



CSNA State Day Resource Management



CALIFORNIA DEPARTMENT OF EDUCATION
Tony Thurmond, State Superintendent of Public Instruction



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Welcome





Cafeteria Funds: Allowable Costs





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Learning Objectives

- Know the laws, regulations, and policies that govern the use of the cafeteria fund
- Understand the factors that affect the allowability of costs
- Determine the allowability of costs





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Allowable Costs—Why Important?

- Provide nutritious meals to children
- Enhance their learning abilities
- Contribute to overall well-being





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Allowable Cost Attributes

- Used 100 percent for the operation and improvement of food service
- Considered reasonable, necessary, and allocable under the award
- Complies with federal regulations and state laws





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Allowable Costs–Tip Sheet

- Allowable
- Limited Allowability
- Not Allowable





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Allowable Costs (1)

- Salaries, wages, and benefits for staff
- Program, food, supplies, and materials
- Indirect costs
- Repair and maintenance

Does **not** require preapproval from CDE





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Allowable Costs (2)

- Equipment on the Capital Approved Expenditure List at

<https://www.cde.ca.gov/ls/nu/sn/capexpapprovedlist.asp>

- Does **not** require preapproval from CDE
- Must follow procurement procedures
- Requires existing service systems are adequate for install





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Limited Allowability (1)

- Per unit cost of \$5,000* or more and **not** on the Capital Expenditure Approved List

Requires **preapproval** from CDE

*Lower threshold may apply based on SFA policy





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Limited Allowability (2)

- Construction or renovation
- Nutrition education and promotion
 - USDA policy memo SP07-2015
 - Nutrition education expense request forms in CNIPS (SNP-63)

Requires **preapproval** from CDE





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Not Allowable (1)

- Buildings and land
 - Cost to the SFA
- Service systems and building fixtures
 - Integral parts of a building
 - Examples: plumbing, electrical, and cabinetry





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Not Allowable (2)

- Multipurpose items
- Bad debt





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Activity





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Common Mistakes

- Not obtaining preapproval from CDE
 - Cause: Change in personnel or decentralized purchasing
- Marketing or promotional costs
 - Cause: Not aware of the prohibition
- Staff parties and gifts
 - Cause: Not aware of prohibition and mindset





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Corrective Action

- What happens when unallowable costs are discovered during administrative review?
 - Disallow and transfer general fund money
 - Updated internal control procedures
 - Training





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Reach Out!

Contact us:

SNPCafeFundQuestions@cde.ca.gov





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Questions





Time and Effort Documentation

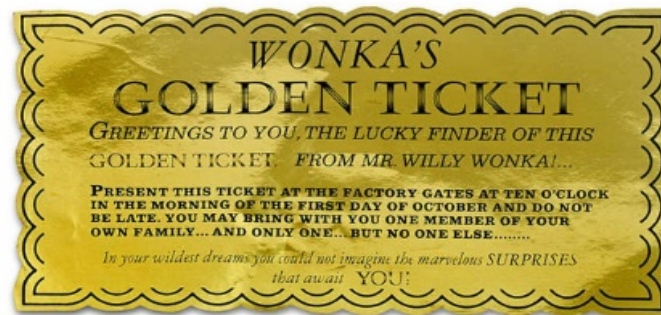




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Learning Objectives

- Understand timekeeping documentation requirements
- Identify what is required during administrative review
- Know common findings and how to avoid them





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Purpose

Federal funds are spent for the operation and improvement of food service





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Employee Support Categories

- Single federal award
 - Works exclusively on school nutrition programs
- Multiple awards, programs, and activities
 - Example: Custodial staff that perform food service and general duties
- Supports indirectly
 - Example: Accounting or payroll personnel





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Time and Effort Documentation

- Single federal award
 - Periodic certification
- Multifunded
 - Personnel activity report (PAR) or equivalent documentation
- Indirect
 - District timekeeping policies





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Example: Single and Multifunded

1. Laura works 32 hours a week in Food Service (Fund 13). She does not work on general district duties or for any other program.
2. Michael's work hours are divided among duties performed for Food Service (Fund 13), the district (Fund 1), and Child and Adult Care Food Program (CACFP) (Fund 13).





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Periodic Certification (1)

1. Prepared at least every six months and specify the time period covered
2. Signed and dated by the employee or supervisor **after** the period specified





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Periodic Certification (2)

3. Identify the program under which the employee worked
4. State that the employee worked solely on a single federal program during the period covered

Option–blanket certification





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PAR

1. Basic information (name, total hours)
2. Reflect an after-the-fact distribution activity
3. Account for each activity performed
4. Identify the funding source for each activity
5. Prepared at least monthly
6. Signed and dated by employee or supervisor





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PAR Equivalent Documentation

1. Timesheet

- Prepared at least monthly after-the-fact
- Documents time worked and/or activities performed
- Identifies the funding sources
- Signed and dated

2. Job description or duty statement

- Accounts for the activities performed





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Administrative Review (1)

- Additional documentation may be required
 - Payroll reports
 - Duty statements
 - Timekeeping procedures





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Administrative Review (2)

- Common findings
 - No documentation
 - Activities do not support food program
 - Inconsistent treatment as direct or indirect
 - Based on budget instead of actual hours worked
 - Not after-the-fact





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Activity–Case Studies





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Hornswoggler USD (1)

- **Charlie Bucket**
 - Periodic certification
 - Not after-the-fact
 - Technical assistance





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Hornswoggler USD (2)

- Violet Beauregard
 - PAR
 - No problems!





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Snozzberry USD (1)

- Veruca Salt
 - Periodic certification
 - Duty statement had general district duties listed
 - Should complete a PAR
 - Finding and disallowance





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Snozzberry USD (2)

- Mike Teavee
 - PAR
 - Did not have activity detail
 - Percentage charged did not align with duty statement
 - Finding and disallowance





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Time and Effort: Tips

- Revisit policies and processes at least once a year (resource management day)
- Periodically examine timekeeping documents and reports
- Ensure that all time and effort charges meet the Time Accounting Criteria
- Reach out to RMU





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Questions





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Break





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NSD Customer Service Survey

How Can we help?

