

Attachment N.9. Resource Management Comprehensive Review Form

This information is being collected from State agencies, school food authorities, schools. This is a revision of a currently approved information collection. The Richard B. Russell National School Lunch Act (NSLA) 42 U.S.C. § 1758, as amended, authorizes the National School Lunch Program (NSLP). This information is required to administer and operate this program in accordance with the NSLA. Under the Privacy Act of 1974, any personally identifying information obtained will be kept private to the extent of the law. According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0584-0006. The time required to complete this information collection is estimated to average 47.5 hours of reporting burden per response. The burden consists of the time it takes for the State agency to conduct the off-site portion of the review which includes scheduling of the review and the completion of the Off-site Assessment, Resource Management Risk Indicator, and Site Selection Tools. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to: U.S. Department of Agriculture, Food and Nutrition Services, Office of Policy Support, 3101 Park Center Drive, Room 1014, Alexandria, VA 22302, ATTN: PRA (0584-0006). Do not return the completed form to this address.

Resource Management (RM) Comprehensive Review Form

This form is for the use of the State Agency (SA) reviewer in conducting Resource Management (RM) comprehensive reviews. A RM comprehensive review must be completed for each Resource Management area in which one or more risk indicators are assessed in the *Resource Management Risk Indicator Tool* during the Administrative Review. The SA reviewer is expected to contact the SFA and collect the information and documentation needed to answer the questions on this form. The RM comprehensive review in its entirety can be completed on-site, off-site if the SA reviewer is able to secure the necessary documentation from the SFA for an off-site review, or through a combination of off-site and on-site.

This form includes four review areas, each corresponding with one of the Resource Management modules in the Administrative Review manual:

- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Nonprogram Foods
- Indirect Costs

Reviewers must document findings and corrective action, as well as technical assistance provided to the SFA. For further direction on how to complete this form, please refer to the appropriate module in the Administrative Review Manual.

Documents for the RM comprehensive review should be gathered for the Resource Management review period. The RM review period chosen by the State agency may be either the previous school year or last audited school year. When reviewing the Paid Lunch Equity and/or Revenue from Nonprogram Foods, however, the SA has the option of reviewing the current school year if sufficient financial documentation is available rather than the previous or last audited school year. The SA should note the review period used in the appropriate review module.

Corrective action for findings identified during the RM review period must be implemented for the entire Resource Management review period and, if applicable, during the Administrative Review period. Further, internal control procedures and/or processes should be adopted by the SFA to ensure that the noncompliance identified during the RM review period will not reoccur or continue in the future. If noncompliance is identified during the RM review period, State agencies have discretion to examine financial documents from the current school year to determine if additional corrective action is necessary. For instance, if Smith Unified School District is found by the SA to have charged the nonprofit school food service account the wrong indirect cost rate during a review of the SFA's financial records from the previous school year, the corrective action required would be to require the SFA to ensure that the correct indirect cost rate(s) is applied to the previous school year and to the current school year. Internal controls should also be adopted by the SFA to ensure that the correct indirect cost rate is applied in future years. Smith Unified School District would also need to replace funds to the nonprofit school food service account for the difference between the approved indirect cost

rate and the indirect cost rate actually applied to the school district, if the rate charged was higher than was allowed, during the Resource Management review period.

Maintenance of the Nonprofit School Food Service Account

Note the RM review period used by the SA to assess Maintenance of the Nonprofit School Food Service:

- Previous School Year
- Last Audited School Year

Nonprofit School Food Service Account and Year End Available Balance

To monitor compliance, the SA must determine the revenue shortfall or excess available at the end of the RM review period. This amount should include the beginning fund balance including carryover applied to the nonprofit school food service account for the RM review period (i.e., the fund balance or carryover funds from the year prior to the RM review period). The SA should use the SFA’s “Statement of Revenues and Expenses” or similar documentation to conduct the following calculations for the RM review period:

$$\text{Fund balance or carryover from year prior to RM review period} + \text{Total Revenues} - \text{Total Expenses} = \text{Revenue Shortfall or Excess}$$

Step 1 — Total Nonprofit Food Service Revenues for the SFA

Determine the SFA’s available revenues for the RM review period. Revenues should include the beginning fund balance.

