

Off-Site Questions	
Maintenance of the Nonprofit School Food Service Account - Last Audited School Year	
700.	<p>Question: Did the SFA have the ability to accurately track all revenues and expenditures for the nonprofit school food service separately from all other transactions?</p> <p>Tips: SFAs should have the ability to monitor funds available for food service operations, identify shortfalls, and budget appropriately. In CO public SFAs are required to annually report food service activity in a separate fund (Fund 21) while following the CDE Chart of Accounts.</p>
701.	<p>Question: At the end of the SFA’s RM review period, did the food service have net cash resources that exceeded three months' average expenditures?</p> <p>Current Flexibility: CDE SNU is only collecting spending plans when excess net cash exceeds a 6-month average.</p> <p>Tips: SFAs that currently have an approved spending plan on file for excess net cash funds in the previous audited school year need to provide a progress update. Reviewer to collect spending plan update and include in comments section.</p>
702.	<p>Question: Did the SFA transfer funds other than approved indirect costs out of the food service account to support general school district expenses or non-food service-related activities?</p> <p>Why: Program regulations, 7 CFR Parts 210.14 and 220.13(i), require SFAs to establish a nonprofit school food service account, in which all reimbursements and other revenues from all food service operations conducted by the SFA, principally for the benefit of school children, are retained and used only for the operation or improvement of the nonprofit school food service.</p> <p>Tips: No funds should be transferred out of the nonprofit food service account to support other operations. Indirect costs should be tied to object code 0869 and not through a transfer.</p>
703.	<p>Question: Excluding the purchase of equipment* using equipment grant funds, if the SFA used food service funds to buy equipment during the school year under review, did it receive prior approval from the State agency either directly or via the State’s pre-approved equipment process?</p> <p>* Equipment - defined by Federal regulations as tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit purchased cost which equals or exceeds the lesser of the capitalization level established by the SFA/LEA for financial statement purposes, or \$10,000.</p> <p>Why: 2 CFR 200.439 requires non-Federal entities, such as SFAs, to obtain approval from the State Agency for equipment purchases of \$10,000 or more. SFAs may impose a capitalization level more restrictive than \$10,000, in which case the SFA’s lower threshold applies and their SFAs must receive prior approval before purchasing equipment above the SFA’s capitalization level.</p> <p>Tips: The SFA’s capital equipment threshold was requested with AR Questionnaire.</p>

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704.	<p>Question: Did the SFA have any financial findings related to unallowable costs or financial mismanagement in the child nutrition programs on a previous administrative review or as part of an audit (for example, OIG, Single Audit (previously called A-133 audits), or other state audits) within the past three years?</p>
705.	<p>Question: Did the SFA have (written) internal control procedures in place to ensure that only allowable costs were charged to the nonprofit school food service account?</p> <p>Why: Federal requirements under 2 CFR 200.303 require non-federal entities, such as states and SFAs, to establish and maintain effective internal controls over the federal funds they receive that provide reasonable assurance that they comply with federal statutes, regulations and the terms and conditions of the federal award.</p> <p>Tips: Internal controls may include processes that help ensure that financial transactions are properly recorded and accounted for, to prepare reliable financial statements and federal reports, maintain accountability over assets and demonstrate compliance with federal statutes, regulations, and the terms and conditions of the Federal award.</p> <p>Procedures may include:</p> <ul style="list-style-type: none"> ○ Annual allowable cost training; ○ Financial management standard operating procedures; ○ The assignment of financial responsibilities to different individuals; <p>In general, charges to the nonprofit school food service account must be:</p> <ul style="list-style-type: none"> ○ Reasonable: A reasonable cost must follow state and federal regulations and must follow restraints imposed by generally accepted sound business practices. For example, as best practice, reasonable costs should be in line with the price that the item or service would cost on the open market. ○ Necessary: Only costs that are necessary for program purposes and that satisfy federal cost principles and program regulations. <p>Allocable: Costs must be assigned to the programs, functions, and activities that benefited from the SFA having incurred the cost.</p>
Paid Lunch Equity (PLE) – Current School Year	
706.	<p>Question: Did the SFA use the USDA Paid Lunch Equity Tool or a comparable mechanism to evaluate its need to raise its paid lunch prices?</p> <p>Tips: The PLE Tool was created to assist SFAs to calculate their paid lunch price increase requirements and/or non-federal source contributions (general fund transfers) to meet the requirements specified in 7 CFR 210.14(e). SFAs compare the average weighted price for paid lunches to the difference between the per meal federal reimbursement for free and paid lunches.</p>

