

Office of Nutrition Services Audit Perspective June 2024

Melanie Brummeler, MA RDN, SNS





Today's Agenda

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Program Updates

- Meal Counting and Claiming
- Community Eligibility Provision
- Free and Reduced Meal Eligibility and Verification
- Monitoring Requirements
- Procurement Reviews
- Administrative Reviews

Fiscal Updates

- MDE's perspective on compliance with audit issues in the Food Service Fund
- Resource Management Reviews Common Findings



Child Nutrition Program Update





Now and what's to come.....

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School Year 23/24

- National School Lunch Program
 - Universal Free Meals through Michigan School Meals
- Summer Food Service Program 2023
 - Non-congregate meals allowed

School Year 24/25

- Normal National School Lunch Program
 - Universal Free Meals Expected to continue
- Summer Food Service Program 2024
 - Rural Non-congregate meals allowed



Community Eligibility Provision (CEP)

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- All meals reimbursed at NSLP rate based on approved CEP eligibility
- Sponsors must notify MDE annually to participate
- Participation increased in SY23-24
- Final rule expands access to CEP

<https://www.michigan.gov/mde/services/food/cep>



Free and Reduced Meal Eligibility

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- All sponsors, except district-wide CEP, were required to collect Free and Reduced-Price Meal Applications.
- Claims will be based on approved benefit status

<https://www.michigan.gov/mde/services/food/sntp/topics/free-and-reduced-price-school-meals-application>



Verification

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- Verification was required
- SFA-VCR required: due date February 1, 2024

<https://www.michigan.gov/mde/services/food/sntp/topics/verification>



Meal Counting Requirements

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- Acceptable meal count options
 - CEP Classroom Forms
 - CEP Meal Count Form
 - Point of Service System reports
 - Student Rosters





Meal Claiming Requirements School Year 2023/2024

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- NSLP claims
- Meal count consolidation internal controls and supporting documentation required
- Free and Reduced Eligibility reporting required

Meal Type	Total Servings	Total Paid	Total Free	Total Reduced	Days Served	Highest Number of Eligible Students during the claim month		Student Enrollment
						Free	Reduced Price	
Breakfast	1491	572	773	146	20	60	15	174
Lunch	1384	568	717	99	20			



Sponsor Monitoring Requirements

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- NSLP On-Site Self-Monitoring Review Forms
 - Sponsor level and school site level forms
 - Due by February 1, 2024



<https://www.michigan.gov/mde/services/food/sntp/lunch/topics/forms-and-instructions>

SCHOOL NUTRITION PROGRAM COMPLIANCE REVIEWS

Administrative
Review

Resource
Management
Review

Procurement
Review

School
Nutrition
Program
Compliance
Reviews -
Information



Administrative Review(AR)Update

- Administrative Reviews
 - Cycle 3 started with SY 23/24
- Waiver for 5-Year AR Cycle





SY 23-24 Admin Review Findings

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- **Critical Area Findings**

- Inaccurate Breakfast in the Classroom meal counting
- No internal control procedures for daily edit checks
- Incorrect electronic application approval
- Free and Reduced application errors
- Offer Vs Serve is not implemented correctly

- **General Area Findings**

- Self-monitoring forms not completed
- Verification not conducted or incorrect
- Menu and meal pattern findings



Procurement Review Update

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- Procurement Reviews are being scheduled
- Separate from Administrative and Resource Management Reviews

[School Nutrition Program Procurement Reviews
\(michigan.gov\)](https://www.michigan.gov)



School Nutrition Program Procurement Review

- PR for Self-Operated Sponsors
 - Scheduling Now
 - Reviews now through summer/fall
- PR for Sponsors with Food Service Contracts
 - Scheduling delayed – more information soon!
 - Reviews soon through summer/fall
- Please communicate with us!
- Scheduling
 - Questions
 - Resources
 - MDE-CNP-Procurement@michigan.gov



MDE's Perspective on Compliance and Audit Issues in the Food Service Fund



Compliance and Audit Issues in the Food Service Fund

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- Internal Control Procedures
- Meal Counting and Claiming
- Eligibility
- Excess Fund Balances (Management Comment)
- Procurement
- Self-Monitoring



