# IASBO SCHOOL NUTRITION SEMINAR

Jonathan Wineinger
Director of Audit Services

#### **CONTACT INFORMATION**

• Phone: 317-232-2513



• Email: Schools.Townships@sboa.in.gov

Website:

https://www.in.gov/sboa/political-subdivisions/schools/

#### CHILD NUTRITION CLUSTER



- 10.553 SCHOOL BREAKFAST PROGRAM
- 10.555 NATIONAL SCHOOL LUNCH PROGRAM
- 10.556 SPECIAL MILK PROGRAM FOR CHILDREN
- 10.559 SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

#### EQUIPMENT GRANTS (CFDA: 10.579)

- STATE & \*
- Child Nutrition Discretionary Grants Limited Availability
  - SFAs are eligible to receive these funds to purchase equipment to improve food service
  - To qualify 50% or more of the enrolled students must be eligible for free or reduced-priced meals
  - NOT INCLUDED IN THE CHILD NUTRITION CLUSTER

#### **CNC PROGRAM OVERVIEW**

Awarding Agency:

United States Department of Agriculture, Food and Nutrition Service

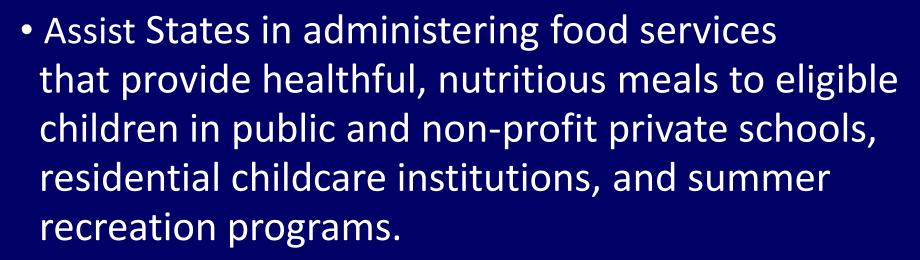


Pass-through Agency: Indiana Department of Education





#### **CNC PROGRAM OBJECTIVES**



Encourage the domestic consumption of nutritious agricultural commodities



#### CNC GOVERNING REQUIREMENTS

- Authorized by:
- Richard B Russel National Lunch Act (NSLA)
  - 42 USC 1751
- Child Nutrition Act of 1966(CAN)
  - 42 USC 1771
- CFR References:
  - 7 CFR 210 SLP
  - 7 CFR 220 SBP
  - 7 CFR 225 SFSP
  - 7 CFR 215 SMP
  - 7 CFR 245 Eligibility Determination
  - 7 CFR 250 Commodities







#### AUDIT OBJECTIVES

• Obtain and understanding of internal control, assess risk, and test internal control as required by 2 CFR section 200.514(c).

- Applies to <u>ALL</u> compliance requirements and special tests
- Control Environment, Risk Assessment, Information and Communication, Control Activities, and Monitoring,

## FIVE COMPONENTS OF INTERNAL CONTROLS

#### Control Environment

 Tone at the top, management experience & education, the existence of policies and procedures, organizational charts



Does the unit perform any risk assessment procedures to aid in the development of internal controls?

#### Information and Communication

- Training on controls/program requirements?
- Communicating changes to the program/agreement
- Programmatic meetings

#### Monitoring

• How does the unit monitor the effectiveness of its internal controls?

#### Control Activities

• Actual policies, procedures, and physical controls that would prevent, or detect and correct, instances of non-compliance



#### **AUDIT OBJECTIVES**

- Verify that unit is in compliance with all applicable compliance requirements per the Compliance Supplement
  - Activities Allowed or Unallowed
  - Allowable Costs/Cost Principles
  - Cash Management
  - Eligibility
  - Program Income
  - Procurement, Suspension & Debarment
  - Special Tests and Provisions



#### **ACTIVITIES ALLOWED**

 Determine whether Federal awards were expended only for allowable activities.