- Share your experiences with us
- Tell us how we can help you
- Offer specific feedback
- Request follow up or technical assistance from NSD teams
- Take online at anytime, in about 5 minutes
- Visit the NSD Customer Service Survey web page at <https://www.cde.ca.gov/ls/nu/nsdcs.asp>





Net Cash Resources





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Learning Objectives

By the end of this segment attendees will have a better understanding of:

- Net cash resources (NCR) and how to calculate
- Budget agreements





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Why?

Ensuring funds are used to sustain and improve the school nutrition program.





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CDE Requirements

- Less than 3 months average expenditures
- Required for Administrative Review
- Completion of NCR calculator annually

Net Cash Resources Calculator

This Net Cash Resource (NCR) Calculator Tool can be used to assist program operators in determining the status of their nonprofit food service account in accordance with Title 7, Code of Federal Regulations, Section 210.14(b).

To be completed by reviewer/analyst:
CNIPS ID:
agency name:
Fiscal year:
Review ID:
Reviewer:
Review date:

Please use your year-end financial reports to complete the highlighted areas below. This form is for program operators operating the School Nutrition Programs (SNP) and, when applicable, the Child and Adult Care Food Program (CACFP).

	SNP	CACFP
1. Income statement:		
a. Total revenues	<input type="text"/>	<input type="text"/>
b. Total expenditures	<input type="text"/>	<input type="text"/>
c. Net income for the school year	<u>0.00</u>	<u>0.00</u>

2. Ending balance

3. Number of full school months in the fiscal year

4. NCR calculation:		
a. Average monthly expenditures		
b. Ending balance	0.00	0.00
c. Three months of expenditures	<input type="text"/>	<input type="text"/>
d. Excess net cash resources	<u><input type="text"/></u>	<u><input type="text"/></u>

e. Number of months **under/over**

Congratulations, you are in compliance with federal regulations, since your NCR did not exceed the three months' average expenditures in your program accounts.

Comments:



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Completing the NCR Calculator

- Gather necessary documents:
 - Year end financial statements/unaudited actuals
 - SNP 57 – Net Cash Resources Calculator Tool (NCR Calculator)





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Completing the NCR Calculator (2)

Activity

Using either Snozzberry USD or Hornswoggler USD's unaudited actuals, fill in the **total revenues**, **total expenditures**, and **ending balance** in the blank NCR calculator

1. Income statement:			
a. Total revenues	⇒	SNP	CACFP
b. Total expenditures	⇒		
c. Net income for the school year		0.00	0.00

2. Ending balance	⇒		
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Hornswogglers USD (1)

Net Cash Resources Calculator

This Net Cash Resource (NCR) Calculator Tool can be used to assist program operators in determining the status of their nonprofit food service account in accordance with Title 7, Code of Federal Regulations, Section 210.14(b).

		<i>To be completed by reviewer/analyst:</i>	
CNIPS ID:	02323	Review ID:	_____
Agency name:	Hornswogglers USD	Reviewer:	_____
Fiscal year:	17-18	Review date:	_____

Please use your year-end financial reports to complete the highlighted areas below. This form is for program operators operating the School Nutrition Programs (SNP) and, when applicable, the Child and Adult Care Food Program (CACFP).

1. Income statement:	SNP	CACFP
a. Total revenues	7,089,330.10	
b. Total expenditures	6,871,930.90	
c. Net income for the school year	217,399.20	0.00

2. Ending balance	2,005,574.63	
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3. Number of full school months in the fiscal year	9
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4. NCR calculation:		
a. Average monthly expenditures	763,547.88	0.00
b. Ending balance	2,005,574.63	0.00
c. Three months of expenditures	2,290,643.63	0.00
d. Excess net cash resources	(285,069.00)	0.00
e. Number of months under/over	(0.4)	

Congratulations, you are in compliance with federal regulations, since your NCR did not exceed the three months' average expenditures in your program accounts.





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Hornswogglers USD (2)

1. Income statement:

a. Total revenues

SNP

7,089,330.10

CACFP

b. Total expenditures

6,871,930.90

c. Net income for the school year

217,399.20

0.00

2. Ending balance

2,005,574.63

3. Number of full school months in the fiscal year

9





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Hornswogglers USD (3)

4. NCR calculation:

a. Average monthly expenditures	763,547.88	0.00
b. Ending balance	2,005,574.63	0.00
c. Three months of expenditures	<u>2,290,643.63</u>	<u>0.00</u>
d. Excess net cash resources	<u>(285,069.00)</u>	<u>0.00</u>
e. Number of months under/over	(0.4)	

Congratulations, you are in compliance with federal regulations, since your NCR did not exceed the three months' average expenditures in your program accounts.





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Snozzberry USD (1)

Net Cash Resources Calculator

This Net Cash Resource (NCR) Calculator Tool can be used to assist program operators in determining the status of their nonprofit food service account in accordance with Title 7, *Code of Federal Regulations*, Section 210.14(b).

To be completed by reviewer/analyst:

CNIPS ID:	01212	Review ID:	
Agency name:	Snozzberry USD	Reviewer:	
Fiscal year:	17-18	Review date:	

Please use your year-end financial reports to complete the highlighted areas below. This form is for program operators operating the School Nutrition Programs (SNP) and, when applicable, the Child and Adult Care Food Program (CACFP).

1. Income statement:	SNP	CACFP
a. Total revenues	15,400,170.26	
b. Total expenditures	15,346,705.05	
c. Net income for the school year	53,465.21	0.00

The NCR calculator indicates that the agency is currently running an annual revenue surplus which must be budgeted for to avoid excess net cash in the

2. Ending balance	7,186,268.33	
3. Number of full school months in the fiscal year		9

4. NCR calculation:		
a. Average monthly expenditures	1,705,189.45	0.00
b. Ending balance	7,186,268.33	0.00
c. Three months of expenditures	5,115,568.35	0.00
d. Excess net cash resources	2,070,699.98	0.00
e. Number of months under/over	1.2	

EXCESS

Please contact the Resource Management Unit regarding SNP funds or your CACFP Specialist regarding CACFP funds. Your SFA may require further budget oversight.



