



THE ADMINISTRATIVE REVIEW PROCESS:

A new approach to collaborative compliance

June 16-17, 2014



PUBLIC SCHOOLS OF NORTH CAROLINA

State Board of Education

Department of Public Instruction

RESOURCE MANAGEMENT

Overview

Non-profit School Nutrition Account

Paid Lunch Equity

Revenue from Non-Program Foods

Indirect Costs

USDA Foods

Importance of Monitoring Resource Management

- Ensure SFAs account for all revenues and expenditures of nonprofit School Nutrition account
- Ensure effective and consistent management of program resources

Resource Management: 5 Areas

1. Maintenance of the nonprofit School Nutrition Account
2. Paid Lunch Equity
3. Revenue from Non-program Foods
4. Indirect Costs
5. USDA Foods

Resource Management Review

- Documentation for all Resource Management areas
- Technical Assistance provided
- Corrective Action required
- Fiscal Action for non-compliance with the Resource Management requirements may include withholding funds

Non-Profit School Nutrition Account

- Break-even or loss not required for non-profit status
- Comply with regulatory limitations on the use of nonprofit School Nutrition revenue
- Identify revenue excess or shortfall

Components of the Non-Profit School Nutrition Account

- SFA accounting system
- Net cash resources
- Allowable costs

Accounting System

- Complies with the system established by the State Agency



Net Cash Resources

- Cash available above and beyond 3 months operating balance

Review of Net Cash Resources

- Calculate by following guidance in the SA's financial management system
- Ensure SFA compliance with approval of net cash resources in excess of 3 months
- Provide technical assistance to SFAs spend down plan in expeditious and prudent manner

Allowable Costs

- Expenses meet the requirements of 2 CFR 225 -- reasonable, necessary, and allowable
- Use Federal funds only for the intended program purposes
- Ensure compliance with government-wide and specific rules and regulations



Review of Allowable Costs

- Test actual expenses for compliance with allowable cost requirements
- Identify unallowable costs
- Ensure costs are adequately documented and consistently treated

Classification of costs and examples

Allowable	Allowable with prior SA Approval	Unallowable
Salaries/wages Travel Continuing Ed Meetings Conferences Printing Publications Supplies	Capital expenditures (equipment purchases, etc.)	Gifts Entertainment Personal use Construction Bad debts Charges

Paid Lunch Equity

- Included in the Healthy, Hunger-Free Kids Act (Section 205)
- Ensure that SFAs charge paid lunch prices sufficient to cover the costs of paid meals or provide enough funds to support paid meal costs

Paid Lunch Equity: Corrective Action

Required for:

- Incorrect PLE tool calculations
- Utilizing unallowable non-Federal sources of revenue
- Failure to increase paid lunch price(s), if required

Technical assistance for:

- Identifying allowable non-Federal sources of revenue

Revenue from Non-program Foods

- Foods and beverages purchased using funds from the nonprofit School Nutrition account
- Sold in a school participating in NSLP
- Includes a la carte items, adult meals, vending machine items, fundraisers, school stores, and for catered and vended meals

Revenue from Non-program Foods

- Included in the HHFKA (Section 206)
- Intent: With the exception of reimbursable meals, all food sold in a school and purchased with funds from the nonprofit school food service must generate revenue at least equal to the cost of such food

Revenue from Non-program Foods: Adult Meal Prices

- FNS Instruction 782-5 REV. 1
- Include the value of any USDA entitlement and bonus donated foods used to prepare the meal

Indirect Cost

- Determine if costs are allowable, allocable and appropriately charged as a direct or indirect cost
- Ensure application of correct indirect cost rate to the allowable expense codes
- Ensure assessment of indirect cost according to SA agreement

USDA Foods

- Included under Section 14 of the NSLA, 7 CFR 210.14(d), 7 CFR 250, FD instructions/policy memoranda.
- Ensure that SFAs have adequate policies and procedures in place to safeguard and fully utilize USDA foods
- Does not take the place of the NCDA &CS Review

USDA Foods: Review

- Determine sample size of records to review
- Validate records to ensure accounting for rebates, discounts and credits
- Discuss crediting process to assess effectiveness

USDA Foods: Review

- Is the SFA ordering commodity foods?
- Did the SFA complete its annual storage assessment?

Observe menu or food storage:

- Are USDA foods are being used?
- Are rebates, discounts and credits are being received and deposited into the nonprofit school nutrition fund?

USDA Foods: Review procurement of end products

- Final contract and contract bid for end products
- End product data schedule providing the value used by processor
- Selection of invoices
- Monthly financial records to ensure crediting for the value of foods used in end products
- Credits are added to the nonprofit school food service account

USDA Foods: Review of Annual Reconciliation

- Determine that SFA is conducting annual reconciliation
- Ensure that a purchasing agent or FSMC has credited the SFA for the value of all USDA foods received

Questions?



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