



From Muggle to Wizard

California School Nutrition Association
Annual Conference November 2018



Who's Who

A penny for your thoughts

- Name
- Organization
- Current Role
- Most memorable moment of year XXXX

Agenda

- **The Magic Wand** Maintenance of the Cafeteria Fund Account
- **Time Travelling** Time and Effort Documentation
- **Quidditch Practice** Local Agency Procurement Review
- **Chamber of Secrets to Buy American** Buy American Provision
- **Sickles and Knuts** Paid Lunch Equity and Revenue from Nonprogram Foods

Order of Business

- Personal care
- Questions and answers
- Handouts
 - Pre-assessment
 - Professional standards
 - Resources



The Magic Wand

Maintenance of the Cafeteria Fund

Account

Objectives

1. Understanding the importance of internal controls
2. Identifying the components of a financial management system
3. Addressing concerns regarding property standards
4. Understanding the effect of records retention and access

Title 2 Code of Federal Regulations (2 CFR), Part 200, Subpart D Post Federal Award Requirements

- Standards for Financial and Program Management
 - Internal Controls
 - Financial Management
- Property Standards
- Records Retention and Access

Internal Controls

Program operators must have sufficient internal controls in place which provide reasonable assurances to:

- Comply with all applicable rules and regulations
- Evaluate and monitor compliance
- Take prompt action when noncompliance is identified

Internal Controls: Step 1

Comply with Federal regulation

- The negotiated ICRs must be accepted by all Federal awarding agencies.

State regulation

- An “indirect cost” shall be limited to the lesser of the school district’s approved ICR or the statewide average approved ICR.

Internal Controls: Step 2

Evaluate and Monitor compliance

- Determine the applicable ICR
- Must ensure the correct ICR was applied accurately

Internal Controls: Step 3

Take Action

- When the applied ICR is:
 - **Higher** than the approved rate the agency must reimburse the cafeteria fund from an allowable nonfederal funding source.
 - **Lower** than the approved rate, a loan agreement in place if the agency to recoup cost in the future.

Internal Controls Example: Indirect Costs

Lord Voldemort is on the offensive and an emergency council meeting was called which left Professor Gilderoy Lockhart in charge of Hogwarts.

While faculty was away, Harry Potter requested to review spells regarding indirect cost rates (ICR) and its application.

What internal controls are necessary to ensure compliance?

Internal Controls Example: Net Cash Resources (1)

After the final battle with Voldemort, a peddler in Diagon Alley offers to sell the resurrection stone discovered in the forest.

With most of the Order of the Phoenix members deceased, surviving members wonder if there was enough excess net cash resources (NCR) to purchase the stone?

What internal controls are necessary to ensure compliance?

Internal Controls Example: Net Cash Resources (2)

Comply with regulations

- The school food authority shall limit its net cash resources to an amount that does not exceed three months average expenditures for its cafeteria fund or such other amount as may be approved by the State agency

Internal Controls Example: Net Cash Resources (3)

Evaluate and Monitor compliance

- Identify excess net cash resources using Form SNP-57 Sample Net Cash Resource Calculator Tool

Note: Form SNP-57 Sample Net Cash Resource Calculator Tool was updated to separate excess net cash resource between the School Nutrition Program and the Child and Adult Care Food Program.

Internal Controls Example: Net Cash Resources (4)

Action

- Contact the State agency for an approved spend down (budget agreement).

Instance of noncompliance

- Renovations
- Equipment
- Contingency

Internal Control Procedures

- Financial Management
 - Tracking Revenues and Expenditures
 - Separating out costs
 - Time and Effort Documentation
- Property Standards
- Records Retention

Financial Management

- Complete disclosure of the financial results
- Adequately identify source and application of funds
- Accountability for all funds, property, and other assets
- Procedures for determining allowability of costs

Standardized Account Code Structure

- Source
 - Fund - account
 - Resource - restriction
- Application
 - Goal - instruction
 - Function - activities
 - Object – expenditure

Financial Management Example Tracking between Multiple CNP (1)

The program operator wishes to apply for the Child and Adult Care Food Program. Outside of program requirement, what financial management internal controls must the program operator have in place to track revenues and expenditures for the cafeteria fund?

Financial Management Example

Tracking between Multiple CNP (2)

Federal regulations

- The financial management system must
 - Adequately identify the source and application of funds
 - Provide effective control over, and accountability for all funds
 - Provide written procedures for determining the allowability of costs

Financial Management Example

Tracking between Multiple CNP (3)

Action to assist in monitoring

Update the existing system to separate out revenues and expenditures

- Fund Codes
- Resource Codes
- Function Codes
- Object Codes

Financial Management Example

What were some of the sources of revenue received?

How did your agency separately track revenues and expenditures?

Financial Management Example

Revenue

The financial management system should account for all forms of revenue which include, but is not limited to:

- Federal and state reimbursements
- Non-Federal funds used to support paid lunches
- Proceeds from paid meals
- Proceeds from nonprogram foods
- Non-Federal contributions

Financial Management Example

Expenditures

- The program operator should consider the following
 - Direct Costs
 - Separate purchases
 - Separate production schedules
 - Warehouse
 - Food and supplies are allocated by order
 - Vended
 - Meals vended to other programs

Property Standards

For equipment with a useful life of over a year and a per unit acquisition cost over \$5,000, the nonfederal entity must have procedures which indicate:

- Which program(s) use the equipment
- How the equipment is being managed
- How obsolete equipment is disposed

Property Standards Use

- Authorized and intended purpose
- Available for use on other programs financ
agency
- Program income
- When no longer needed

Property Standards Management

- Property records
- Safeguards to prevent loss, damage, or theft
- Maintenance procedures
- Disposition

Property Standards Disposition

- Equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation
- For equipment with a per unit fair market value greater than \$5,000, the district may deduct ten percent or up to \$500 of the proceeds for its selling and handling expenses
- Proceeds are considered program income and must return to the cafeteria fund.