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Snozzberry USD (2)

1. Income statement:

a. Total revenues

SNP
15,400,170.26

CACFP

b. Total expenditures

15,346,705.05

c. Net income for the school year

53,465.21

0.00

The NCR calculator indicates that the agency is currently running an annual revenue surplus which must be budgeted for to avoid excess net cash in the future.

2. Ending balance

7,186,268.33

3. Number of full school months in the fiscal year

9





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Snozzberry USD (3)

4. NCR calculation:

a. Average monthly expenditures	1,705,189.45	0.00
b. Ending balance	7,186,268.33	0.00
c. Three months of expenditures	5,115,568.35	0.00
d. Excess net cash resources	<u>2,070,699.98</u>	<u>0.00</u>
e. Number of months under/over	1.2	

EXCESS

Please contact the Resource Management Unit regarding SNP funds or your CACFP Specialist regarding CACFP funds. Your SFA may require further budget oversight.





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Next Steps

Contact your RMU
analyst for assistance
in getting on a budget
agreement



SNPBA@cde.ca.gov





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Budget Agreements

Agreement between SFA and CDE:

- How SFA will spend down
 - What money will be used for
 - How many years it may take





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Budget Agreements (2)

- Submit NCR calculator on time
- Respond to emails
- Keep in touch with RMU

Be proactive = ↓ chance of finding during AR





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Budget Agreement: Snozzberry USD

4. NCR calculation:

a. Average monthly expenditures	1,705,189.45	0.00
b. Ending balance	7,186,268.33	0.00
c. Three months of expenditures	5,115,568.35	0.00
d. Excess net cash resources	<u>2,070,699.98</u>	<u>0.00</u>

e. Number of months **under/over** 1.2

EXCESS

Please contact the Resource Management Unit regarding SNP funds or your CACFP Specialist regarding CACFP funds. Your SFA may require further budget oversight.





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Budget Agreement: Snozzberry USD (2)

1. Contact RMU
2. Submit NCR calculator and unaudited actuals
3. Create spend down plan
4. Finalize and approve plan
5. Agree to terms of plan – work with analyst on annual basis





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Spending Down

- New equipment
- New transportation vehicles
- Higher quality food
- Decrease cost of paid meals (only with CDE approved PLE exemption)





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How Do You Spend Down?

- Let's hear from some of our SFAs on a BA
 - What have you spent \$\$ on?
 - What are you planning to purchase?
 - What changes have you made to food quality?





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Budget Agreement: Noncompliance

Phase 1

- Extend plan another FY
- Receive additional technical assistance
- Bring in key stakeholders

Phase 2

- Remove SFA from “good standing” list
- Automatic Comprehensive Review during AR

Phase 3

- Terminate BA and reduce federal reimbursement





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In Summary

- All SFAs should be calculating NCR annually
 - Resource Management Day!
- For any SFAs with excess NCR work with RMU to get on a budget agreement





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Questions?





Paid Lunch Equity



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Learning Objectives

- Understand Paid Lunch Equity (PLE) and regulations
- Understand pricing requirements
- Be aware of California Department of Education (CDE) outreach
- Recognize the importance of monitoring meal prices
- Understand compliance and procedures





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Background

- Determining average prices for paid lunch
- Comparing price requirements
- Determining paid lunch price increases
- Supplementing paid lunch prices with nonfederal sources

U.S. Department of Agriculture (USDA)

Policy Memo SP 39-2011





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Equity

The amount of funds contributed by students eligible for paid lunches through the sale of reimbursable meals.

$$\begin{array}{r} \text{Federal free reimbursement rate} \\ - \\ \text{Federal paid reimbursement rate} \\ \hline = \\ \text{Equity} \end{array}$$





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PLE Price Requirement

Federal reimbursement rates for School Year (SY)
2018–19

	Free lunch rate	\$3.33
–	Paid lunch rate	<u>\$0.33</u>
	USDA Minimum Price for SY 2019–20	\$3.00





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Exempt from PLE

- Districtwide Community Eligibility Provision
- Districtwide Provision 2
- Residential child care institution (no day students)
- PLE Exemption (if eligible)

PLE requirement does not apply.





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CDE Outreach

- Identify SFAs at risk for finding
- Provide technical assistance
- Prevent unnecessary findings





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Meal Price Monitoring

Advantages of monitoring meal prices:

- Better budget forecasting
- Greater transparency
- Increased compliance





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Achieving compliance

- Price at USDA minimum
or
- Check compliance with the PLE Tool
 - Price increase
 - Contribution
 - Combination of price increase and contribution

* Contributions must be noted as supporting PLE





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Completing the PLE Tool

Data required:

- Number of full price paid lunches for October prior year
- Paid lunch prices charged at each site
- Total number of meals served in prior school year

Please contact the Resource Management Unit for assistance.