Record the total revenue below or explain why this was not available:

Step 2 — Total Expenses

Determine the total operating and nonoperating expenses incurred in the operation or improvement of the nonprofit food service program. Record the total expenses below:

Step 3 — Year End Balance

Subtract total expenses (Step 2) from total nonprofit food service revenue (Step 1). Record the value below or describe why this was not available. Record all elements of the calculation below:

Calculation:

1) Were the SFA's year-end expenses greater than its year-end revenues, requiring a general fund transfer to cover the balance?

Yes

No

If yes, record the amount of the deficit:

2) If yes, were general funds transferred into the account to cover the entire deficit?

YES

NO

Not Applicable

If yes, record date, source of non-Federal funds and amount of transfer(s) into the nonprofit school food service account:

If no, describe what the SFA did to resolve the deficit.

Nonprofit School Food Service Account and Limitation on Net Cash Resources

Step 1a — Calculate net cash resources:

Using the SFA's year-end Balance Sheet (or comparable documentation) for the RM review period, subtract the SFA's current liabilities from its current assets (excluding inventories) to obtain the SFA's net cash resources.

Step 2a – Calculate net adjusted total operating expenses:

Using the SFA’s Statement of Revenues and Expenses for the RM Review period, determine the SFA’s total operating expenses (minus depreciation).

Step 3a – Calculate average monthly expenses:

Divide the total operating expenses (calculated in Step 2a) by the number of the SFA’s operating months (typically 9 or 10 months) to obtain the SFA’s average monthly expenses.

Step 4a: Calculate average expenses for 3 month period:

Multiply the SFA’s average monthly expense amount (calculated in Step 3a) by 3 to obtain the SFA’s 3 month average monthly expenses.

Document calculations for Step 1a through Step 4a:

Step 5a: Determine compliance with 3 month net cash resource limitation:

Compare the SFA’s net cash resource amount calculated in Step 1a of this section to the SFA’s three month average monthly expenses calculated in Step 4a.

3) Did the SFA’s net cash resources exceed its 3 month average monthly expenses?

YES

NO

Comments:

4) If yes, did the SFA develop a spend down plan approved by the State agency?

YES

NO

Not Applicable

If yes, record date of approved plan:

If no, describe the circumstances causing the SFA to exceed the maximum 3 months, such as an accumulation of cash for an equipment purchase:

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5) If yes, is the SFA on track to spend down its excess cash resources so that it is in compliance with the three month net cash resource limit?

- YES NO Not Applicable

Comments:

Internal Controls

6) What internal controls has the SFA implemented to maintain effective oversight over federal funds and ensure charges to the nonprofit school food service are allowable (2 CFR 200.303)? Check those that apply:

- Training on financial management, including allowable costs.
If provided, list frequency and titles of staff who attend in comments box
- Separation of duties so that staff members who receive or manage the collection of money are not also involved in the disbursement of funds.
- A written policy that prohibits the use of nonprofit school food service account funds from being used to cover bad debt.
- Physical controls to ensure funds do not get lost or stolen (examples: lockboxes for petty cash, unique passwords for employees collecting cash at the POS)
- Other/additional internal controls (list in comments)

Comments:

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7) Did the SFA provide nonreimbursable meals free of charge to students?

YES NO

Comments:

8) If yes, did the SFA have a process to accurately record the number of free nonreimbursable meals served?

YES NO Not Applicable

Comments:

Allowable Costs

9) If the SFA encumbered bad debt from unpaid student meal accounts during the RM review period, how did it ensure that only allowable non-Federal revenues were used to restore operating losses? (Unpaid Meal Charges: Guidance and Q&A SP 23-2017)

Comments:

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Equipment Purchases:

10) Excluding equipment purchases made with USDA grants, did the SFA purchase equipment during the RM review period that cost at or above the capitalization level established by the State or SFA for financial statement purposes or at or above \$5,000 (whichever was less)?