Property Standards Example

Unused Vehicle

The Weasley's flying Ford Anglia is well past its useful life and Hogwarts wishes to dispose of the vehicle.

Can the school donate the vehicle to another program?

Property Standards Example Donation

- When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:
 - Activities under a Federal award from the Federal awarding agency which funded the original program or project, then
 - Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

Property Standards Example Unused Vehicle

Albus Dumbledore is going through the Daily Prophet that Azkaban wants to sell the Knight Bus. That's from a flying Ford Anglia well past its useful life.

If Hogwarts wishes to sell the Anglia, what happens proceeds when the vehicle is sold?

Property Standards Example Disposition

- Equipment must first be used as a trade-in or sold to offset the cost of the replacement property.
- Equipment with a value of \$5,000 or less may be disposed of with no further obligation to the Federal awarding agency.
- Equipment with value in excess of \$5,000 may be sold with the program operator retaining ten percent of the proceeds up to \$500 for its selling and handling expenses.

Property Standards Example Procedures

What internal controls would you implement to ensure equipment is adequately maintained?

Property Standards Example

Property Management

Procedures for managing equipment must include the following:

- Property records which include the description, identification, funding source, the acquisition date, cost, location, use, condition, and disposition data
- A control system to ensure adequate safeguards to prevent loss, damage, or theft of the property.
- Adequate maintenance procedures.
- Sales procedures to ensure the highest possible return.

Records Retention

Financial records, supporting documents, and all other program operator records pertinent to a Federal award must be retained for a period of three years from the end of the activity, for example

- Final claim for the fiscal year
- Close of a administrative review or third party audit
- Conclusion of a contract

Records Retention Example

Reoccurring Payments (1)

As the Minister for Magic, Hermione Granger, discovered reoccurring payments to MACUSA. Upon further review she discovers that Newt Scamander caused quite a commotion in New York City which required work to decrease the possibility of exposure.

Records Retention Example

Reoccurring Payments (2)

During the review, the Ministry of Magic had to provide documentation dating back to the 1920s:

- The extent of damages
- Itemized invoices for each project phase
- Payment schedule

Conclusion

- Internal controls
- Financial management system
- Property standards
- Records retention and access

Thank You



Time Travelling

Time and Effort Documentation Across All Programs

Frances Swann

CA Department of Education
Nutrition Services Division

Resource Management Unit

Learning Objectives

- Know the rules and regulations, policies and procedures that govern time and effort
- Use the Time Accounting Criteria to verify compliance with time accounting principles, and
- Determine which documents a school food authority (SFA) may use to meet time accounting requirements.

Time and Effort Documentation: Purpose

To ensure that SFAs use federal funds to compensate an employee **only** for time spent on work activities allowable under the terms and conditions of the federal funding source.

Management Bulletin SNP-06-2014,
California Department of Education

Federal Regulation (1)

Time accounting records must:

- i. Be supported by a system of internal controls providing reasonable assurances that charges are accurate, allowable, and properly allocated
- ii. Be incorporated into the official records of the non-Federal entity

Title 2, *Code of Federal Regulations (CFR)*, Section 200.430(i)(1)

Federal Regulation (2)

- iii. Reflect total activity for which the employee is compensated
- iv. Encompass both federal and nonfederal activities
- v. Comply with the established accounting policies and practices of the nonfederal entity
- vi. Be distributed among specific activities or cost objectives across all funding sources

Policies and Procedures (1)

Guidance on time and effort accounting:

1. U.S. Department of Agriculture Policy Memorandum SP 60-2016: Indirect Cost Guidance
2. *California School Accounting Manual (CSAM) (2016)*, Procedure 905: Documenting Salaries and Wages
3. CDE website, California Fresh Fruit and Vegetable Guidelines

Policies and Procedures (2)

Additional guidance can be found in:

4. California Department of Education Management Bulletins:
 - a. SNP-06-2014: Documenting Employee Time and Effort in Federal School Nutrition Programs
 - b. CACFP-03-2015: Documenting Employee Time and Effort in the Child and Adult Care Food Program

Time Accounting Criteria (1)

All time and effort documentation must:

- Follow established school food authority (SFA) **procedures**
- Capture work performed across **all funding sources** (federal and nonfederal)
- List **all activities** performed for each funding source

Time Accounting Criteria (2)

All time and effort documentation must:

- Reflect **after-the-fact** determination of **actual hours** worked during the period indicated
- Be **certified and signed** by the individual with firsthand knowledge of the work performed

Recording Time and Effort

Employees may record time and effort by using any of the following:

- Periodic (semiannual) certification
- Personnel activity report, or PAR
- Equivalent documentation (as an alternative to a PAR)

Periodic Certification and Required Fields

Semiannual Certification¹

Period Covered² _____ Fiscal Year _____

Employee Name _____

School/Division/Department _____

| Cost Objective/ Program Title | Account/Resource Code | Percentage of Effort |
|----------------------------------|-----------------------|----------------------|
| Program ABC | 1111 | 100% |

I hereby certify that this report is an after-the-fact determination of actual effort expended for the period indicated and that I have full knowledge of 100 percent of these activities.

Employee or Supervisory Official³

Date

1. This sample certification:

- Is for employees funded solely (100 percent) from a single cost objective charged to federal or state programs or from a single nonfederal categorical program used in meeting cost-sharing or matching requirements of federal awards.
- May not meet certain program requirements, such as the direct services to students and administrative costs requirements of Title I, Part A and Economic Impact Aid.

2. Certification must be prepared at least semiannually and cover the entire period of the certification (e.g., six months for a semiannual certification).

3. Certification must be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Pursuant to a recommendation by the United States Department of Education and to facilitate good internal control, LEAs may wish to require both signatures.