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PLE Exemption

Available when the balance was positive on:

- School Year 2018–19 January 31, 2018
- School Year 2019–20 December 31, 2018
- School Year 2020–21 December 31, 2019





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Calculating Weighted Average Price

Paid lunches served in October of prior year (site 1)

X Paid lunch price (site 1)

+

Paid lunches served in October of prior year (site 2)

X Paid lunch price (site 2)

+

Additional sites

÷ Total number of meals served in October of prior year

= WAP





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Example 1

Snozzberry Unified School District (USD)

Elementary	\$2.75
Middle School	\$3.00
High School	\$3.25

Number of paid lunches served in October 131,631

Calculate the WAP



Unified School District





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Example 1: Answer (1)

Snozzberry USD

Elementary	$\$2.75 \times 76,581 = 210,597.75$
Middle	$\$3.00 \times 25,248 = 75,744.00$
High	$\$3.25 \times \underline{29,802} = \underline{96,856.50}$
totals	131,631 383,198.25

$$\text{WAP} \quad 383,198.25 / 131,631 = \mathbf{\$2.91}$$

USDA minimum price \$2.92





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Example 1: Answer (2)

WAP = \$2.91

PLE Tool rounded price = \$2.90

USDA minimum \$2.92

WAP \leq PLE Tool = Compliant





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Example 2

Hornswoggler USD

Elementary	\$2.50
Middle School	\$3.00
High School	\$3.50



Number of paid meals served in October 20,891

Calculate the WAP



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Example 2: Answer (1)

Hornswoggler USD

$$\text{Elementary} \quad \$2.50 \times 14,597 = 36,492.50$$

$$\text{Middle} \quad \$3.00 \times 821 = 2,463.00$$

$$\text{High} \quad \$3.50 \times \underline{5,473} = \underline{19,155.50}$$

$$\text{totals} \quad \quad \quad 20,891 \quad 58,111.00$$

$$\text{WAP} \quad 58,111.00/20,891 = \mathbf{\$2.78}$$

USDA minimum price \$2.92





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Example 2: Answer (2)

WAP = \$2.78

PLE Tool rounded price = \$2.80

USDA minimum \$2.92

WAP < PLE Tool ≠ Compliant





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Example 2 Compliance Options

- Increase prices to the PLE Tool rounded price or more each year
- Contribute nonfederal funds
- Combination of price increase and contribution

Hornswoggler example:

Increase paid price 10 cents each year and contribute \$2,089

OR

File PLE exemption and increase prices 25 cents next year

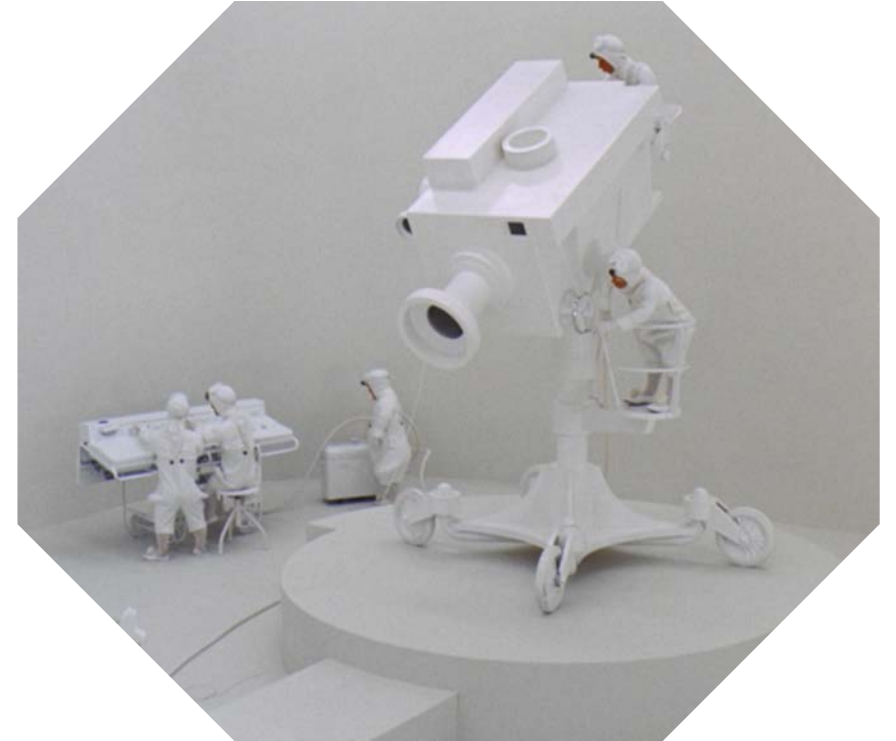




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Additional Resources

- USDA PLE Tool
- PLE Tool Instructions
- CDE video





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Key Things to Remember

- Cost of paid meals should not be supplemented by free and reduced-price reimbursement
- Monitor paid lunch prices annually
- Charge USDA minimum or PLE Tool rounded price
- Use additional resources and ask for assistance





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Contact information

Resource Management Unit

SNPcafefundquestions@cde.ca.gov

<https://www.cde.ca.gov/ls/nu/sn/cafefundguide.asp>





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Questions?





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Lunch





Internal Controls of the Cafeteria Fund



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Learning Objectives

- Understand internal controls and requirements
- Understand the fraud triangle
- Recognize internal control procedures and resources
- Review self assessment for areas to improve





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Internal Controls Defined

- Processes designed to provide reasonable assurance of
 - Effectiveness and efficiency
 - Reliability of reporting
 - Compliance





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Internal Control Requirements

- Recipients of federal awards must have internal controls
- Regulations do not mandate which internal controls are necessary





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Case Study–Hornswogglers USD (1)

- Collect payments online and cash at point of service
- Vending machines containing smart snacks
- Inventory maintained on site and is ordered through site manager
- Scratch cooking based on a rotating cycle menu





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Case Study–Hornswogglers USD (2)

- Recently switched point-of-sale vendors after 15 years
- Dedicated employees, many years of service
- Director and Assistant Director recently retired
- New Chief Business Officer





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Case Study–Hornswoggler USD (3)

All of these factors lead to the discovery of one of the largest school lunch theft cases

- Former director, assistant director, and site supervisor charged with larceny
- Over \$500,000 stolen over five years





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Case Study–Hornswoggler USD (4)

What happened?

- Cash was stolen daily from collections for paid meals, a la carte sales, and vending machines





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Case Study–Hornswoggler USD (5)

- How did this happen?
 - Attitude
 - Collusion
 - Weak internal controls





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Case Study–Hornswogglers USD (6)

- How was this discovered?
 - Someone paid attention
 - Auditor recommendation
 - Other internal controls





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Case Study–Hornswogglers USD (7)

- What was the negative effect to the district and those involved?
 - Bad press
 - Public trust decreased
 - Significant administrative costs
 - Jail time and repayment
 - Jeopardized retirement





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Case Study–Hornswoggler USD (8)

- What internal controls could have minimized this risk in the first place?