After sponsors submit audit packages, MDE contacts the sponsors if any Single Audit Finding(s) are identified

The Sponsor will need to submit some or all the following to MDE:

Corrective Action Plan with completion date and how to remain compliant going forward

Adjusting journal entry and other backup, if applicable

Updated detailed internal controls, policies and procedures

Additional information, as requested

MDE follows up to get required corrective action documentation

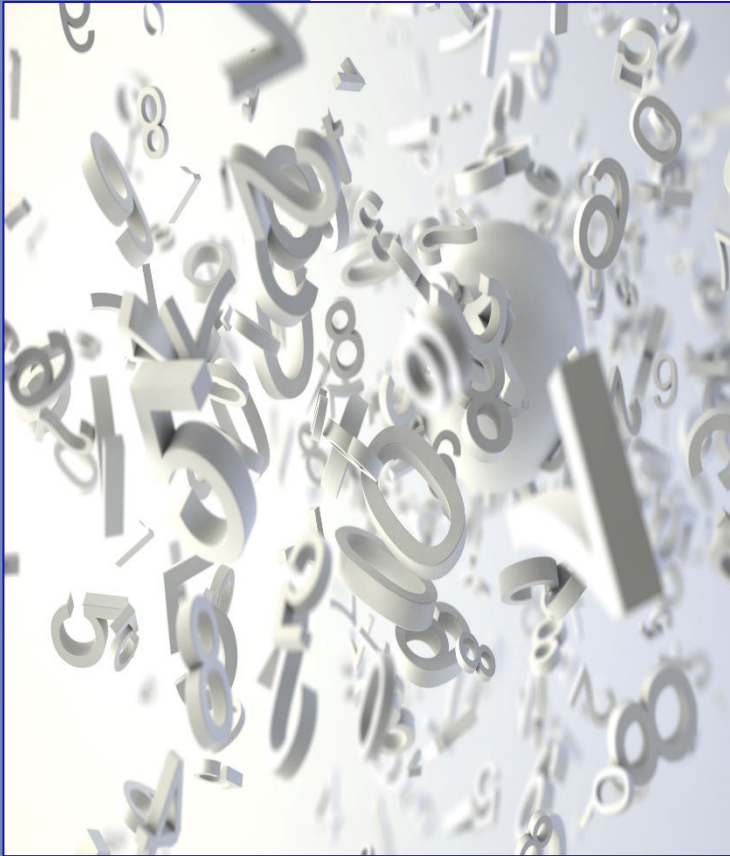
How do you navigate audit findings with MDE?

ACCOUNTING/CODING FOR SY23-24

- [School Nutrition Program Coding SY23-24](#)
- Guidance document to assist with coding and FID School Meals Report submissions:
 - [SY23-24 FID Coding and Submission Tips](#)

ALN#	Grant Name	Grant Code
10.555	National School Lunch Program	851X
10.553	School Breakfast Program	850X
30d State Aid	Michigan School Meals Lunch	265
30d State Aid	Michigan School Meals Breakfast	264
10.555	Supply Chain Assistance	851X

FID School Meals Report Grant Codes Revenue and Expenditures



- 850x School Breakfast Program
- 851x National School Lunch Program
- 311x State Supplemental Breakfast (31f)
- 310x State Supplemental Lunch (31d)
- 264x Michigan School Meals Breakfast (30d)
- 265x Michigan School Meals Lunch (30d)
- 306x At-Risk Breakfast (31a)
- 373x 10 Cents a Meal for Michigan's Kids and Farms (31j)
- 781x USDA Commodities
- 782x USDA Bonus



Most Common Errors Reported in the FID School Meals Report

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Expenditures not properly reported for Programs

- 850x Breakfast
- 851x Lunch
- State Aid Grant Codes
- 000x All Other Program (Includes Ala Carte, Adult Meals, Catering, Vending, and All Other Federal Child Nutrition Programs)

State Revenue Classified with Incorrect Suffix Codes

Indirect Costs Exceed Maximum Allowable Amount

Ending with a Negative Fund Balance in Fund 25

FID School Meals Report Indirect Cost

- ❑ This template may be used for calculating or verifying Indirect Costs Allowable Amount taken on the FID Schools Meal Report.
- ❑ Located on our [website- Indirect Cost Template](#)
- ❑ Guidance [Indirect Cost Guidance \(SP-60-2016\)](#)