- Period covered
- Fiscal year
- Employee name
- School division or department
- Signed certification that employee worked 100% in Nutrition Services
- Date

Completing a Periodic Certification

The periodic certification must:

- Be prepared at least every six months
- Be signed and dated by the employee or a supervisory official having firsthand knowledge of the work performed by the employee
- Identify the program or cost objective under which the employee worked
- State that the employee worked solely on a single federal program or cost objective during the period covered by the certification

Time Accounting Criteria: A Review (1)

All time and effort documentation must:

- Follow established school food authority (SFA) **procedures**
- Capture work performed across **all funding sources** (federal and nonfederal)
- List **all activities** performed for each funding source

Time Accounting Criteria: A Review (2)

All time and effort charges must also:

- Reflect **after-the-fact** determination of **actual hours** worked during the period indicated
- Be **certified and signed** by the individual with firsthand knowledge of the work performed

Periodic Certification: Compliance

As a stand-alone document, a periodic certification is insufficient. SFAs must also have the following **supporting documentation as evidence and justification** for allowable time accounting:

- Procedures—to ensure the SFA has proper **internal controls**
- Activities—job classification or duty statement to ensure **activities are allowable**
- Time—timesheets and adjustments to ensure the employee charges are an **after-the-fact determination** of actual hours worked

PAR and Required Fields

[] School District
[] School Site

TIME ACCOUNTING FOR MULTI - FUNDED PERSONNEL

| Employee Name: | | | Title: | | | Employee ID: | | | Department: | | | Month: | Year: | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|----------|--|-------------------------|-----|-----|--------------|---|-----|-------------|-----|-----|--------|-------|----|-----|-----|-----|----|-----|----|----|-----|-----|----|----|-----|----|----|-----|-----|-----|----|------|-------------|-------|
| Food Service Activities | | | Daily Attendance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Program | Resource | Activities for (month/yr) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | Total Hours | |
| SNP | 5310 | Cooking lunch meals | | 4.0 | | | | | | 4.0 | | | | | | | | | | | | | 4.0 | | | 15 | | | | | | | | | 12.0 |
| CACFP | 5320 | Serving dinner meals | | | 0.5 | | | | | | | | | | | | | | | | | | 1.5 | | | 15 | | | | | | | | | 4.5 |
| SNP | 5310 | Serving lunch meals | | | | | | | 2.0 | 2.0 | | | | | | 2.0 | 2.0 | | | | | 2.0 | 2.0 | | | | | | | 2.0 | | | | 14.0 | |
| SNP-catering | 5311 | Serve at Superintendent weekly meeting | 0.5 | | | | | 0.5 | | | | | | | 0.5 | | | | | | | 0.5 | | | | | | | 0.5 | | | | | 2.5 | |
| Non-Food Service Activities | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General | 0000 | General District Maintenance | | 2.0 | | | | 2.0 | | | | 3.0 | | | 2.0 | | | | 8.0 | | | | | | | 4.0 | | | | | 3.0 | | 24.0 | | |
| General | 0000 | Fixing electrical System | | | | 3.0 | | | | | | | | | 2.0 | | | | | | | | | | | | | | | | | | | 5.0 | |
| Title I | 3185 | Computer Lab | 2.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | 4.0 | | | | 6.0 | |
| ASES | 6010 | Tutor Students | | | | | | | | | 2.0 | | | | | | | | | | | 2.0 | | | | | | | | | 2.0 | | | 6.0 | |
| Leave Usage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Vacation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 7.0 | |
| | | Sick Leave | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 0.0 |
| TOTAL | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | 92.50 |

I hereby certify that the above information is a clear and correct representation of the actual time spent by me in support and completion of the above Federal and State Categorical programs and General Education.
Programs operated by the District. This form has been completed in accordance with Title 2, Code of Federal Regulations, Part 225.

| | | | | |
|---------------------------|-------------|--------------------------------|-----------------------------|-------------|
| EMPLOYEE SIGNATURE | DATE | SUPERVISOR NAME (Print) | SUPERVISOR SIGNATURE | DATE |
|---------------------------|-------------|--------------------------------|-----------------------------|-------------|

For Supervisor Use

Directions:
Complete for each pay period.
Enter funding source in the Program Name column.
Enter the Resource Code in the Resource Code column. You may include locally defined codes.
Enter one activity per row under the Activity column.
Time must be entered in [] minutes(s) increments.

| Program Name | Resource Code | Program Total | Program % of Time Worked | Less: Hrs. Per Program |
|--------------|---------------|---------------|--------------------------|------------------------|
| SNP | 5310 | 30.50 | 40% | 2.83 |
| CACFP | 5320 | 1.50 | 2% | 0.14 |
| SNP-catering | 5311 | 2.50 | 3% | 0.23 |
| General | 0000 | 29.00 | 38% | 2.63 |
| Title I | 3185 | 6.00 | 8% | 0.56 |
| ASES | 6010 | 6.00 | 8% | 0.56 |
| Total | | 75.50 | 100% | 7.01 |

- Number of hours worked by an employee on each project
- Number of hours worked for the period covered
- Employee's name and signature
- Supervisor's name and signature
- Date

Completing a PAR

A PAR must:

- Reflect an after-the-fact distribution of actual activity
- Account for each activity for which the employee is compensated
- Identify the funding source
- Be prepared at least monthly
- Be signed and dated

PAR: Compliance

As a stand-alone document, a PAR is insufficient. SFAs must also have the following **supporting documentation as evidence and justification** for allowable time accounting:

- Procedures—to ensure that the SFA has proper **internal controls**
- Activities—in the absence of details, job classification or duty statements must **identify the work performed** for each funding source

Equivalent Documentation

| A PAR Must | Equivalent Documentation |
|---|---|
| Reflect an after-the-fact distribution of actual activity | Timesheet |
| Account for each activity for which the employee is compensated | Job description or duty statement for each position title |
| Identify the funding source | Timesheet or comparable document that reflects the funding source |
| Be prepared at least monthly | Timesheet or comparable document |
| Be signed and dated | Timesheet or comparable document |

Activity–Case Studies

Activity–Instructions

1. At each table, **form into small groups** of about three members and select one of three case studies.
2. Read and discuss the case with group members and **do the action required.**
3. At each table, give a **report** of your case and the action(s) performed.