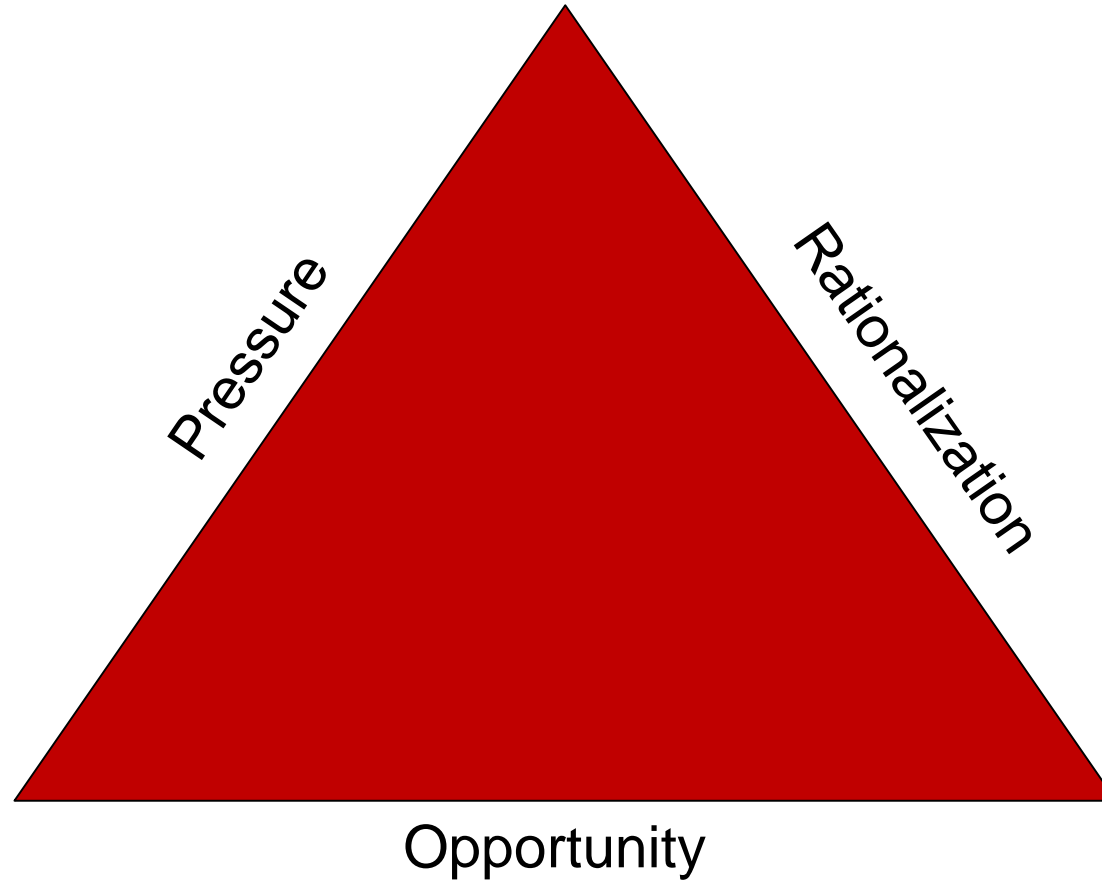




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Fraud Triangle*



*Credit: Donald R. Cressey



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Key Things to Remember

- Reasonable assurance
- Must have **effective** controls
- Don't be a Hornswoggler
- Reduce opportunity





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Internal Control Categories

1. Separation of duties
2. Access and authorization
3. Monitoring and verification
4. Record keeping





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Activity Instructions

- Read the description of your internal control category
- At your table discuss internal controls related to your category
- Write one to two examples on the paper provided for your category





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Separation of Duties

No single person is given authority over duties that provide opportunity for fraud, theft, misappropriation.





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Access and Authorization

Physical or virtual controls that ensure that only authorized personal may access assets and information.

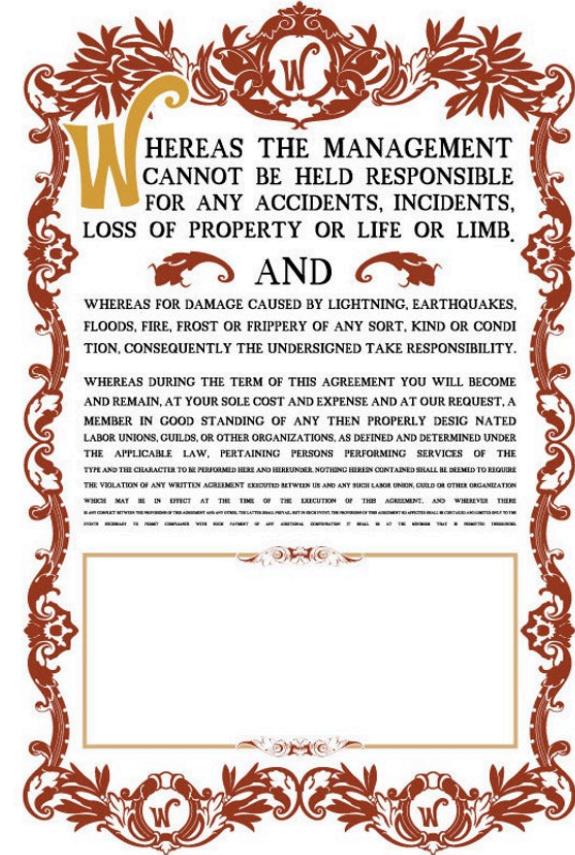




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Recordkeeping

Documents and electronic records that support the receipt and use of assets





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Monitoring and Verification

Ongoing evaluation of whether internal controls are operating as intended





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Internal Control Procedures

- Procedures can relate to more than one category
 - Example: reconciliation of bank statements to deposit slips