YES

NO

Comments:

11) If yes, was the equipment included on an approved State agency equipment list or did the SFA otherwise secure prior approval from the State agency before purchasing the equipment (per FNS Policy Memo SP 31-2014)?

YES

NO

Not Applicable

If no, obtain a copy of the invoice for the equipment purchased and list the amount(s) of the unallowable cost(s) the SFA charged to the nonprofit school food service account:

12) If the SFA disposed of equipment during the RM review period, did the SFA deposit any proceeds from the sale of the equipment into the nonprofit school food service account?

YES

NO

Not Applicable

Comments:

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Allowable Costs Test:

The State agency must:

- Select a sample representing at least 10% of expenses in several categories; or
- Select one full months' worth of expenses in several categories from the RM review period using the SFA's detailed general ledger or comparable document.

If conducting a procurement review of the SFA in the same year as the Administrative Review/Resource Management review, the State agency may use the SFA's vendor paid list.

(More detail is provided regarding the sampling process in the Administrative Review Manual under the Maintenance of the Nonprofit School Food Service Module).

13) Did all recorded expenses represent an activity or function recognized as reasonable, necessary, allocable and otherwise compliant with the provisions of 2 CFR 200 Subpart E?

YES

NO

If no, record any unallowable expenses, including purpose of expenditure(s) and amount(s):

Document corrective action required, which must include repayment of the unallowable expenditures to the nonprofit school food service account:

14) Did the SFA maintain records that adequately identified the source and use of funds for food service activities [2 CFR 200.302(b)(3)]?

Comments:

Paid Lunch Equity

Note the RM review period used by the SA to assess the Paid Lunch Equity:

- Previous School Year Last Audited School Year Current School Year

Review procedures for State agencies reviewing the SFA's current school year:

Obtain a balance sheet or comparable documentation for the SFA that details the SFA's balance in its nonprofit school food service account as of January 31, 2018.

- 1) Did the SFA have a positive or zero balance in the nonprofit school food service account on January 31, 2018?

- YES NO

Note the balance in the nonprofit school food service account:

If yes to Question 1, the Paid Lunch Equity review is complete--do not complete the remaining Paid Lunch Equity questions. If no, proceed to the next question.

- 2) If the SFA had a negative balance in its nonprofit school food service account, did it complete the PLE Tool or a comparable mechanism to assess its need to raise its paid lunch prices for the current school year?

- YES NO

If no, detail why the SFA did not assess its compliance and note any corrective action required by the SA.

If the SFA did not assess its compliance with the PLE requirements, the State agency must require corrective action and provide technical assistance. Once corrective action is assessed under Q2, the comprehensive review of the PLE is complete.

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If the SFA completed the PLE Tool or a comparable mechanism to assess its need to raise its paid lunch prices for the current school year, the State agency should answer the review questions below, starting with Q2 below, for PLE reviews using financial data from the RM review period (previous school year or last audited school year).

Review procedures for State agencies reviewing the SFA's RM review period (previous school year or last audited school year):

- 1) Did the SFA assess its compliance with the Paid Lunch Equity requirements under 7 CFR 210.14(e) during the RM review period by completing the FNS Paid Lunch Equity Tool or a comparable substitute?

YES

NO

If no, detail why the SFA did not assess its compliance and note any corrective action required by the SA.

If the SFA did not assess its compliance with the PLE requirements, the State agency must require corrective action and provide technical assistance. Once corrective action is assessed under Q1, the comprehensive review of the PLE is complete.

If the SFA completed the PLE Tool or a comparable mechanism, gather the following information:

- The SFA's calculations for the RM review period used to determine if the SFA needed to increase its paid lunch price. This could be a SFA-completed Paid Lunch Equity Tool or alternative documentation
- All paid lunch prices and the respective number of paid lunches served for October of the School Year prior to the RM Review Period.
- Total paid lunches claimed in the second preceding school year (needed if using non-federal funds)

Paid Lunch Equity Tool

Validate the SFA's Paid Lunch Equity calculations by cross-checking the data the reviewer gathered above with data used by the SFA. If the data is different, verify the calculations by inputting the figures gathered from the SFA into the USDA Paid Lunch Equity Tool OR complete the PLE Tool for the RM Review Period with historical paid lunch data on file with the SA.