Case Studies

- Case A: Albus Dumbledore SD
- Case B: Petunia Dursley Unified SD
- Case C: Kingsley Shacklebolt Unified SD

Share Out

Case A: Albus Dumbledore SD

Action required: identify all the documents that Albus Dumbledore SD will need to have in order to comply with time accounting requirements.

Albus Dumbledore SD

Answer: documents must include the following:

- Procedures – written procedures on Time and Effort Documentation
- Funding – job description; duty statement; report by funding source
- Activities – job description; duty statement; job tickets
- Time – timesheet by funding source; Biometric System report by funding source; Positive Attendance with end of period adjustments; job tickets
- Certification – timesheets; job tickets; reports signed by the employee or supervisor

Case B: Petunia Dursley Unified SD

Action required: list the **missing components** of the Variable Payroll Timesheet that will complement the Positive Attendance System to be in compliance with time accounting requirements.

Petunia Dursley Unified SD

Answer: the missing components of the Variable Payroll Timesheet that will complement Petunia Dursley USD's Positive Attendance System are:

- Funding source
- Actual date and time of work; adjustments to time
- Certification – signature by the employee or supervisor

Case C: Kingsley Shacklebolt Unified SD

Action required: outline of time and effort procedures for Kingsley Shacklebolt Joint USD

Kingsley Shacklebolt Unified SD

Answer: the outline of time and effort procedures may include, but are not limited to, the following:

- Required forms for single-funded and multifunded employees
- Allowable and unallowable activities
- Job descriptions or duty statements
- Work schedule (signing in and out); reasonable gap in time between one job to another
- Adjustments to time
- Certification

Conclusion

- Know the rules and regulations, policies and procedures that govern time and effort
- Use the Time Accounting Criteria to verify compliance with time accounting principles, and
- Determine which documents may be used to meet time accounting requirements.



Quidditch Practice

Local Agency Procurement Review

Procurement Resources Unit (PRU)

PRU Responsibilities

- Food Service Management Company Contracts
 - Preapprove contracts and amendments
 - Approve extensions
 - Provide training and technical assistance
- U.S. Department of Agriculture (USDA) mandated Local Agency Procurement Reviews



Procurement Guidance Success!

- Online procurement courses
- Face-to-face trainings
- Web page expansion
- Technical assistance

Objectives

1. Understand the three phases in the procurement review process
2. Learn which documents the CDE will require program operators to provide for a procurement review
3. Recognize the questions that the CDE reviewer is required to answer when conducting the review

Three Phases of Procurement Review

- 1. Pre-Review Phase:** Program operator submits documents to the CDE
- 2. Review Phase:** CDE conducts the review
- 3. Closing Phase:** CDE and program operator work together to close the review

Phase 1: Pre-Review

1. Code of Conduct
2. Procurement Procedures
3. School Food Authority (SFA)
Procurement Table
4. Vendor Paid List
5. Cooperative or Group
Purchasing Agreement (if
applicable)

Procurement Selection

- Number selected for review depends on the number of procurement transactions
- USDA selection chart determines **number** to review
- CDE prioritizes which procurements are selected
 - Only one response
 - Highest-price

Phase 2: Review

- Request documentation supporting procurements
- Answer review questions required by the USDA
 - Documents submitted in pre-review
 - Supporting documents for procurements selected for review

USDA Procurement Review Questions

6. Did the Invitation for Bids (IFB) or Request for Proposals (RFP):
 - a) Identify all specifications, evaluation factors and their relative importance with price as the primary factor?
 - b) Seek/invite two or more qualified sources willing and able to compete?
 - c) Include the requirement for contract award to the lowest responsive and responsible bidder or bid/offer most advantageous to the program with price and other factors considered?
 - d) Provide adequate time provided for bidders to respond prior to the bid opening date?

Phase 3: Closing

- Summarize any errors found during review
- Provide technical assistance and resources
- Close the review

**Meet our Contract Activity Moderators
(And Panelists for Buy American)!**

Stephanie Bruce, MBA

- Nutrition Services Director
- Palm Springs USD
- 22,000 students at 27 sites
- Free and reduced: 84 percent
- District-wide Community Eligibility Provision (CEP)
- Central kitchen and warehouse
- Supper (22 sites) and summer meals