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Internal Control Tool

Internal control examples provided





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Key Things to Remember (2)

- Internal controls are a process used to provide reasonable assurance
- Federal award recipients are required to have internal controls
- Lessen the opportunity for fraud through internal controls
- Review internal control procedures to safeguard your cafeteria fund
- Use the self assessment and other resources provided to identify where controls should be strengthened





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Self Assessment





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Questions





Cafeteria Fund Bad Debt



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Learning Objectives

- Delinquent debt versus bad debt
- Bad debt requirements
- Senate Bill 265
- Strategies to reduce bad debt





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Delinquent Debt versus Bad Debt

- Delinquent
 - Payment is overdue
 - Considered collectable
 - Accounts receivable
- Bad
 - Not collectable
 - Overdue beyond “reasonable” time frame
 - End of fiscal year
 - 90 day rule
 - Repayment plan
 - Management bulletin SNP-03-2017





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Bad Debt Requirements

- Once determined bad debt
 - Written off from accounts receivable
 - Transfer nonfederal funds





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Bad Debt Recordkeeping Requirements

Keep evidence of the following:

- Meal charge policy
- Collection efforts
- Financial records showing when unpaid charges became bad debt
- Amount written off and transfer

Management bulletin SNP-03-2017





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Senate Bill 265

- Eliminates meal charge policy debt ceiling
- Allows all students to receive a reimbursable meal of choice
- Management bulletin SNP-22-2015





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Strategies to Reduce Meal Debt (1)

1. Communication
2. Prevention
3. Identification
4. Loss reduction





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Strategies to Reduce Meal Debt (2)





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Questions





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Break





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NSD Customer Service Survey Web page

- Take online at anytime, in about 5 minutes
- Visit the NSD Customer Service Survey web page at <https://www.cde.ca.gov/ls/nu/nsdcs.asp>
- Scan the QR code using your smartphone camera or app





Nonprogram Foods



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Learning Objectives

- Recognize the advantages and disadvantages
- Define nonprogram foods (NPF)
- Identify revenue requirements
- Categorize NPF
- Track revenues and costs
- Ensure compliance through procedures





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Advantages

- Creates additional revenues to spend on:
 - Higher quality food
 - Equipment
 - Staff salaries
- Offer items to teachers and other staff
- Healthier snack options





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Disadvantages

- Competing with program meals
- Tracking sale revenue and food costs
- System and business process incompatibilities
- Program size is not supportive
- Possible loss causing nonfederal contribution





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Definition

Foods and beverages:

- **Sold** in a participating school other than **reimbursable meals** and **meal supplements**
and
- **Purchased** using funds from the **cafeteria fund**





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Revenue Requirements

$$\frac{\text{Nonprogram revenue}}{\text{Total program and nonprogram revenue}} \geq \frac{\text{Total nonprogram food cost}}{\text{Total program and nonprogram food cost}}$$

Assess compliance

- Annually using a 22-day reference period
or
- Year round with current data to ensure compliance by end of school year





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Categories

- Adult meals
- Catering
- Vending to other districts, schools, or programs
- Vending machines
- A la carte
- School stores or fundraisers





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Adult Meals

- Price charged must cover all costs
- Best practices:
 - Determine cost
 - Establish meal price
 - Track quantities sold



Note: For provision sites, adult meal prices should be greater than the SFAs free reimbursement rate plus USDA Foods





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Catering

- Must recover all costs of food, labor, and supplies
- Best practice:
 - Catering process
 - Set menu and prices
 - Order process
 - Invoice process
 - Track repayment





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Vending

- Vending to outside entity or Child Nutrition Program
- Must recover all costs of food, labor, and supplies
- Best practice:
 - Determine cost
 - Establish prices
 - Order process
 - Invoice process
 - Track repayment





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Vending Machines

- May or may not contain NPF depending on funds used for operation
- Best practices:
 - Evaluate if NPF
 - Determine cost of items
 - Establish prices





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A la Carte

Best Practices:

- Determine items to offer and set prices
- Set prices appropriately
- Establish process to identify NPF from other food purchases
- Attribute cash and revenues correctly





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School Stores or Fundraisers

- Must recover all costs of food, labor, and supplies
- Best practices include:
 - Offering food that is compliant with competitive food standards
 - Determining cost and price
 - Establishing an order and invoice process
 - Tracking repayment





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Tracking Best Practices (1)

First step:

Learn about the requirements

- Research regulations
- Determine your capacity
- Examine demand
- Minimize deficit, maximize profits
- Develop policies and procedures





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Tracking Best Practices (2)

Second step:

Classify each transaction to a category

- Identify customer
- Group food items or meals
- Consider point of purchase





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Tracking Best Practices (3)

Third step:

Set up a system for collecting data

- Locate cost source
- Locate revenue source
- Create a spreadsheet





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Tracking Best Practices (4)

Last step:

Secure revenues and funding

- Follow the money
- Verify revenues in cafeteria fund
- Establish internal controls





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Tracking Example

Sara Maragni

Food and Nutrition Services Director
Ontario-Montclair School District



Sample 22-day reference period





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Reference Periods

Compliance can be evaluated by:

- Tracking the cost and revenue over
 - Full school year
 - or
 - 22-day reference period
- Tracking documents
- Internal controls

Management Bulletin SNP-04-2016: Revenue from Nonprogram Foods—Updated Guidance





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Adult Meal Pricing

- Cost of adult meal must be recovered
- Adult Meal Pricing Tool to help with cost
 - Found in Download Forms section of CNIPS





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Adult Meal Pricing Tool Example

Hornswoggler USD

- On Community Eligibility Provision for SY 2018–19
- Not offering second meals of entrees
- No cost data available



Determine the adult meal price





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Adult Meal Pricing Tool: Lunch

Federal free lunch reimbursement rate	\$3.43
Performance-based reimbursement	\$0.07
State free lunch reimbursement	\$0.24
USDA Foods value	<u>\$0.36</u>
Minimum adult meal lunch price of	\$4.10





