



COLORADO

Department of Education

Resource Management (RM)

USDA Administrative Review

Office of School Nutrition (OSN)

Lyza Shaw

Kirk Weber

Webinar

October 27, 2:00pm

SCREEN ORIENTATION

- Resources are attached in the file box, please download
 - Professional Standards certificate is also included
- Everyone will be placed on mute, please use chat box for questions
- The PowerPoint will be posted on the [Office of School Nutrition Training](#) webpage

OSN Financial Website

Communications

Financial

Forms

Free and Reduced Price Processes

Grants and Awards

Procurement

Programs

Reviews

Training

Resources

Contact Us

Location

CDE Office of School Nutrition

1580 Logan St, #760
Denver, CO 80203

303-866-6661 or
1-888-245-6092
(toll-free in Colorado)
Fax: 303-866-6133

E-mail: nutrition@cde.state.co.us

Financial

• Adult Meal Pricing

- Resource
- Tool

• Capital Equipment Approval Procedures

- Equipment Purchase Approval Tree
- Prior Approval by CDE for Capital Equipment Purchases (approval form)
- Capital Assets and Capital Equipment - definitions

• Financial Reporting

- Grant Codes
- Chart of Accounts
- Instructions for CDE 5
- Link to PSFU Financial Report

• Indirect Costs

- Office of School Nutrition Guidance
- Indirect Cost Agreement
- Indirect Cost Calculator
- Indirect Cost Rates
- USDA Guidance

• Meal Counting and Claiming

- CO Child Nutrition Hub
- Claim Due Dates
- Grants Fiscal Payment Process - Nutrition
- Reimbursement Rates
- Instructions
 - Claiming
 - Reduced Price Meals Claiming
 - Fresh Fruit and Vegetable Claiming
 - Upload from point-of-sale

• Nonprogram Revenue

- Resources
- Tools
 - Meal Equivalent Tool
 - Nonprogram Revenue Tool
 - USDA Nonprogram Revenue Tool
- USDA Memos

• Paid Lunch Equity (PLE)

- USDA Memos
- PLE Tool

• Special Revenue Fund

- Food Service Fund Changes
 - Questions and Answers
 - School Finance Division webpage
- Capital Reserve Fund and Food Service Fund Information
- Food Service Fund Conversion
- Food Service Fund FAQ
- Food Service Fund Summary

• Unpaid Meals

- USDA Food and Nutrition Service (FNS)
- USDA Memos
- School Nutrition Association (SNA)

BACKGROUND

- The Colorado Department of Education (CDE) is responsible for administering the USDA Federal School Meal Programs in Colorado, including conducting Administrative Reviews (AR) on School Food Authorities (SFAs) every three years.
- As part of the Administrative Review, CDE conducts a risk assessment Resource Management (RM) review of each Local Educational Agency (LEA) to determine if the SFA nonprofit school food service account is at increased risk of noncompliance with federal financial requirements.

Intent/Scope

- To ensure the overall financial health of the SFA's nonprofit school food service
- To ensure consistency across the nation for the review of SFA's Resource Management (7 CFR 210.14)

Resource Management Overview

- **The Resource Management review has been broken down into four monitoring areas:**
 1. Maintenance of the Nonprofit School Food Service Account
 2. Paid Lunch Equity
 3. Revenue from nonprogram foods
 4. Indirect costs
- ***NEW***- If a risk indicator has been given in any of the four monitoring areas listed above, a comprehensive review will be given in that specific monitoring area.

Four Monitoring Areas

1. Maintenance of the nonprofit school food service account

The CDE must ensure that revenues and expenditures under the nonprofit school foodservice account are in accordance with 7 CFR 210.14, 2 CFR part 200 and 1 CCR 301-11, 2245-R-3.03. The nonprofit school food service expenditures must be allowable, used only for the operation and improvement of the school food service, and net cash resources may not exceed three months' average operating expenditures. (7 CFR 210.14)

2. Paid lunch equity

The State Agency (SA) must ensure that SFAs comply with the requirements for pricing paid lunches. (7 CFR 210.14(e))

Four Monitoring Areas

3. Revenue from nonprogram foods

The SA must ensure that SFAs comply with the requirements that revenues from the sale of nonprogram foods generate at least the same proportion of total school food service account revenues that expenditures from the purchase of nonprogram foods contribute to total school food service account food costs. In addition, the SFA must price adult meals so that adult payments are sufficient to cover the overall cost of meals, including the value of any USDA Foods used in the production of adult meals. (7 CFR 210.14(f))

4. Indirect costs

The SA must ensure that SFAs follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. (2 CFR 225)

Process

- **Off-site RM questions are to be completed 4 weeks prior to on-site visit by the Office of School Nutrition (OSN)**
 - The OSN has been able to complete these questions on behalf of the SFA with the data on hand and a short survey that was sent to SFAs in August of this year.
- **The financial data reviewed is based on the SFA's most recently completed school year unless otherwise indicated**
 - Due to Data Pipeline deadlines in CO, we review most recent audited closed year. If further review is needed, we will wait until most recent closed year financials are submitted and audited. Therefore, FY15-16 data is reviewed during SY16-17.