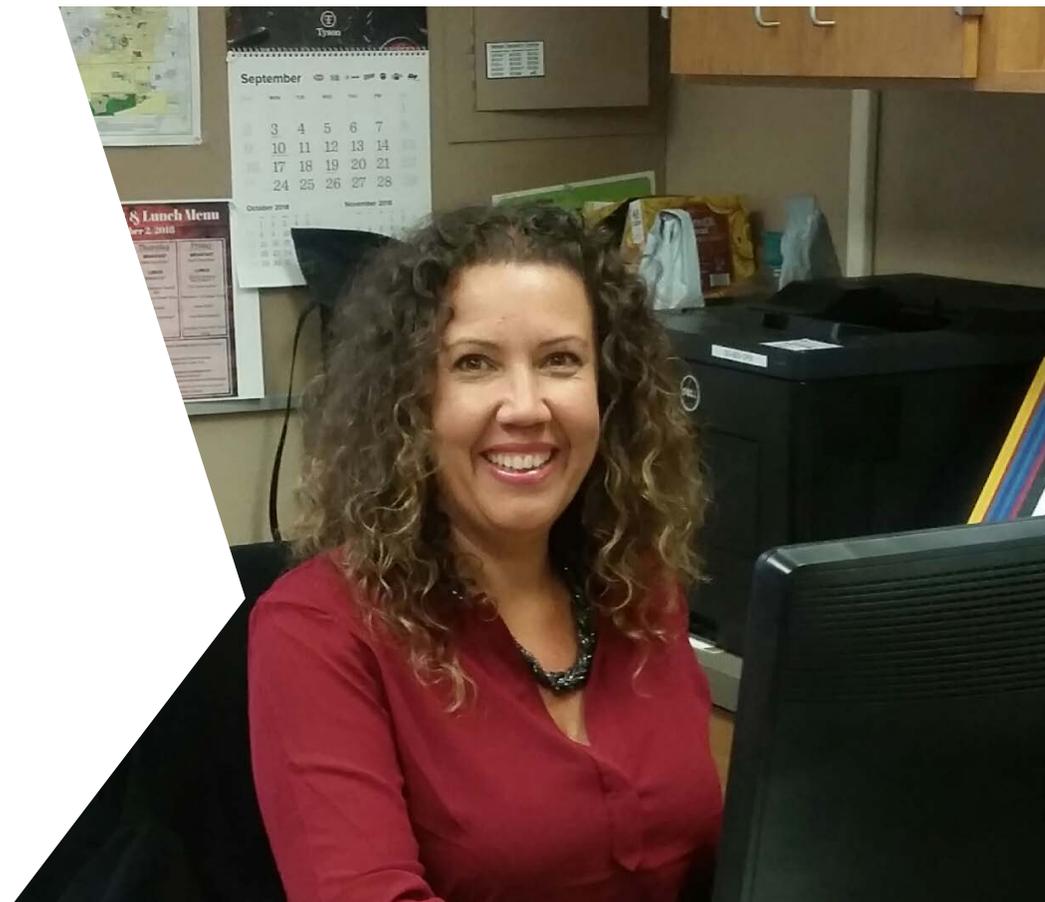
Bob Quanstrom

- Food Services Director
- 27 years experience
- Val Verde USD
- 20,000 students at 24 sites
- Free and reduced: 82 percent
- CEP at four sites
- Provision 2 at 10 sites (breakfast)
- Supper (secondary sites)
- Welcomed first grandchild in September



Trieste Huey, MS

- Food Services Director
- Fontana USD
- 38,660 students at 44 sites
- Free and reduced: 83 percent
- CEP at 27 sites
- Provision 2 at 17 sites
- Three production kitchens



Contract Review Activity

Contract Review Activity: Packets

1. Instructions and Action Log
2. USDA Code of Conduct and Procurement Procedures Questions
3. Code of Conduct and Procurement Procedures
4. USDA Formal Procurement Questions
5. Solicitation
6. Agreement

Divide and Conquer!

1. Divide into two teams at each table
2. Select scribe and presenter
3. Review instructions and action log
4. Read procurement documents
5. Answer questions not grayed out

Team 1:

Code of Conduct and
Procurement Procedures

Team 2:

Solicitation and Agreement

Let's Practice!

Step 1: Read the **Instructions** and **Action Log**

Step 2: Review the handout: **Code of Conduct/Procurement Procedure Questions**

Step 3: Read the **Code of Conduct** to see if requirement met

Step 4: Read **Internal Control** in questions document

Step 5: Answer yes or no. If no, include technical assistance.

A Couple More Things...

- Actual USDA questions CDE must answer for procurement reviews
- Five to six errors per table
- Use notebooks on tables to document answers
- Moderators are circulating room for assistance
- Enjoy your lunch!

Activity Instructions

1. Divide into two teams at each table
2. Select scribe and presenter
3. Review Instructions and Action Log
4. Read procurement documents
5. Answer questions not grayed out

Team 1:

Code of Conduct and
Procurement Procedures

Team 2:

Solicitation and Agreement

Contract Review Activity: Report Out!

1. Read one USDA review question that your team answered.
2. What was the error?
3. What technical assistance would you provide?



Chamber of Secrets to the Buy American Provision

Vendor Responsibilities

There is only one: Comply with all contractual agreements

SNP Operator Responsibilities



1. Include the Buy American requirement in solicitations, contracts, and procurement procedures
2. Retain records documenting exceptions **prior** to delivery
3. Monitor contractor performance
 - Solicitation and contract language
 - Delivery invoices and receipts
 - Storage facilities

Going the Distance!

- Require suppliers to provide certification of domestic origin prior to delivery
 - Commodities: Grown in the U.S.
 - Processed products:
 - Processed 100 percent in the U.S.
 - Over 51 percent domestic agricultural commodities
- Include requirement in procedures, specifications, solicitations, and contracts

Documenting Exceptions

1. Indicate specific food items
2. Identify which of the two allowable exceptions is being used: availability and/or cost
3. Include justification by providing price or availability data
4. Document exception prior to shipment or accepting delivery



Close Window

Run a Custom Report

Step 1: Report Type

Type: by

By:

Run

Best Practices for Exceptions

- Start documentation early in the procurement process
- Document domestic alternatives considered
- Require vendor to:
 - Provide notification a minimum of “X” days in advance of delivery
 - Submit a list of domestic alternatives



CDE Exception Form (PRU-10 and 10a)

Buy American Provision Exception Documentation Worksheet

For instructions on how to complete this worksheet, please download Form PRU-10a from the Download Forms section of the Child Nutrition Information and Payment System (CNIPS).

1. Type of Exception: (Check one box only)

Annual Exception Seasonal Exception One-Time Exception

2. Person completing the worksheet:

First and Last Name: Position:

Name of SFA (e.g. school district name):

Name of vendor supplying nondomestic commodity or product:

3. List the dates for the following:

Vendor informed the SFA about supplying a nondomestic commodity or product:

SFA agreed to accept this commodity or product in advance of delivery:

Commodity or product was received by the SFA: (SY), or season(s)/month(s), or date:

- Streamline exception process
- Adhere to guidance issued by the USDA and CSA
- Provide sufficient information to document exceptions

Exception Form Requirements

1. Document the type of exception:
 - Annual
 - Seasonal
 - One-time
2. Include only one item per Exception Form
3. Identify the specific exemptions
4. Include supporting information