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Adult Meal Pricing Tool: Breakfast

Federal free breakfast reimbursement rate	\$2.20
State free breakfast reimbursement	\$0.24
USDA Foods value	<u>\$0.36</u>
Minimum adult meal breakfast price of	\$2.80





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Compliance Check(1)

On Resource Management Day

- Determine reference period
- Determine method to track cost and revenue
- Establish and communicate processes
- Set your menu, cost, and price
- Determine adult meal price





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Compliance Check(2)

During Reference Period

- Track and evaluate sales and cost





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Compliance Check(3)

Before Administrative Review

- Compile source documents
- Complete optional Nonprogram Foods Tool
- Document procedures
- Complete USDA Nonprogram Revenue Calculator





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Administrative Review

Source documentation key to successful review:

- NPF Tool, or equivalent, and processes
- USDA Nonprogram Revenue Calculator
- Onsite review

* Catering and vending may be excluded from the revenue requirement, if the SFA can show costs were covered. Supporting documentation is required.





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Key Things to Remember

- Definition – any item purchased with cafeteria funds, sold, and not reimbursable
- Recover the cost
- Track the cost, sale, and repayment
- Evaluate annually
- Consider 22-day reference period
- Contact the Resource Management Unit for help





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Contact information

Resource Management Unit

SNPcafefundquestions@cde.ca.gov

<https://www.cde.ca.gov/ls/nu/sn/cafefundguide.asp>





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Questions?





Direct and Indirect Costs





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Learning Objectives

All attendees will have a better understanding of:

- Direct vs. indirect costs
- How to identify the indirect costs charged to the cafeteria fund
- Indirect cost rate guidance for public and nonpublic schools





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Why is this Important?

- All charges are either direct or indirect
- Allows school food authorities to identify double dipping
- Proactive work could help avoid finding during an administrative review





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Direct vs. Indirect

Direct Costs

- Food
- Equipment – solely used by food service
- Food Service Director salary

Indirect Costs

- Accounting
- Payroll preparation
- Centralized data processing





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Charging Indirect Costs (1)

- SFAs are charged indirect costs through approved ICR
- Form ICR - Indirect Cost Worksheet and Exhibit A





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Charging Indirect Costs (2)

ICR charged to cafeteria fund =
School district's approved ICR
or
Statewide average ICR
(whichever is lower)





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Statewide Average ICR

<https://www.cde.ca.gov/fg/ac/ic/>

The screenshot shows the California Department of Education website. The header includes the department logo and navigation tabs: Teaching & Learning, Testing & Accountability, Finance & Grants, Data & Statistics, Specialized Programs, and Learning Support. The breadcrumb trail is: Home / Finance & Grants / Accounting / Indirect Cost Rates (ICR). The main heading is "Indirect Cost Rates (ICR)" with a sub-heading: "Lists of department-approved rates for local educational agencies, frequently asked questions (FAQs), and letters." Below this are sections for "Frequently Asked Questions (FAQs)" with a link to "FAQs on indirect costs/rates (Revised Apr-2018)", "School District, County Office, and Joint Powers Agency Rates" with a link to "Letter to Chief Business Officials - see correspondence page" and "2015-16 to 2019-20 Indirect Cost Rates (XLSX; Posted 02-Apr-2019)", "Charter School Rates" with a red arrow pointing left and links for "2019-20 Charter School Rates (XLSX; Posted 02-Apr-2019)", "2018-19 Charter School Rates (XLSX; Posted 11-Apr-2018)", "2017-18 Charter School Rates (XLSX; Posted 11-Apr-2017)", "2016-17 Charter School Rates (XLSX; Posted 26-Apr-2016)", and "2015-16 Charter School Rates (XLSX; Posted 17-Apr-2015)", and "Statewide Average Rates for Use with Food Service Programs" with a red arrow pointing left and a link to "2015-16 through 2019-20 California Statewide Average Indirect Cost Rates (Posted 02-Apr-2019)".



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Possible Change to ICR

- Reexamining the treatment of food costs in the ICR calculation
 - Will better align with USDA guidance
 - May lead to changes in how ICR is applied
 - Earliest effective date would be SY 2021–22





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Activity (1)

Find the:

- District approved ICR
- ICR charged to the cafeteria fund (Fund 13)





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Activity (2)

Hornswoggler USD

District Approved ICR: 5.67%
ICR Charged: 5.25%

Snozzberry USD

District Approved ICR: 4.13%
ICR Charged: 3.87%

2017–18 Statewide Average ICR

5.25%





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Calculating ICR

LEAs subject to CDE approval:

California School Accounting Manual (CSAM)
Procedure 915

LEAs not subject to CDE approval:

USDA guidance
(Policy Memorandum SP 60-2016)





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Allowable and Unallowable Indirect Costs

- Charges can be direct or indirect, not both
- All costs must be consistent among programs
- Unallowable expenditures included in the indirect cost base
 - Subagreements and Services
 - Capital Outlay
 - Other Outgo and Other Funds





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Example: Double Dipping

Custodial Fees:

- Direct – Personnel activity report (PAR) for employees
- Indirect – Fees built in to ICR for all programs





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ICR Noncompliance

- Using incorrect ICR
- Including unallowable costs in ICR calculation
- Double dipping

Finding during Administrative Review
= financial finding





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Next Steps

- Be proactive
- Check in with person responsible for charging indirect costs
- Reach out to the Resource Management Unit with any questions or concerns



SNPCAFEFUNDQUESTIONS@cde.ca.gov





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Summary

- Ensure your program is being charged correct ICR
- Track both direct and indirect charges
- Be proactive in checking year end financials annually – Resource Management Day!





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Questions?





Interprogram Vending Agreement Process



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Learning Objectives

- Background and common challenges of operating multiple CNP
- Interprogram vending process and its basis
- Benefits
- SFA perspective
- Demonstration
- Answers to frequently asked questions





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Background

When operating multiple Child Nutrition Programs, you are required to separately account for program revenue and expenses.

