

Resource Management in School Nutrition Programs

School Year 2016-2017

Presenters

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Resource Management (RM) Review Overview

- Financial component of the Administrative Review (AR) of School Nutrition Programs
- Procurement Review component is currently under development
- RM and Procurement reviews involve both the Food Service Director and the Business Manager
- The Business Manager is the main point of contact for both reviews

Four Sections of the RM Review

- Maintenance of the Non-profit School Food Service Account (NSFSA)
- Paid Lunch Equity (PLE)
- Revenue from Non-program Foods
- Indirect Costs

Maintenance of the Non-profit School Food Service Account (NSFSA)

This section looks at the financial “health” of your food service department and financial compliance with regulations.

MDE assesses the following:

- FID School Meals Report/SLYER
- Fund Balance - was there a loss in the program?
- Transfers out of the NSFSA
 - Only allowable transfers out are for indirect costs

Maintenance of the NSFSA

MDE assesses the following (continued):

- Net Cash Resources
 - Spend Down Plans
 - Equipment Requests
- Internal Control Procedures for Allowable Costs

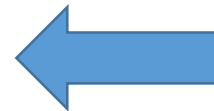
Maintenance of the NSFSA Testing

- Most recently closed out school year
- 10% Sample (Payroll, Food, Other)
 - Review **DETAILED** General Ledger
 - Review supporting documentation
- Allowable Costs
 - 2 CFR 200
 - 7 CFR Parts 210 & 220
 - USDA Memo SP 60-2016 Indirect Costs
- Net Cash Resources – Allowable Fund Balance

Excess Fund Balances

School Meals Beginning Fund Balance	\$384,918.35
Total School Meals Revenue	\$1,446,740.24
Total School Meals Cost w/o Capital Outlay	\$1,277,080.90
Capital Outlay	\$16,846.82
Prior Period Adjustment	\$0.00
School Meals Ending Fund Balance	\$537,730.87
Allowable Fund Balance	\$425,693.63
Excess Fund Balance	\$112,037.24

- Spend Down Plan required for MDE approval
- Equipment Requests also required for MDE prior approval
- Timeline is very tight
- Check previous 3 schools years during RM Review
- Now submitted through MARS



Equipment Purchases

- MDE Administrative Policy #13 SY 2015/2016
 - Preapproved list of equipment purchases
 - Must submit an Equipment Request Form for MDE prior approval for purchases not on the list that exceed \$5,000
 - Must submit an Equipment Request Form for MDE prior approval if you will be spending over \$25,000 per building per year for items on the list
 - Form is included in the memo
 - This form must be submitted to accompany spend down plans

Local Meal Charging Policy

- USDA Memo SP 46-2016s Meal Charging
 - Written policy required by July 1, 2017
 - Clearly communicated in writing
 - Include Bad Debt Policy
- Requires a collaborative effort between administration, business office, and food service

Bad Debt Policy

- MDE Admin Policy #6 Bad Debt & FAQs SY 2016/2017
 - Written policy required by July 1, 2017
 - Negative student balances must be written off the POS system and made whole in the food service fund by June 30th every year
 - Can be tracked and collected by business office after June 30th
- Requires a collaborative effort between administration, business office, and food service

Paid Lunch Equity (PLE)

- Did the SFA charge the weighted minimum average paid lunch price at all sites or use the USDA PLE Tool to evaluate the need to raise paid lunch prices?
- Did the SFA use Non-Federal funds to support its paid lunch prices?
- Best practice is to complete the PLE Tool every spring

PLE

- PLE exemptions (waivers)
- Did the SFA increase its paid lunch prices if required? Or use non-Federal funds in lieu of a price increase?

PLE Testing

- Review PLE Tool from current school year
 - Ensure accuracy (unrounded requirement finder)
- Verify current student prices
 - Were prices raised if required?
- Review MDE approved waiver (if applicable)

Revenue from Non-program Foods

Did the SFA sell non-program foods including, but not limited to:
a la carte foods,
catering,
vending, and/or
adult meals?

Revenue from Non-program Foods

- Intent: all food sold in a school and purchased with funds from the non-profit school food service fund must generate revenue at least equal to the cost of such foods
- Problem: SFA's do not separate food costs
- Solutions:
 - USDA non-program food revenue tool
 - MDE non-program food pricing worksheet
 - USDA Memo SP 20-2016: 5 day count
 - Not applicable if milk only

Revenue from Non-program Foods Testing

- Did the SFA use one of the 3 methods to assess compliance?
- Adult meals – are they priced high enough? (MDE pricing tool)
- Catering – review supporting documentation
- Vending – review supporting documentation