Only Five Annual Exceptions

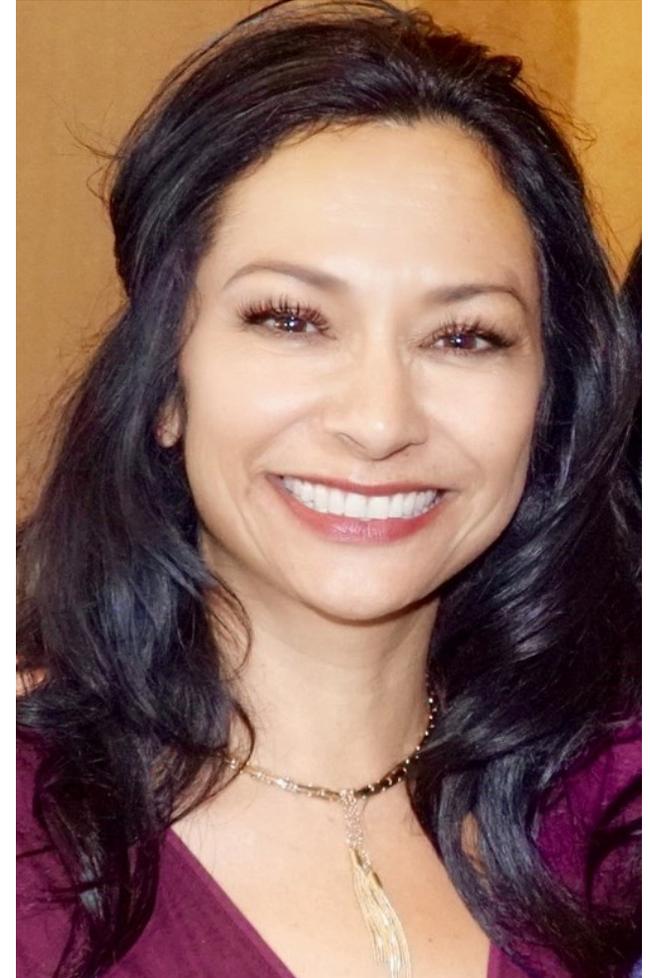


- Document once per school year
- Five items
 - Bananas
 - Canned mandarin oranges
 - Pineapple
 - Jicama
 - Mangos
- Five is better than none!

Buy American Panelists

Lisa Andrea Marquez

- Sunrise Produce Company
 - School Specialist (2010-12)
 - Director of School Sales (2012-13)
 - **Executive Vice President** (2013-present)
- 20 years school food service experience
- Active in child nutrition policy
 - Former California School Nutrition Industry Adviser and current member
 - Involved in state and national Legislative Action Conferences



Creating Consistent Procedures

- Purchasing Procedures Manual
 - Include examples: certification and exclusion forms
 - Set price level and/or percentage mark-up for tolerance of increase cost
 - Format language in purchasing procedures manual so you can cut and paste into documents
- Request for Proposals
- Quotes

Communicating Needs to Vendors

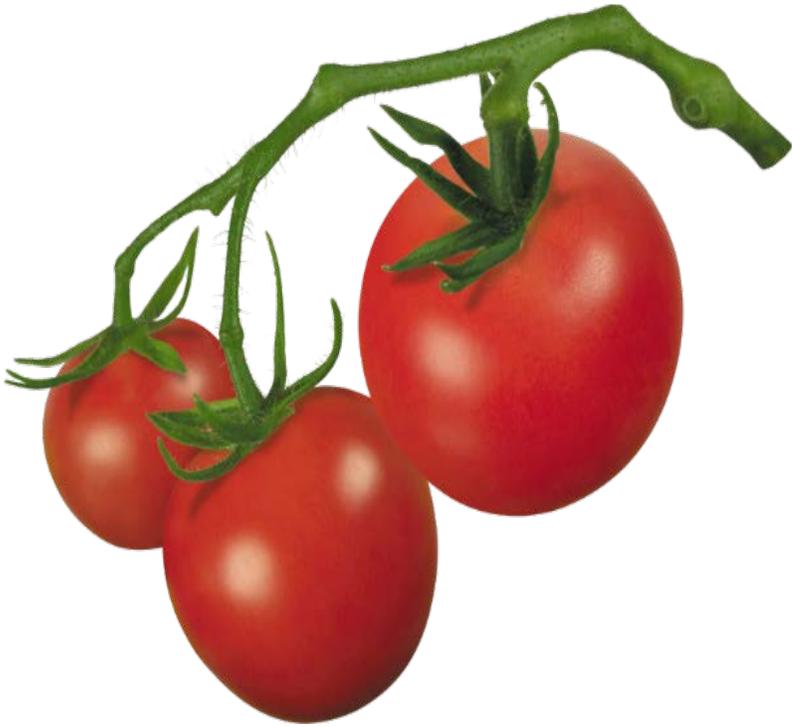
- Include information in bid documents
- Monitor deliveries for substitutions
- Focus attention on produce – area of concern
- Check monthly reports to verify country of origin is domestic
- Request the vendor provide documentation and justification

Maximum Extent Practicable

- Produce procurement: Ensuring compliance
- Agriculture commodity grown in the U.S.
- Seasonal procurement
- Cost and availability
- What are the exceptions?
- Over 51%
- Vendor/supplier: Written documentation
- Buy American: Calendar of Origins



Documenting Buy American



- Understand seasonal growing patterns
- Document by season not by purchase
- Communicate with your vendor
- Access the CDE Buy American Exception Form
- Farm to School and USDA Department of Defense (DoD) Fresh Fruit and Vegetable Program

Questions for our Panelists!

Break Time!