- Management Bulletin SNP-27-2015; CACFP-07-2015





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Challenges

- One in four school food authorities (SFA) operate School Nutrition Programs (SNP) and Child and Adult Care Food Program (CACFP)
 - Using the same labor, food, and supplies
 - Separating costs is difficult
 - Having excess funds in CACFP

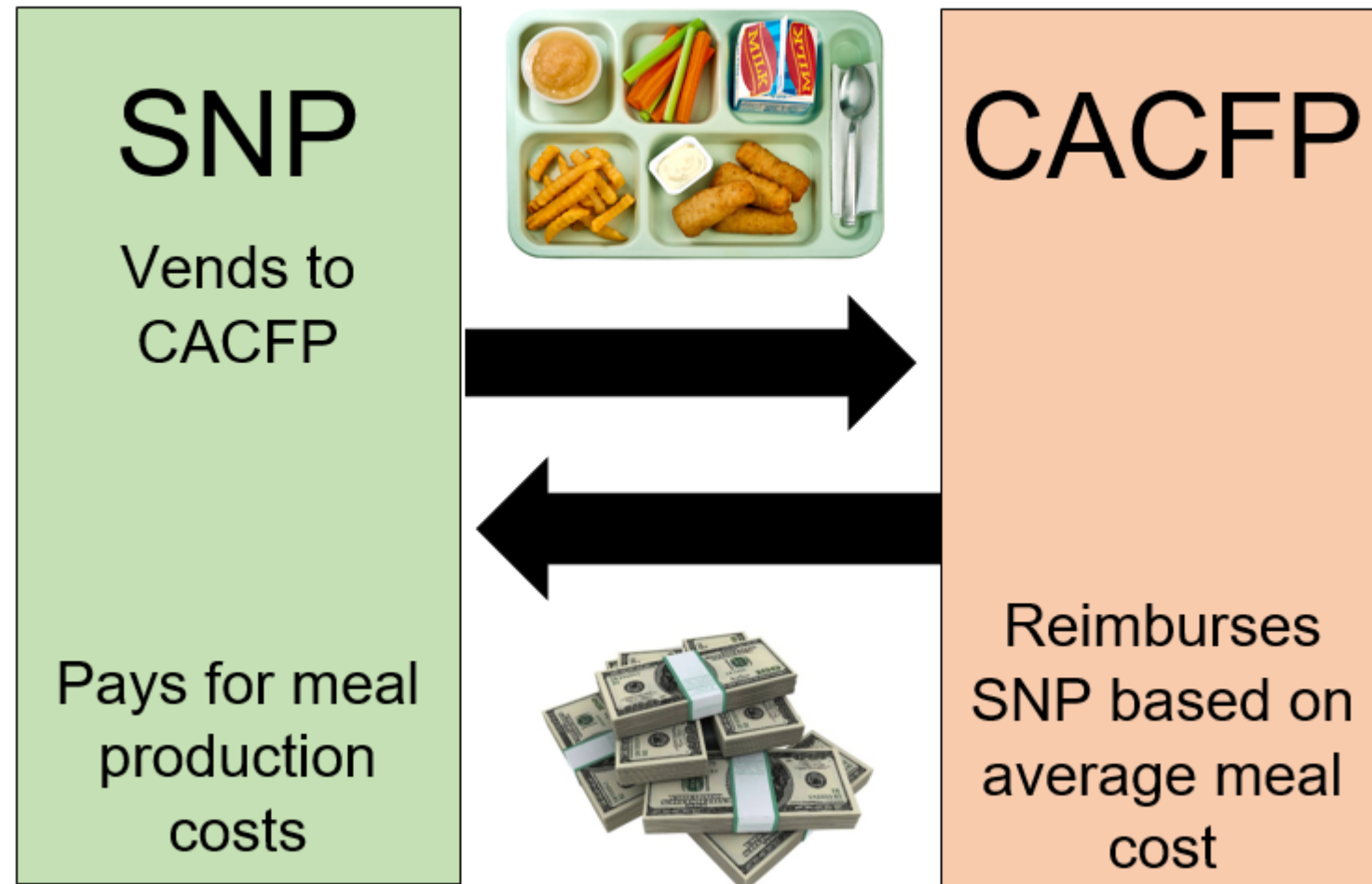




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Solution—Interprogram Vending





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Average Meal Cost

- Based on prior school year financial information and meals served
- Uses meal equivalents developed by the Institute of Child Nutrition
- Can be adjusted to include increased costs





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Benefits

- Compliance with separation of costs
- Reduction of Personnel Action Reports (PAR)
- Reduced administrative review (AR) requirements
- Understanding of meal costs
 - Pricing
 - Forecasting





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SFA Perspective

Joye McKetty

Folsom-Cordova Unified School District

916-294-9011

jmcketty@fcusd.org





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Resource Package

The package includes:

- Cost allocation tool to determine cost per meal
- Written vending agreement example
- Instructions

Note: Interprogram vending is not required, but separation of program costs is required.





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Demonstration–Snozzberry USD





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Frequently Asked Questions (1)

1. Is interprogram vending required?
 - No, but separation of costs is required
2. Do we still have to keep PARs?
 - For food service workers that dedicate 100 percent of their time to the preparation and distribution of Child Nutrition Programs, PARs are not required when vending between programs
 - For administrative food service staff, and multifunded staff, PARs are required





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Frequently Asked Questions (2)

3. Do we have to use CDE's process?
 - No, you can use your own process for vending between programs. However, we suggest consulting with the resource management unit to ensure the process is reasonable and has all of the required components





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Questions?





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In Closing

- Resource Management Day
- Be proactive with the management of cafeteria funds
- Ensure compliance during an AR
- Reach out to the Resource Management team with any questions

Please complete the Training Evaluation!





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Call to Action

Farm to School Census

- **Farm to school census**
 - Intended for all schools
 - Deadline extended to November 22
- **For Assistance:**
 - Please submit business card