- Activities Allowed
  - Revenues received by the non-profit school food service are to be used only for the operation or improvement of such food service
  - The recovery of Indirect Costs can be a transfer from the School Lunch Fund to the Operations Fund as long as it is supported by an ICRA
- Activities Not Allowed
  - Purchase of land or buildings unless otherwise approved by FNS or to construct buildings

#### ALLOWABLE COSTS/COST PRINCIPLES

- Determine whether the school corporations complies with the provisions of 2 CFR part 200 as follows:
  - Direct charges to Federal awards were for allowable costs
  - Unallowable costs determined to be direct costs were included in the allocation base for the purpose of computing and indirect cost rate

#### DIRECT COSTS VS. INDIRECT COSTS



### Direct Costs

- Costs that <u>ONLY</u> benefit the Child Nutrition Cluster
  - Wages, Salaries, and Benefits of food service workers
  - Costs of food
  - Food Service Supplies
  - Media/Promotional materials relating to the food service
  - Capital expenditures relating to food service

#### DIRECT COSTS VS. INDIRECT COSTS



### Indirect Costs

- Costs that benefit multiple programs, including the CNC that can be partially allocated to the program.
  - Payroll Services
  - Workers Compensation
  - Superintendent's Office

## COMPENSATION FOR PERSONAL SERVICES

•2 CFR 200.430



- ONLY employee's time spent for functions related to the school food service should be charged to the School Lunch Fund
- Documentation of time spent on food service activities is required when an employee's time is NOT charged 100% to food service

## MATERIALS AND SUPPLIES COST, INCLUDING COMPUTING DEVICES

• 2 CFR 200.453

 The purchased materials and supplies are to be for the <u>exclusive</u> use of the food service program

## EQUIPMENT AND OTHER CAPITAL EXPENDITURES

L

• 2 CFR 200.439

 Capital expenditures with a value of \$5,000 or more, must be approved for purchase by IDOE

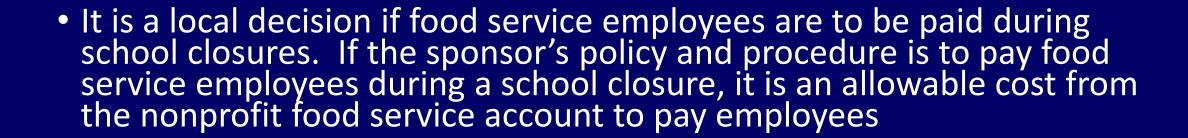
#### TRAVEL COSTS

• 2 CFR 200.474

Travel Costs are allowable with the prior approval from IDOE

#### COVID – 19 FLEXIBILITIES





 Employees continuing to work may receive an additional salary if there is written policy at the LEA to support this practice



#### RENOVATION COSTS

- 2 CFR 200.452
  - Renovation to increase usability
    - Adding a new line, installing a new freezer
  - Aesthetic changes are <u>not</u> allowable costs
  - The purchase of land or buildings is expressly disallowed per 7 CFR 210.14(a) and 220.7(e)

#### INDIRECT COSTS



- School corporations <u>MUST</u> apply for the indirect cost rate from IDOE
- Data from the semi-annual form 9 information from two years prior is utilized
- CNC programs allow the unrestricted indirect cost rate to be charged to the School Lunch Fund
- Any indirect costs charged if the school did not receive an indirect cost rate for the fiscal year will be considered questioned costs!

#### CASH MANAGEMENT

- Applies to NSLP & SBP
  - 7 CFR 210.14(b) and 7 CFR 220.7(e)
  - Net cash resources are to be limited to three months' average expenditures of its non-profit school food service account

School Lunch Fund Balance / (Total School Lunch Fund Expenditures/Number of Operational Months) < or = 3

 SFA <u>MUST</u> have an approved plan in place to spend down the excessive balance

#### **ELIGIBILITY**





 Determine whether amounts provided to, or on behalf of, eligible participants were calculated in accordance with program requirements.