**Up Next—Sickles and Knuts:
Paid Lunch Equity
Revenue from Nonprogram Foods**



Sickles & Knuts

Paid Lunch Equity

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Learning Objectives



- Know the rules and regulations, policies and procedures that govern Paid Lunch Equity (PLE)
- Understand the terms that relate to PLE
- Learn the PLE Tool functions to determine the required paid lunch price, and
- Understand the options for PLE compliance

Paid Lunch Equity: Purpose

To help ensure that schools have **funding available** to support serving nutritious meals to all students

Equity in School Lunch Pricing Fact Sheet
U.S. Department of Agriculture (USDA), March 2, 2011



Federal Regulation

Sufficient funds must be provided to the nonprofit school food service account for meals served to students not eligible for free or reduced price meals either through the prices charged for “paid” meals or through nonfederal sources.

Title 7, *Code of Federal Regulations*, Section 210.14(e)

PLE Term: Reimbursement Difference

It is the difference between the per meal federal reimbursement for paid and free lunches.

| | | | |
|-------------------|--------------------------------------|--------------|---------------|
| SY 2017–18 | Federal reimbursement for free lunch | | \$3.23 |
| | Federal reimbursement for paid lunch | minus | <u>\$.31</u> |
| | Reimbursement Difference | | \$2.92 |
| SY 2018–19 | Federal reimbursement for free lunch | | \$3.31 |
| | Federal reimbursement for paid lunch | minus | <u>\$.31</u> |
| | Reimbursement Difference | | \$3.00 |

PLE Term: Target Price (1)

The reimbursement difference for the school year becomes the USDA's minimum target paid lunch price, or **Target Price**, for the following school year.

| | Reimbursement Difference | USDA Target Price |
|------------|--------------------------|-------------------|
| SY 2016–17 | \$2.86 | |
| SY 2017–18 | \$2.92 | \$2.86 |
| SY 2018–19 | \$3.00 | ? |
| SY 2019–20 | | ? |

PLE Term: Target Price (2)

The reimbursement difference for the school year becomes the USDA's minimum target paid lunch price, or **Target Price**, for the following school year.

| | Reimbursement Difference | USDA Target Price |
|------------|--------------------------|-------------------|
| SY 2016–17 | \$2.86 | |
| SY 2017–18 | \$2.92 | \$2.86 |
| SY 2018–19 | \$3.00 | \$2.92 |
| SY 2019–20 | | \$3.00 |

PLE Term: Weighted Average Price, or WAP

WAP is the average of paid lunches claimed in **October of the previous year**, at each different price charged by the school food authority (SFA).

SY 2016–17

Hogwarts USD, October 2016

| | Lunch Price | # of Paid Lunches | Total |
|-------------------------|--------------------|--------------------------|------------------|
| Diggory High School | \$3.00 | 1,000 | = \$3,000 |
| Slytherin Middle School | \$2.75 | 800 | = \$2,200 |
| Hufflepuff Elem. School | \$2.50 | <u>2,000</u> | <u>= \$5,000</u> |
| | | 3,800 | \$10,200 |

WAP = \$10,200 divided by 3,800
= **\$2.68**

WAP vs. Target Price

Hogwarts USD
WAP for SY 2016–17
\$2.68

USDA
Target Price for SY 2017–18
\$2.86

If the **WAP is less than the Target Price** for that school year, the SFA will need to verify their required paid lunch price by using the **PLE Tool**.

If the WAP is equal to or greater than the Target Price, compliance has been achieved.

PLE Requirement in SY 2018–19

Activity: Calculate the WAP (1)

1. Calculate the SFA's WAP in SY 2017–18:

Musidora Barkwith SD, October 2017

| | Lunch Price | # of Paid Lunches |
|----------------------------|-------------|-------------------|
| Barrufio High School | \$3.50 | 500 |
| Dobby Middle School | \$3.00 | 1,000 |
| Aunt Elladora Elem. School | \$2.75 | 1,200 |

WAP = ?

2. Does the SFA meet the USDA Target Price for SY 2018–19?

PLE Requirement in SY 2018–19

Activity: Calculate the WAP (2)

1. Calculate the SFA's WAP from SY 2017–18:

Musidora Barkwith SD, October 2017

| | Lunch Price | # of Paid Lunches | Total |
|----------------------------|-------------|-------------------|-------------------|
| Barrufio High School | \$3.50 | 500 | = \$ 1,750 |
| Dobby Middle School | \$3.00 | 1,000 | = \$ 3,000 |
| Aunt Elladora Elem. School | \$2.75 | <u>1,200</u> | <u>= \$ 3,300</u> |
| | | 2,700 | \$ 8,050 |

WAP = \$2.98 (\$8,050 divided by 2,700)

Target Price in SY 2018–19: **\$2.92**

2. Does this meet the USDA Target Price for SY 2018–19? Yes

USDA PLE Tool (1)



The PLE Tool:

- Calculates the SFA's paid lunch price **increase requirement** and if needed, the non-Federal source **contributions** to meet requirements
- Also calculates **credits or deficits** carried over into the next year
- Only the tab(s) for the **method used** for meeting the requirement need to be completed

USDA PLE Tool (2)

Furthermore, the PLE Tool:

- Does not need to be completed if the SFA's paid lunch price at **ALL** of its sites **is equal to or greater** than the USDA minimum target price for the given school year.
- A new version is published by the USDA each spring
- May be downloaded from the CNIPS, Applications, Download Forms

Completing the Tool: Tabs (1)

The PLE Tool contains **guidance** in calculating the **SY 2018–19** paid lunch price requirement. The SFA may need to complete the following tabs:

- a. **Annual Unrounded Requirement Finder** – **most common method** to determine paid lunch price requirement. Use either:
 - **SY 2010–11 WAP (simplest method)**, or
 - Unrounded adjusted average paid lunch price requirement from SY 2017–18

Completing the Tool: Tabs (2)

- b. SY 2018–19 Price Adjustment Calculator** – if an SFA raised its WAP **above** the required amount in SY 2017–18, the excess paid lunch price may be subtracted from the total SY 2018–19 paid lunch price requirement.

If an SFA did not raise its WAP sufficiently to meet the requirement in SY 2017–18, the **shortfall** must be added to the total SY 2018–19 WAP requirement.