Revenue from Non-program Foods Testing

Revenue ratio: non-program food revenue as a percentage of total food revenue

Must be equal to or greater than

Food Cost ratio: cost of non-program foods as a percentage of total food costs

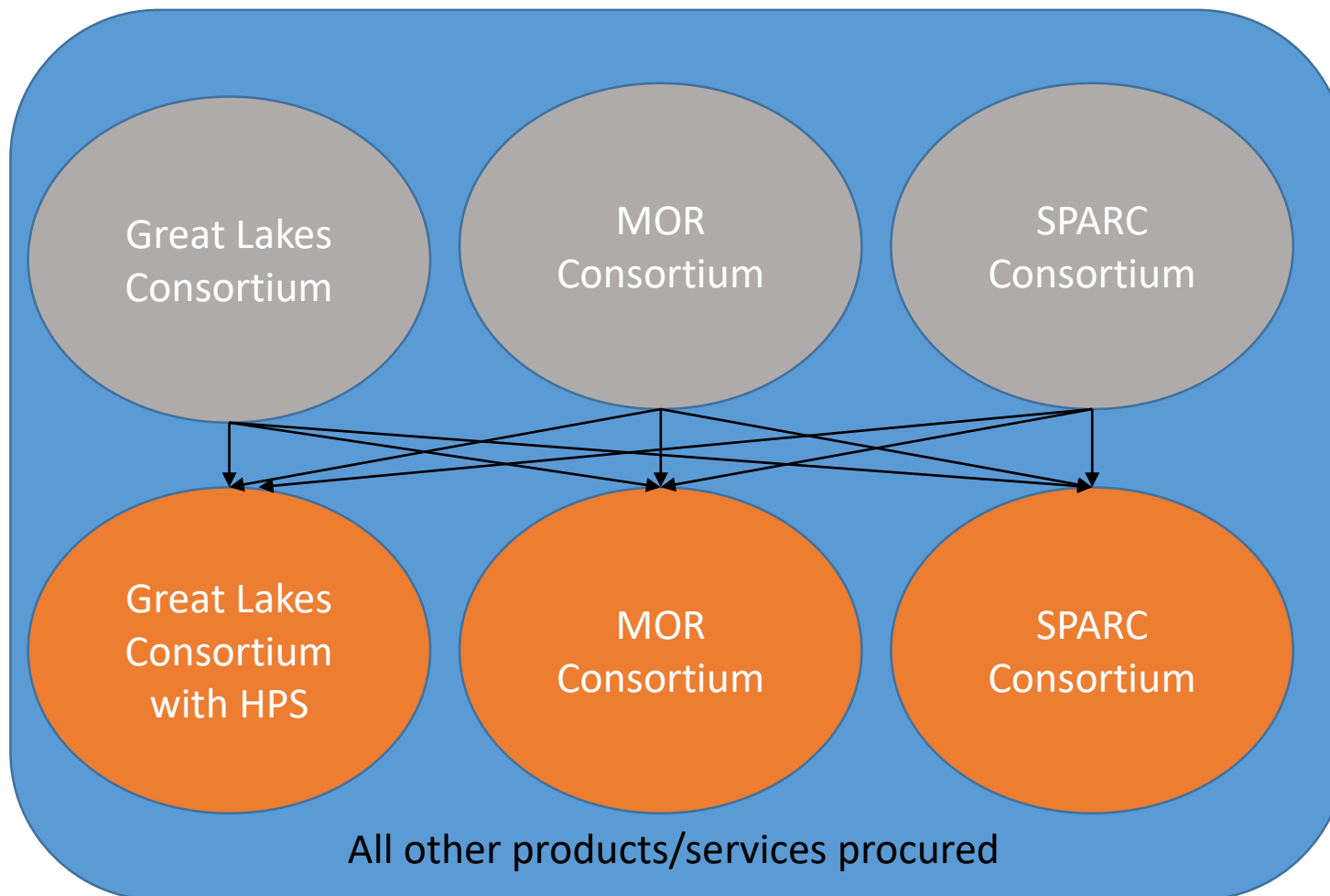
Indirect Costs

- Use the unrestricted rate published by MDE annually
 - Public Schools: if approved indirect cost rate exceeds 15% limit use 15% max
 - Nonpublic: 10% max
- [MDE Indirect Cost Rates Current Information](#)
 - www.michigan.gov/mde
 - Offices>State Aid & School Finance>Publications>Indirect Cost Rate
- USDA Memo SP 60-2016: Indirect Cost Guidance
- Treated consistently across all other programs

Indirect Costs Testing

- Approved Methodology:
 - Calculate the direct cost base: total program expenses excluding food costs & all items for resale, capital outlay and contracts over \$25k
 - Unrestricted indirect rate is applied to the direct cost base to calculate the SFA's maximum allowable indirect costs to be charged to the NSFSA
 - Documentation to support calculations and amount charged to the NSFSA
- Supporting documentation if the SFA charged directly for business office, maintenance and operations, and other central office expenditures

School Food Procurement in Michigan



Access to USDA Commodities;
Choose (one) consortium in annual NSLP application

Access to commercial products;
Choose by contacting consortium;
Multiple memberships allowed

Reviewing Consortia Procurement

- Consortia procurement completed on behalf of member SFAs will be reviewed by MDE annually
- All purchases that a SFA makes through a consortia contract will be “covered” through the MDE review of Consortia Procurement
- Specifically, MDE will be reviewing samples of:
 - Processing procurement documents
 - Distribution
 - Warehousing
 - Third party entities/Agents

SFA Procurement

- Sponsors still need to properly procure smaller vendors:
 - Bread
 - Milk
 - Paper Supplies
 - Chemicals
 - POS Company, and
 - Other purchased services
- Contract monitoring

Formal vs. Informal for Public Schools, Public School Academies & Intermediate School Districts

Is your (aggregate) annual purchase valued over the small purchase threshold?

Federal = \$150,000 (Services)

Michigan = \$100,000 (Food)

Michigan = \$23,417 (Non-Food/Supplies)

Local = Varies

NO

You can conduct an informal purchase

YES

You must conduct a formal purchase

SFAs must adhere to the most restrictive threshold set in all situations.

Reviewing SFA Procurement

- Written Procurement Procedures & Written Standards of Conduct
- Procurement off-site questions and risk assessment
- Documentation for all procurement activities outside of your consortia for USDA Foods and commercial products
- Compliance to the Buy American Provision (SP24-2016)
- Procurement Guidance: MDE Administrative Policy #11 SY 2015/2016 & Procurement Article

QUESTIONS?

Contact Information

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