#### **ELIGIBILITY**

- Participants must meet the definition of a "child" contained in 7 CFR 210.2 (NSLP), 215.2 (SMP), 220.2(SBP), & 225.2 (SFSP)
  - Participants <u>must</u> submit an application annually
  - Participant's household <u>must</u> meet income eligibility guidelines
- Direct Certification
  - Determination based on the child's household receiving benefits under SNAP, TANF, or the Head Start Program
  - Certain foster, runaway, homeless and migrant children are categorically eligible for free school lunches and breakfasts

#### PROGRAM INCOME



Audit Objective

 Determine whether program income is correctly determined, recorded, and used in accordance with applicable governing requirements

#### PROGRAM INCOME

- Program income includes but is not limited to:
  - Reduced price breakfast and lunch
  - Paid breakfast and lunch students and adults
  - A la carte
  - Catering
- Program income must be receipted into the School Lunch Fund
- Program income must be used in accordance with the program regulations



#### **PROCUREMENT**



### Audit Objective

• Determine whether procurements under federal awards were made in compliance with applicable federal regulations and other procurement requirements specific to an award or subaward

 SFAs <u>must</u> use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal statues

• The SFA must use the most restrictive guidance for federal procurements:

	Federal Thresholds	State Thresholds
Micro Purchases	Less than \$10,000	Less than \$50,000
Small Purchases (Quotes)	\$10,000 - \$250,000	\$50,000 - \$150,000
Exceeds the Simplified Acquisition Threshold (Bids)	Greater than \$250,000	Greater than \$150,000

- Micro Purchases
  - The acquisition of supplies or services in which the aggregate dollar amount does not exceed \$10,000
  - The SFA must distribute purchases equitably among qualified suppliers, if practicable
  - May be awarded without soliciting quotes, SFA considers the price to be reasonable
  - IDOE has recommended that the SFA keep a list of how micro-purchases are being distributed equitably among qualified suppliers

- Small Purchases
  - 2 CFR 200.320(a)
  - Procurement for services, supplies, or other property that do not cost more than \$150,000
  - The threshold for federal procurement guidelines is \$250,000, but the state threshold is more restrictive at \$150,000 and therefore must be used
  - Quotes must be obtained from an adequate number of "qualified sources"

\* STATE &

- Simplified Acquisition Threshold
  - Procurement by sealed bids (Invitation for Bids)
    - Bids are publicly solicited
    - Firm fixed price contract (lump sum or unit price)
    - · IFBs are predominately awarded only on price
  - Procurement by competitive proposals (Request for Proposals)
    - · Usually conducted with more than one source submitting an offer
    - Either a fixed price or cost-reimbursement type contract is awarded
    - Generally used when conditions are not appropriate for the use of sealed bids
    - RFPs may have other scoring criteria, such as delivery, quality, location, etc.
  - Procurement by noncompetitive proposals (very rare)
    - May only be used when one or more of the following circumstances apply:
      - The item is available only from a single source
      - The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
      - The federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-federal entity
      - After solicitation of a number of sources, competition is determined inadequate

#### SUSPENSION AND DEBARMENT



### Audit Objective

• For covered transactions determine whether the non-federal entity verified that entities are not suspended, debarred, or otherwise excluded

#### SUSPENSION AND DEBARMENT



### • 3 Ways to accomplish verification:

- Checking the Excluded Parties List System maintained by the General Services Administration (beta.sam.gov)
- Collecting a certification from the entity
- Adding a clause or condition to the covered transaction with the entity

#### SPECIAL TESTS AND PROVISIONS



School Food Accounts

Paid Lunch Equity

## VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS

 Verify that the LEA selected and verified the required sample of approved free and reduced price applications and made the appropriate changes to eligibility status

• If applicable, was a second review of applications properly conducted

#### SCHOOL FOOD ACCOUNTS



Verify a separate accounting is made of the school school for 1909

 Verify federal reimbursement payments are promptly credited to the school food service account

 Verify transfers out of the school food service account are for the benefit of the school food service

#### PAID LUNCH EQUITY



 Determine SFA correctly applied the calculations to the average paid lunch price

Newly calculated paid lunch price implemented

#### CHILD NUTRITION CLUSTER



# QUESTIONS?