Cluster
 - Has different compliance requirements than CNC

COMPLIANCE REQUIREMENTS



- Applicable requirements
 - A. Activities Allowed or Unallowed
 - B. Allowable Costs/Cost Principles
 - C. Cash Management
 - E. Eligibility
 - F. Equipment Real Property Management
 - I. Procurement Suspension & Debarment
 - J. Program Income
 - L. Reporting
 - N. Special Tests and Provisions

ACTIVITIES ALLOWED OR UNALLOWED



- Revenues received by the nonprofit school food service are to be **used only for the operation and improvement of such food service.**
- Except that, such revenues **shall not be used to purchase land or buildings,** unless otherwise approve by FNS, or to construct buildings

ALLOWABLE COSTS/COST PRINCIPLES



Program Costs = Direct Costs + Indirect Costs

- Direct Costs – incurred specifically for a program; can be readily identified to a particular objective (such as food service)
 - Examples – food, wages and salaries of staff working in the school food service, supplies specifically used in the school service
- Indirect Costs – incurred for benefit of multiple programs; cannot be identifies readily and specifically with a particular program
 - Examples – typically support administrative overhead functions – fringe benefits, accounting, payroll, purchasing, facilities management, utilities

ALLOWABLE COSTS/COST PRINCIPLES



- Direct Costs
 - Necessary and reasonable
 - Be consistent with policies and procedures that apply
 - Be accorded consistent treatment
 - Be adequately documented
- 2 CFR 200.420 – 200.475 - Examples

COMPENSATION FOR PERSONAL SERVICES



- 2 CFR 200.430
- Compensation only for the Employees time spent for functions related to the school food service should be charged to the School Lunch Fund
- Semi Annual Certifications and PARS reports are not longer required, but would meet the requirement.

MATERIALS AND SUPPLIES



- 2 CFR 200.453
- Materials and Supplies
 - Item only used for the school food service
 - Item is generally purchased for use in school food service
 - SFA cannot operate the school food service without the purchase of this item

EQUIPMENT AND OTHER CAPITAL EXPENDITURES



- 2 CFR 200.439
- Point of Sale System with prior State Agency Approval
- Capital Equipment $X > \$5,000$ **MUST** be preapproved for purchase by IDOE

TRAVEL COSTS



- 2 CFR 200.432 and .474
- Travel expenses for state or national child nutrition conferences with prior state approval

FOOD



- The cost of food items used to Prepare meals for breakfast, lunches, Snacks, and summer feeding program

RENOVATING A SCHOOL KITCHEN



- 2 CFR 200.452
- Maintenance and repair costs
 - Keep property in an efficient operating condition
 - **Does not add to the permanent value** of the property of appreciably prolong its intended life
 - Not otherwise included in rental of other agreements
 - Based on these principles FNS has allowed limited renovations within the perimeter of a kitchen/cafeteria space with the required prior State Agency approval

RENOVATING A SCHOOL KITCHEN



- **Allowable example**
 - Renovating a kitchen by cutting away a portion of the wall to allow room for a walk-in refrigerator and related electrical wiring if necessary to accommodate increased participation of students in a school meal program
- **Unallowable example**
 - Renovation of the kitchen was purely an aesthetic matter

INDIRECT COSTS



- **MUST** apply for indirect cost rate from IDOE
- The Child Nutrition Program allows the unrestricted indirect cost rate to be charged to the School Lunch Fund
- If School Corporation did not receive an indirect cost rate for the fiscal year, the indirect costs charged to the School Lunch Fund will be considered a questioned cost

RENOVATING A SCHOOL KITCHEN



- SFA cannot charge normal maintenance costs directly to the School Lunch Fund if such costs are included in the school district's indirect cost pool

CASH MANAGEMENT



- Limit its net cash resources to an amount that: **does not exceed 3 months average** for its nonprofit school food service
- If balance exceeds 3 months average expenditures, the SFA must have an IDOE approved plan in place to spend down the excessive balance
- School Lunch Fund Balance / (Total School Lunch Fund Expenditures/Number of Operational Months) ≤ 3
- ***Prepaid Account Balance*** should NOT be included in the School Lunch Fund Balance

ELIGIBILITY



- Meet Definition of a child (7 CFR 210, 7 CFR 215, 7 CFR 220, and 7 CFR 225)
- Annual applications
 - Household income less than the free/reduced income guidelines published annually
 - Categorically Eligible: SNAP, TANF, Children in Foster Care and children who meet the definition of Homeless, Migrant or Runaway are eligible for free meals
- Direct Certification – Process used for determining student eligibility through Data exchange with State Programs
- Notice of Approval/Denial of Meal Benefits Letter or Direct Certification Notification Letter

EQUIPMENT AND REAL PROPERTY MANAGEMENT



- Tangible personal property, including information technology systems, having a **useful life of more than one year** and a per unit acquisition cost which equals or **exceeds** the *lesser* of the **capitalization level** established by the non-federal entity for financial statement purposes or \$5,000