Completing the Tool: Tab (3)

- c. **SY 2018–19 non-Federal Calculator**—for SFAs that choose to contribute nonfederal funds to the Cafeteria account **in lieu of** raising paid lunch prices.

Determine the **total number of paid reimbursable lunches claimed in the school year** and multiply that by the difference between the SY 2018–19 price requirement and SFA's WAP.

Completing the Tool: Tabs (4)

- d. SY 2018–19 Split Calculator**—for SFAs that wish to split the SY 2018–19 requirement by both raising paid lunch prices and contributing nonfederal funds.



Completing the Tool: Tabs (5)

SY 2018–19 Report Tab

Please remember to **complete this tab** to confirm the method you used to satisfy the PLE requirement.



Sources of Nonfederal Funds

The following are allowable **sources of nonfederal funds**:

- Per-lunch reimbursements for paid lunches provided by State or local governments
- Funds provided by organizations, such as school-related or community groups, to support paid lunches
- Any proportion of State revenue matching funds that exceeds the minimum requirement, as provided in *CFR 210.17*, and is provided for paid lunches, and
- A proportion attributable to paid lunches from direct payments made from school district funds to support the lunch service



PLE Guidance for SY 2018–19

- Any SFA with a **positive or zero balance** in its nonprofit school food service account as of **January 31, 2018**, is **exempt from PLE requirements** found at 7 *CFR* 210.14(e) for school year (SY) 2018–19.
- SFAs that had a **negative balance** in the nonprofit school food service account as of **January 31, 2018** **must follow PLE requirements** when establishing their prices for paid lunches in SY 2018–19.

USDA Policy Memorandum SP 12-2018

Options for PLE Compliance

To achieve compliance with PLE requirements for the **school year**:

- Charge at least the USDA Target Price at **ALL** sites
- Based on the PLE Tool, charge at least the SFA's WAP requirement
- Use allowable nonfederal funds to supplement the required paid lunch price
- Have an approved PLE waiver for SY 2018–19 or PLE exemption in SY 2017–18.

Conclusion



- The rules and regulations, policies and procedures that govern PLE
- The terms that relate to PLE
- PLE Tool functions to determine the paid lunch price requirement
- The options for compliance with PLE requirements



Sickles and Knuts

Revenue from Nonprogram Foods

Objectives

- Review Nonprogram Foods (NPF) regulations and guidance
- Apply internal controls to NPF
- Calculate NPF Revenue

NPF Regulations

- Title 7 *Code of Federal Regulations (CFR)* 210.14 (f)
- USDA Policy Memo SP 20-2016
- NSD Management Bulletin SNP-04-2016
- NSD Management Bulletin SNP-12-2014

Title 7 *CFR*, Section 210.14(f)(1)

NPF consists of foods and beverages:

- (i) Sold in a participating school other than reimbursable meals and meal supplements; and
- (ii) Purchased using funds from the nonprofit school food service account.

Title 7 *CFR*, Section 210.14(f)(2)

Revenue from NPF: The proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account shall be equal to or greater than:

- i. The proportion of total food costs associated with obtaining nonprogram foods to
- ii. The total costs associated with obtaining program and NPF from the account.

Title 7 *CFR*, Section 210.14(f)(3)

All revenue from the sale of NPF shall accrue to the nonprofit school food service account of a participating school food authority.

USDA Policy Memo SP 20-2016

- Nonprogram Revenue Requirements
- NPF Sale Transactions
- Assessing Compliance Options
- State agency monitoring

Nonprogram Foods Sale Transactions

USDA Policy Memo SP 20-2016 recommends SFAs take a two transaction approach catering or vending NPF.

- 1st transaction between food services and the outside entity to ensure all costs (including food and labor) are covered.
- 2nd transaction between the outside entity and its customer.

Outside entity refers to those outside of food services.

Nonprogram Foods Sale Transactions

Pros:

- Second transaction profits used to cover unallowable costs
- NPF revenue and costs can be excluded from the ratio

Cons:

- The outside entity is responsible for all losses
- A la carte prices can fluctuate
- Labor and food costs must be included in the price
- Labor and food costs must be excluded from the calculation

Nonprogram Food Revenue Ratio (1)

$$\frac{NPr}{Pr + NPr} \geq \frac{NPc}{Pc + NPc}$$

Legend

P Program

NP Nonprogram

r Revenue

c Food Costs

Nonprogram Food Revenue Ratio (2)

$$\frac{\text{Nonprogram Food revenue}}{\text{Total Program + Nonprogram Revenue}} \geq \frac{\text{Nonprogram Food costs}}{\text{Total Program + Nonprogram Food Costs}}$$

Nonprogram Food Categories

- Adult Meals
- Catering
- Food or beverages supplied to another district or program
- Food or beverages provided in vending machines
- A-la-carte
- Fundraisers
- School stores

Internal Control Strategies

What are two or three simple steps that you can implement at your SFA to ensure proper internal controls are in place for Nonprogram Foods?

Assessing Compliance Options

- Internal Control Procedures
- Evaluate and monitor compliance
- Take prompt action when noncompliance is identified

Internal Control Procedures

- Separate revenue and food costs between program and nonprogram foods
- Track revenue from the point of sale until the funds are reconciled with the general ledger.
- Assess compliance with Nonprogram Food Revenue Requirement
- Evaluate prices if noncompliance is identified
- Secure funding to make up any shortfalls

Financial Management Example

Expenditures

The program operator should consider the following

- Direct Costs
 - Separate purchases
 - Costing out recipes

- Vended
 - Meals vended to other programs

Evaluate and monitor compliance

- Identify Revenues
- Determine food costs
- Assess compliance
- Evaluate prices
- Secure funding or reestablish reference period

Take prompt action when noncompliance is identified

- Secure funding or reestablish reference period

State agency monitoring

- SNP AR NPF Comprehensive Review
- Document request
- Compliance assessment

Questions & Answers



Last Order of Business

- Post Assessment
- Professional Crediting
- Contact Information and Resources



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