



# IASBO SCHOOL NUTRITION SEMINAR

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## 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)



- 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



- Assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential childcare institutions, and summer recreation programs.
- 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



Electronic Code of Federal Regulations

*e-CFR*™

## 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 **ALL** 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
- **Risk Assessment**
  - 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 **ONLY** 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 **exclusive** use of the food service program



## EQUIPMENT AND OTHER CAPITAL EXPENDITURES



- 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



- Face masks, gloves, disposable aprons, and other personal protective equipment is an allowable cost
- It is a local decision if food service employees are to be paid during school closures. If the sponsor's policy and procedure is to pay food service employees during a school closure, it is an allowable cost from the nonprofit food service account to pay employees
- 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 not 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 **MUST** 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 **MUST** have an approved plan in place to spend down the excessive balance

## ELIGIBILITY



- Audit Objectives
  - Determine whether required eligibility determination were made, that individual program participants were determined to be eligible, and that only eligible individuals participated in the program
  - 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 **must** submit an application annually
  - Participant’s household **must** 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

# PROCUREMENT REQUIREMENTS



- SFAs ***must*** use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal statutes
- 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

# PROCUREMENT REQUIREMENTS



- 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

## PROCUREMENT REQUIREMENTS



- 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”

# PROCUREMENT REQUIREMENTS



- 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](https://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



- Verification of Free and Reduced Price Applications
- 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 food service
- 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 has correctly calculated its average paid lunch pricing requirement
- Determine SFA correctly applied the calculations to the average paid lunch price
- Newly calculated paid lunch price implemented

CHILD NUTRITION CLUSTER



# QUESTIONS?