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707.	<p>Question: Did the SFA receive a transfer of non-federal funds into the food service account to reduce or eliminate the need to raise paid lunch prices?</p> <p>Tips: SFAs are allowed to transfer non-federal funds into the food service account instead of increasing paid lunch prices. Although this is allowable, SFAs answering “Yes”, will receive a risk indicator. The State Agency will need to verify the non-federal funds were adequate and an allowable source. Below you will find how to answer the question.</p> <p>To calculate the general fund transfer, please use the following calculation $\frac{\text{total paid student lunches served previous school year} \times \\$ \text{ (indicated increase w/ } \\$.10 \text{ max)}}{\text{general fund transfer for compliance}}$</p>
708.	<p>Question: Did the SFA adjust its paid lunch prices for the RM Review Period at the level at or above what was required by the USDA Paid Lunch Equity tool or comparable mechanism?</p> <p>Why: The PLE tool compares the average weighted price for paid lunches to the determined targeted weighted average price. If a SFA's average weighted price for lunches is less than the targeted weighted average price, the SFA must take action to address the difference, (increase price to recommended amount, general fund transfer, both, or exemption).</p> <p>Tips: SFAs have the option of maximizing the increase to \$.10. The \$.10 max is a USDA recommendation, although price increases are a local decision in CO.</p>
Revenue from Nonprogram Foods – Current School Year	
709.	<p>Question: With the exception of milk and adult meals (and occasional leftovers offered to students), did the SFA sell Smart Snacks*, second entrees*, and/or catering (e.g., foods/beverages for school board meetings; foods for outside entities and programs)?</p> <p>Tips: Offering and selling nonprogram foods is an allowable and encouraged practice in the school food service industry. School Food Authorities (SFAs) are required to determine if the revenue from nonprogram foods generates at least the same proportion of revenue as they contribute to the SFAs food cost. A Yes to this question receives a risk indicator because the USDA wants the State Agency to ensure the SFAs are adequately covering their costs with the prices they are charging for the nonprogram foods. SFAs were asked to fill out the AR Questionnaire that included nonprogram foods currently being offered and/or sold at their district.</p> <p>*seconds – entrée or side items sold as a la carte/Smart Snacks, this does not include unplanned leftovers that are occasionally offered to students.</p>
710.	<p>Question: If the SFA provided adult meals for teachers and/or parents, did it obtain full payment from the adults receiving the meals and/or recover the cost of those meals by some other means (general fund transfer)?</p> <p>Tips: Adult meal prices must be reviewed annually and need to be sufficient to cover all costs for producing the meal. Student payments, federal or state reimbursements or other program revenues cannot be used to subsidize meals served to adults.</p>
711.	<p>Question: If the SFA charged for adult meals, were the meal prices sufficient to cover the overall cost of the meals in compliance with FNS Instruction 782-5, Rev. 1?</p>

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	<p>Tips: Adult meal prices must be reviewed annually and need to be sufficient to cover all costs for producing the meal. Student payments, federal or state reimbursements or other program revenues cannot be used to subsidize meals served to adults.</p> <p>Resources: Nonprogram Revenue - Adult Meal Pricing Resource and Nonprogram Revenue – Adult Meal Price Check</p>
Indirect Costs – Last Audited School Year	
712.	<p>Question: Were indirect costs charged to the SFA’s nonprofit school food service account?</p> <p>Tips: Indirect costs are an allowable expense to the nonprofit food service fund. Indirect costs can be seen as overhead expenses that support an operation (administrative overhead functions such as accounting, payroll, purchasing, facilities management, maintenance, etc.). Indirect cost should be coded as 0869.</p> <p>Resources: Indirect Costs – USDA Guidance Indirect Cost Rates</p>