+	Michigan Department of Education		
	Office of Health and Nutrition Services		
	Fiscal and Administrative Services (FAST)		
	<u>Public School Indirect Cost Calculations</u>		
	School District Name:		
	Agreement Number:		
	School Year:		

Total Food Service Program Expenditures		
Less:	Food Costs (Object Codes: 56XX)	
Less:	Indirect Costs Already Charged (Object Code 99XX)	
Less:	Capital Outlay (Object Codes: 6XXX)	
Less:	Prior Period Adjustments	
Less:	Costs that Benefit Multiple Programs Charged Directly	
Less:	*Excluded Purchased Service Vendor(s) >\$25,000 (Object Codes 3XXX, 4XXX)	\$0.00
	Total Unallowable Costs	\$0.00
	Modified Direct Cost Base	\$0.00
	Unrestricted Indirect Cost Rate	
	Maximum Indirect Costs Allowed	\$0.00
	SFA Actual Indirect Costs Charged	\$0.00
	Within Allowable Amount; Check Calculation for Accuracy	\$0.00

April 24, 2024

Happening Again!

Resource Management Reviews

- Fiscal Portion of the Administrative Review
- Conducted separately by Financial Analysts
- Follows the same cycle

Written Internal Control Policies and Procedures



POLICIES

A Policy is a general statement that lays the foundation and guides the decision making in an organization. It is a deliberate system of guidelines to guide decisions and achieve outcomes.

- Focus is broad
- Shows the “Why”
- Not changed frequently
- *Example: An Organizations has a policy on → employee attendance*
- *Example: A school district has a policy on → managing grant funding*


PROCEDURES

A procedure is a document that details the step-by-step actions/instructions that everyone should follow to tackle an issue or make a decision.

- Focuses on specifics
- Shows the: How? When? Where? Whom?
- Adjusted based on operational changes
- *Example: An Organization has a procedure how to report absences*
- *Example: A Food Service Department has procedures on how they handle cash when collecting funds at POS and who makes the deposit*

Child Nutrition Programs Written Internal Control Procedures

- Determine Allowable vs Unallowable
- Training
- Separation of Duties
- Physical Controls
- Equipment Purchases
- Net Cash Resources/Fund Balance Tracking



PROCEDURES



Paid Lunch Equity (PLE)

- This is not applicable to:
 - Sponsors that are Community Eligibility Provision (CEP) districtwide
 - Michigan School Meals sponsors
- This is applicable to:
 - Non-public schools
 - Public-school sponsors not participating in Michigan School Meals
 - Sponsors with a positive or zero fund balance as of June 30, 2022, are exempt from having to raise prices

RESOURCE MANAGEMENT REVIEW COMMON FINDINGS





Maintenance of the NSFSA Common Findings



Fund transfers out of the NFSA to support other operations



Financial records do not reconcile to the FID/CNP-YER



Failure to have/follow proper written internal control procedures



Unallowable Costs



Excess Fund Balances



Failure to request prior approval for equipment or capital outlay purchases



Common Findings for Revenue from Non-program Foods

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Non-program foods priced too low or offered free of charge

Insufficient process to assess compliance

Revenue ratio is less than cost ratio for Non-program foods

Non-program revenue did not accrue to the NSFSA

Not all revenue categories are tracked and reported separately



Adult Meals

Sales tax required on all adult meals and adult ala carte sales



ALA CARTE AND ADULT MEALS REMINDE RS

- No new negative balances should be occurring after student meal debt was forgiven last summer
- A la Carte and adult meals cannot be charged or offered for free
(see USDA FNS SP 20-2016)
- Best Practice: address a la Carte items and adult meals in your meal charge policy
 - Clearly communicate to students, staff, and families