Resource Management Risk Indicator Tool

1) Maintenance of the Nonprofit School Food Service Account

- Questions 700 – 705

2) Paid Lunch Equity (PLE)

- Questions 706 – 709

3) Revenue from Non-program Foods (NPR)

- Question 710

4) Indirect Costs

- Question 711

Maintenance of the Nonprofit School Food Service Account #700

Question:

- **Did the SFA have a separate financial account designated for the nonprofit school food service?**

Purpose:

- The State Agency (SA) must ensure that revenues and expenses under the nonprofit school food service account (Fund 21) are in accordance with 7 CFR 210.14, 2 CFR part 200 and 1 CCR 301-11, 2245-R-3.03. Expenses must be allowable, used only for the operation and improvement of school food service.

CDE:

- Is the Chart of Accounts (COA) being followed?
- Proper use for Fund 21

Maintenance of the Nonprofit School Food Service Account #701

Question:

- **Did the SFA conduct a year-end review of total revenues and expenses to determine the school food service's nonprofit status?**

Purpose:

- At a minimum, a comparison of Fund 21's revenues and expenditures needs to be completed annually. SFAs are required to have a 3rd party audit, post their financials on their website, and submit final financial data to CDE via the data pipeline.

CDE:

- Compare revenue to expenditures in Fund 21 (excluding general fund transfers)

Maintenance of the Nonprofit School Food Service Account #702

Question:

- **After including the beginning fund balance, did that SFA have year-expenses in excess of revenues, requiring a general fund transfer to cover the balance?**

Purpose:

- SFAs that require additional financial support from the general fund and operate a deficit are more likely to have underlying financial management problems. The food service department should be self-sufficient and at a minimum break even.

CDE:

- Check for any 5210 entries, review labor % and food cost % to total revenue. Recommend to budget no more than 40-45% for labor costs and no more than 40-45% for food cost, leaving 10-20% for other costs.

Maintenance of the Nonprofit School Food Service Account #703

Question:

- **Did the SFA transfer funds out of the nonprofit school food service account to support other school operations during, or at the end, of the school year?**

Purpose:

- Inter-fund transfers put SFAs at a higher risk of noncompliance. The SA does not allow funds to be transferred out of Fund 21. All transfers should be well documented on both sides in the financial records.

CDE:

- Check for negative 52XX entries

Maintenance of nonprofit school food service account #704

Question:

- **Did the SFA complete a process to ensure its compliance with the net cash resources limitation to a level at or below three months' average expenditures?**
 - *This process could include a current SA approved plan to address resources that exceed the net cash resource limitation.*

Purpose:

- It is expected that the food service fund does not retain more cash than is necessary to maintain operations. Excess profits should be reinvested in the food service program to improve the program and benefit students.

CDE:

- The SFAs would have been notified of this violation during their Data Pipeline Review. The CDE-5 also includes this calculation. The CDE will check for timely corrective action plan on file from SFA.

Maintenance of nonprofit school food service account #705

Question:

- **Did the SFA have internal control procedures to ensure that only allowable costs were charged to the nonprofit school food service account?**

Purpose:

- All school districts are required to have (written) internal control procedures in place. These procedures need to also ensure only allowable costs are charged to Fund 21.

CDE:

- Collect and review district's internal control policies, this is not specific to the food service department.

Maintenance of nonprofit school food service account

Checklist:

- **The school district's local internal control policy that ensures only allowable costs are charged to the nonprofit school food service account**
 - Looking for a written district policy/procedure in reference to the Uniform Grants Guidance (UGG) -see below

References to required written procedures:

- Financial Management 200.302(b)(7)
- Payment 200.302(b)(6)
- Conflict of Interest 200.318(c)(1)
- Procurement 200.319(c)
- Travel 200.474(a)

Maintenance of nonprofit school food service account

Checklist con't:

- Detailed general ledger (G/L) from previous school year listing all activities (revenues, expenditures, adjustments, etc.) posted to Fund 21 for previous school year, including vendor and other descriptions
 - If detailed G/L fails to provide sufficient data needed for review, more detail will need to be collected.
 - **Wages and benefits:** detailed payroll documentation for the selected sites of review, including a list of all staff members and job titles that correspond with supplied payroll documentation
 - **Food and supply cost:** food, supplies, and equipment invoices/receipts for the month of review
 - **Other:** all other invoices and receipts that have been charged to the nonprofit food service account for the month of review

Paid Lunch Equity (PLE) #706

Question:

- **Did the SFA charge the weighted minimum average paid lunch price at all sites or use the USDA Paid Lunch Equity Tool to evaluate the need to raise its paid lunch prices?**

Purpose:

- SFAs are expected to complete and submit the CO PLE tool annually.
- It is difficult to determine if an SFA is meeting paid lunch equity requirements without filling out the paid lunch equity tool. SFAs that have not completed or retained a copy of this tool are at higher risk for paid lunch equity noncompliance. The PLE tool does not apply to non-pricing SFAs, such as CEP or Provision 2.

