

# The “new” Administrative Review and Financial Management of the Child Nutrition Programs

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NDE Administrators Day

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# Topics

- **Overview of the new Administrative Review (AR)**
- Overview of Financial Management Responsibilities
- Financial Resources section of AR

<http://www.fns.usda.gov/cnd/guidance/adminreview.htm>



# Overview of the new Administrative Review (AR)

- The Richard B. Russell National School Lunch Act, as amended by the Healthy Hunger-Free Kids Act of 2010 (HHFKA), requires a unified accountability system designed to ensure that participating school food authorities (SFAs) comply with NSLP and SBP requirements.
- The Act also requires an accountability system that conducts ARs during a 3-year cycle.



# Overview of the new Administrative Review (AR)

- The AR provides a comprehensive evaluation of school meals programs.
- The scope of review has been expanded.
- FNS intends this process to underscore the importance of ensuring all aspects of the AR process are meaningful and address program requirements. [7 CFR 210.18](#)



# Overview of the new Administrative Review (AR)

## AR objectives

- Determine whether the SFA meets program requirements
- Provide technical assistance
- Secure any needed corrective action
- Access fiscal action, if applicable



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# Why is there so much financial regulation?

The regulations are intended to ensure taxpayer funds are used solely for the benefit of child nutrition programs. **We feed kids!**



# OMB statement – we are stewards of taxpayers' money

*The Federal Government has a fundamental responsibility to be effective stewards of the taxpayers' money. We must be responsible with money that comes to the government, money that is spent by the government, and money that is used in running the government itself. Decision makers and the public itself must have confidence in financial management efforts.*



# What does this mean?

- SFAs receive certain monies (rate of reimbursement) for each meal served
- This is not free money, there are strings attached
  - Meals must conform to program regulations
  - SA and SFA must adhere to Department-wide and program-specific regulations (i.e., Federal cost principles, procurement regulations, etc.)



# Federal regulations 7 CFR Part 210

- School Meal Programs operate on a nonprofit basis, with all revenue used to support or improve the food service operations
- SFAs must establish a school foodservice account in which all of the revenue from all food service operations conducted by the SFA, principally for the benefit of school children, is retained and used only for the operation or improvement of the nonprofit school nutrition program



# When you signed an agreement with NDE Nutrition Services, you agreed to:

- Maintain a nonprofit school food service and observe limitations on the use of school food service revenues set forth in **7 CFR 210.14** and limitations on any competitive school food service set forth in **7 CFR 210.11**
- Limit net cash resources to an amount that does not exceed **3 months** average expenditures for its nonprofit school food service (**7 CFR 210.19**)



# When you signed an agreement with NDE Nutrition Services, you agreed to:

- Maintain a financial management system as prescribed in 7 CFR 210.14(c)
- Comply with the requirements of the regulations regarding financial management
  - 7 CFR 3016 public schools
  - 7 CFR 3019 private non-profits



# Imposed controls – restrictions placed on funds

- The funds provided by FNS to the SA and in turn to the SFA for the SMPs are granted with terms and conditions
- These terms and conditions are outlined in the Federal regulations and Office of Management and Budget (OMB) cost circulars (i.e., Federal cost principles)



# Examples of typical costs

Direct Costs	Indirect Costs
Wages and salaries of food service workers	Payroll services
Cost of purchased food	Human resources
Food service supplies	Workers' compensation
Media/promotional materials relating to the food service	Procurement
Capital expenditures relating to food service (e.g., food service equipment purchases)	Gas
	Electricity
	Sewer
	Water
	Trash
	Superintendent's Office



# General criteria for allowable costs?

- Necessary;
- Reasonable;
- Allocable;
- Legal under State and local law;
- Conforms with Federal law, regulation, and grant terms;



# General criteria for allowable costs?

- Consistently treated as direct or indirect;
- Determined in accordance with Generally Accepted Accounting Principles (GAAP);
- Not included as a cost or matching contribution of any other grant (except where allowed by Federal regulations);
- Net of applicable credits; and,
- Adequately documented



# Topics

- Overview of the new Administrative Review (AR)
- Overview of Financial Management Responsibilities
- **Section IV Financial Resources of the AR**



# **Section IV Financial Resources of the AR**

Modules contained within this Section include:

- Risk Assessment for Resource Management
- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Nonprogram Foods
- Indirect Costs
- USDA Foods



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# Maintenance of the Nonprofit School Food Service Account

- Nutrition Services must ensure that revenues and expenditures under the nonprofit school food service account are in accordance with 7 CFR 210.14
  - Costs must be allowable – used only for the operation and improvement of the school food service
  - Net Cash Resources may not exceed three months' average operating costs CFR 7 210.14



# Examples of Non-allowable expenditures

## 2 CFR 225

### (OMB Circulars 87 and 122)

- Bad Debt - This means student charges -district non-food service funds must re-pay food program for these debts.
- Food service program funds may not be used to purchase land, acquire or construct buildings or make alterations to existing buildings that materially increase the value of capital assets. Paint and decorations are okay.
- Contributions or donations.



# Examples of Non-allowable expenditures

## 2 CFR 225

### (OMB Circulars 87 and 122)

- Entertainment, amusements, social activities.
- Interest on borrowing.
- Rent or usage fees for program sponsor owned facilities.
- Cafeteria monitors. School food service funds may not be used to pay salaries of monitoring.



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# Resources

OMB relocated existing OMB Circulars to Title 2 in the Code of Federal Regulations, Subtitle A and B

- Circular A-21: Cost Principles for Educational Institutions, relocated to [2 CFR part 220](#)
- Circular A-87: Cost Principles for State, Local, and Indian Tribal Governments, relocated to [2 CFR part 225](#)
- Circular A-122: Cost Principles for Nonprofit Organizations, relocated to [2 CFR part 230](#)
- [Circular A-133](#): Audits of States, Local Governments, and Non-Profit Organizations.





# Questions?