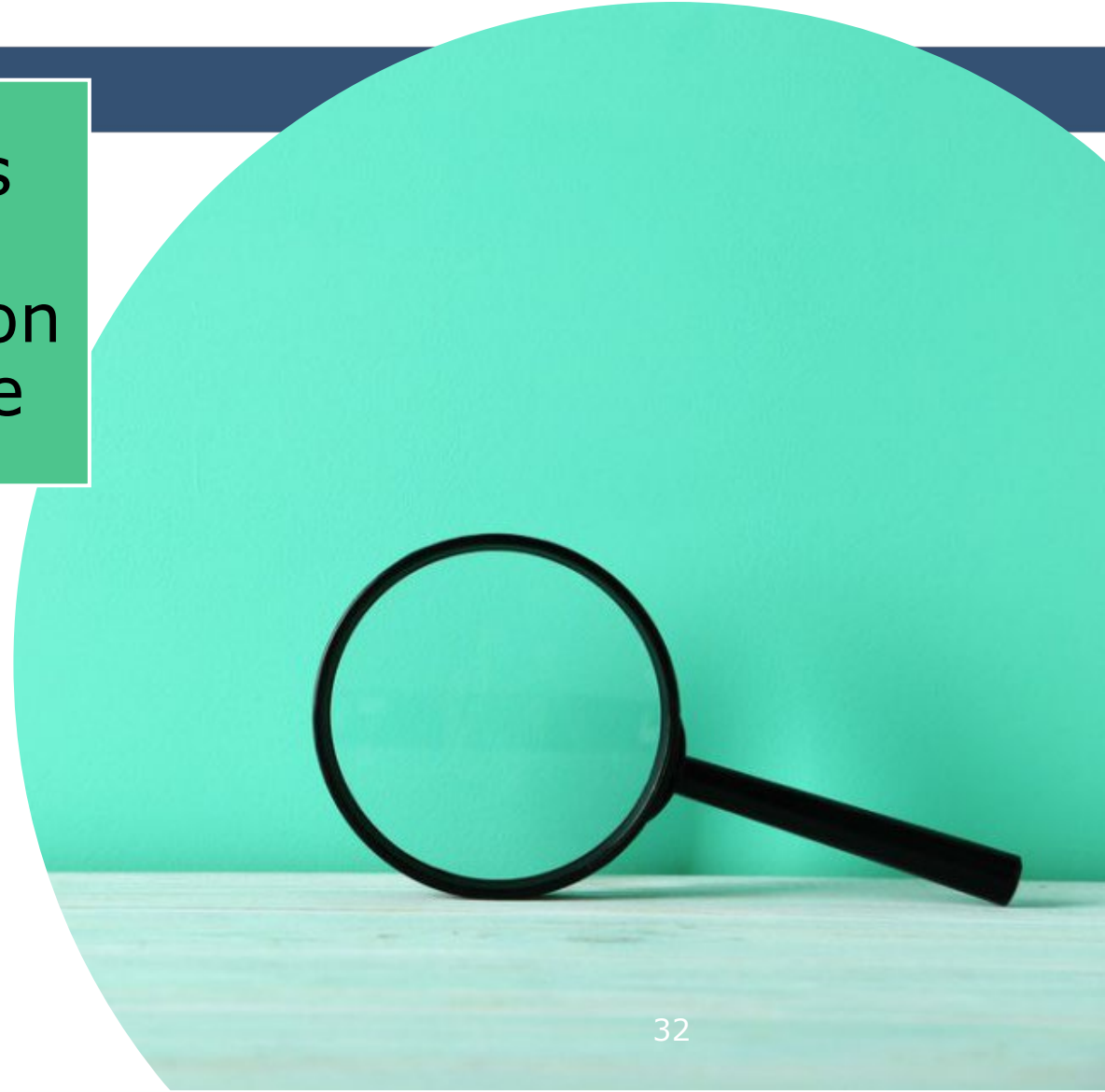


Common Findings for Indirect Costs

Indirect costs charged improperly

Calculations supporting documentation not available

Indirect costs exceed the maximum allowable





Contact Information

School Nutrition Programs

- **MDE-SchoolNutrition@michigan.gov**

Fiscal and Administrative Services

- **MDE-Fiscal@michigan.gov**

Procurement and Contracts

- **MDE-CNP-Procurement@michigan.gov**
- **MDE-FSMC-Vended@michigan.gov**