CDE:

Reference submitted PLE tool from previous school year for compliance

Paid Lunch Equity #707

Question:

- **Did the SFA use non-Federal funds to support its paid lunch prices?**

Purpose:

- SFAs who have chosen to use non-Federal funds in lieu of raising paid lunch prices are at a higher risk of being out of compliance with paid lunch equity requirements.

CDE:

- Reference SFA's selected option from previous school year's submitted PLE tool. If this option was chosen, CDE will check for a transfer in the school subsequent year's financial data submission.

Paid Lunch Equity #708

Question:

- **Did the SFA receive an exemption to the Paid Lunch Equity requirement?**

Purpose:

- SFAs can qualify for an exemption from the Paid Lunch Equity if they are in excess of net cash along with several other qualifications. Exemptions need to be approved by the CDE OSN.

CDE:

- PLE exemptions are kept on file at CDE. SFAs requesting an exemption are expected to send a letter to CDE supporting this request.

Paid Lunch Equity #709

Question:

- **Did the SFA increase its paid lunch prices at the level required by the USDA Paid Lunch Equity Tool or comparable mechanism?**

Purpose:

- The SA must ensure that SFAs comply with the requirements for pricing paid lunches. (7 CFR 210.14(e)) SFAs that did not raise prices as indicated will be out of compliance with paid lunch equity requirements (unless they supplement using nonfederal funds).

CDE:

- Reference submitted PLE tool from previous school year. Lunch prices are double checked in SFA site application.

Paid Lunch Equity

Checklist:

- **Confirmation of student lunch price increases, if applicable (e.g, webpage, point of sale report, parent communication)**
- May need to recreate data entered in Paid Lunch Equity Tool, SY10 to present

Revenue from Nonprogram Foods #710

Question:

- **Did the SFA sell nonprogram foods including, but not limited to, a la carte foods, adult meals, student second meals, second milks, vending machines, and catering?**

Purpose:

- The sale of nonprogram foods should generate at least the same proportion of revenue as they contribute to the SFA's food cost. For example, if nonprogram food revenue makes up 25% of total revenue, the food cost should be the same proportion or less. Adult meal prices need to be set to cover overall cost of meals, including the value of any USDA Foods used in the production of adult meals.

CDE:

- Refer to submitted NPR tool and proper use of Chart of Accounts, source codes 16xx and 162X (excluding 1610-1619), review adult prices.



Revenue from Nonprogram Foods

Checklist:

- **A list or report of all nonprogram items sold during the month of review**
- **Written explanation of how the School Food Authority (SFA) separates its program food revenue from nonprogram food revenue**
- **Written explanation of how the SFA separates its program food costs from nonprogram food costs**
- **The SFA's pricing methodology for nonprogram food items and adult meals**
- **A list of all adult meal prices**

Indirect Costs

#711

Question:

- **Were indirect costs charged to the SFA's nonprofit school food service account?**

Purpose:

- School districts should follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. If indirect costs were charged to the nonprofit school food service account, the SA will verify that indirect costs were applied accurately.

CDE:

- Check for object codes 0869 or 0868 in Fund 21.

Direct charges of indirect cost pool items may be considered as well.

Indirect Costs

Checklist:

- **Support documentation for indirect cost billing to Fund 21**
- **Additional information may need to be collected for direct changing of indirect cost pool items**

Next steps

- A notification will be sent to the RM contact that will contain the status of the RM and any additional data requirements needed for further review
 - Expect approximately one week prior to on site
 - It may be necessary for some supporting documentation to be obtained on site by the reviewer
- See [Comprehensive Review checklist attached](#)
- RM may extend past the program section of the AR, a final closing letter will be sent after all sections are considered closed
- All reviews must stay open in the CO Child Nutrition Hub until RM has been finalized

Questions

Please visit OSN's financial webpage for supporting resources in these areas

<http://www.cde.state.co.us/nutrition/nutritionfinancial>

Lyza Shaw, Office of School Nutrition, Business Operations Manager
Shaw_l@cde.state.co.us, 303-866-6670

Kirk Weber, School Finance Division, Financial Accounting Technical Advisor

Weber_k@cde.state.co.us, 303-866-6610