EQUIPMENT AND REAL PROPERTY MANAGEMENT



- Property records must contain specific information and **results reconciled with property records**
- Physical inventory must be taken **every two years**
- **Control system must be developed**
- **Adequate maintenance procedures**
- If the property is sold, proceed from the sale are receipted into School Lunch Fund for same percentage of funds used to purchase the property

PROCUREMENT, SUSPENSION, AND DEBARMENT



- SFA must use their own documented procurement procedures, which must conform to state and local regulations and to applicable federal statutes (Procurement Plan)

PROCUREMENT THRESHOLDS



- **Micro Purchases** – USDA grants < \$10,000
- 2 CFR 200.320(a) states: “Procurements by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold.
- To the extent practicable, must distribute among qualified suppliers.
- Micro-purchases may be awarded without soliciting quotes.
- IDOE has recommended to the SFAs to keep a list of how micro-purchases are being distributed equitably among qualified suppliers

PROCUREMENT THRESHOLDS



- **Small Purchases** – USDA grants
 - Federal Threshold \$10,000 - \$250,000
 - State Threshold \$50,000 - \$150,000
 - State Threshold **MUST** be followed
- 2 CFR 200.320(b) “Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies or other property that don not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from and adequate number of qualified sources.”

PROCUREMENT THRESHOLDS



- IC 5-22-8-3(b)
 - Purchases between \$50,000 and \$150,000 a purchasing agent may purchase supplies under this section by inviting quotes from at least 3 persons known to deal in the lines or classes to be purchased
- IC 5-22-8-3 (d)
 - If the purchasing agent receives a satisfactory quote, the purchasing agent *shall award a contract* to the lowest responsible and responsive offeror for each line or class of supplies required

PROCUREMENT THRESHOLDS



- Exceeds the Simplified Acquisition Threshold
 - $X > \$250,000$
 - State Threshold \$150,000
 - State Threshold ***MUST*** be followed

PROCUREMENT BY SEALED BID



- Bids are publicly solicited
- Firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming will all the material terms and conditions of the invitation for bids, is the lowest in price.

PROCUREMENT BY COMPETITIVE PROPOSAL



- Normally conducted with more than one source submitting an offer
- Either a fixed price or cost-reimbursement type contract is awarded
- Generally used when conditions are not appropriate for the use of sealed bids
- RFPs may have other scoring criteria, such as delivery, quality, location etc.

PROCUREMENT BY NONCOMPETITIVE PROPOSALS



- **VERY RARE** - Solicitation from only one source
- May be **used only when one of more** of the following circumstance **apply**:
 1. Item is available from a single source
 2. Emergency for the requirement will not permit a permit a delay resulting from competitive solicitation
 3. Federal or pass-through agency authorizes noncompetitive proposal in response to a written request from non federal entity
 4. After solicitation of a number of sources, competition is determine inadequate

SUSPENSION & DEBARMENT



- When a non-Federal entity enters into a covered transaction with an entity at a lower tier, then the non-federal entity **must verify that the entity is not suspended or debarred.**

SUSPENSION AND DEBARMENT



- Contracts expected to equal or exceed \$25,000 →
Verification may be accomplished by either:
 1. Checking the Excluded Parties System (EPLS) maintained by the General Services Administration
 2. Collecting a certification from the entity, or
 3. Adding a clause or condition to the coverer transaction with the entity

PROGRAM INCOME



- Program income includes but is not limited to:
 - Reduced price breakfast and lunch
 - Paid breakfast and Lunch – students and adults
 - A la carte
 - Catering
- Program Income **MUST** be receipted into the School Lunch Fund
- Program Income **MUST** be used in accordance with the program regulations

PROGRAM INCOME



- Approved breakfast and lunch prices are the amounts that were actually charged at the point of sale
- The activity account for in Point of Sale system was correctly receipted into the School Lunch Fund
- Disbursements charged to the School Lunch Fund were allowable

REPORTING



- Financial Reports
 - Annual Financial Report – Submitted within 30 days after June 30
- Special Reports
 - Sponsor Claim – Submit to receive reimbursement payments for meals
 - Verification Summary Report – Submit by December 15 reporting the changes that resulted from the verification process
 - LEA Second Review of Applications Report – Not applicable to all School Corporations. DOE will notify School Corporation and SBOA.

SPECIAL TESTS AND PROVISIONS



- Verification of Free and Reduced Price Applications
- School Food Account
- Paid Lunch Equity

VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS



- Required to be performed by November 15th of each school year
- Based on the total number of approved applications on file October 1st

SCHOOL FOOD SERVICE ACCOUNTS



- Required to account for all revenues and expenditures of its non-profit school food service in accordance with State Requirements
- SFA must operate its food service on a non-profit basis
- All revenue generated by the school food service must be used to operate and improve its food services

PAID LUNCH EQUITY



- Required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals
- A SFA currently charging less for a paid lunch than the difference between the federal reimbursement rate for such a lunch and that for a free lunch is required to comply.

PAID LUNCH EQUITY



- Two ways to meet requirement
 1. Raising the prices charged for paid lunches
 2. Through contributions from other non-federal sources



Questions?