2) Did the SFA correctly determine the paid lunch pricing?

YES

NO

If yes, record the average weighted paid lunch price. If no, record any errors.

3) If the PLE Tool indicated the SFA must increase its paid lunch prices, how did the SFA meet this requirement? (Choose one of the following)

The SFA used nonfederal funds

The SFA increased paid lunch prices

The SFA used a combination of price increases and nonfederal funds

The SFA was granted a one year exemption by the State Agency so a price increase was unnecessary

None of the above

If none of the above, document the corrective action required:

Comments:

If the SFA used nonfederal funds to support its paid lunch prices, identify and review the SFA's sources of nonfederal funds.

Record the documents used for validation and the sources of nonfederal funds:

Supporting Paid Lunch Prices

4) If the SFA used non-Federal sources to support its paid lunch prices, were the sources allowable, of a sufficient amount, and appropriately recorded in the nonprofit school food service account?

YES

NO

Not Applicable: Non-Federal funds were not used

Comments:

Revenue from Nonprogram Foods

Note the RM review period used by the SA to assess Revenue from Nonprogram Foods:

- Previous School Year Last Audited School Year Current School Year

Nonprogram Revenues and Costs

Gather the following information:

- Documentation detailing how the SFA accounts for and separates its program food revenues from its nonprogram food revenues;
- Documentation detailing how the SFA accounts for and separates its program food costs from its nonprogram food costs;
- Documentation detailing how the SFA determined its compliance with the nonprogram foods revenue requirements under 7 CFR 210.14(f)

1) What categories of nonprogram foods and/or beverages does the SFA sell through its nonprofit school food service?

- Adult Meals (e.g.: meals for teachers, parents, etc.)
- Catering (e.g.: food provided for Teacher Appreciation Day, meals for a sports banquet, food items provided for outside organizations)
- Meals/food and beverages supplied to another school district (meals are not being claimed for reimbursement by the school supplying the food) or program (e.g. Head Start)
- Food and/or beverages via vending machines (e.g.: water, snacks)
- A-la-carte (e.g.: milk for kids who bring a lunch from home, 2nd entrees, Smart Snacks including beverages)
- Fundraisers (e.g.: SFA supplies products for school-based fundraisers)
- School stores (e.g.: Smart Snack compliant chips, coffee)

2) For each of the categories selected, what process(es) did the SFA use to ensure that all funds received from the sale of nonprogram foods were deposited into the SFA's nonprofit school food service account?

Describe processes:

Catering/School Events

If the SFA used funds from the nonprofit school food service to pay for food and labor for catering such as:

- Providing food and/or beverages for internal school departments, officials, events, meetings, school stores, etc.; and/or
- Providing food and/or beverages to external organizations for fundraisers, other events, etc.

Obtain an invoice(s) from the SFA from at least one event or meeting the SFA provided within the school (if applicable) and an invoice(s) for food/beverages the SFA provided to external organizations (if applicable). Determine from the SFA's detailed general ledger if the invoice(s) for food and labor was paid in full to the nonprofit school food service account.

Document the date and amount of the catered meals/food items billed and collected by the SFA:

3) Did all revenue from catering and/or vending activities accrue to the SFA's nonprofit school food service account?

YES

NO

Not Applicable

If not, list the amount of revenues that should have accrued to the nonprofit school food service account.

Adult Meals

FNS Instruction 782-5 Rev. 1 specifies that school food authorities must, to the extent possible, ensure that the federal reimbursements, children’s payments, and other nondesignated nonprofit food service revenues do not subsidize program meals served to adults. Also, while donated foods may be used in the preparation of adult meals, the current per-meal value of entitlement and/or bonus donated food must be taken into consideration when establishing the prices charged to adults for meals. Adult meal prices for breakfast and lunch are typically calculated by adding the paid meal price plus the value of donated food assistance (entitlement and bonus commodities). For nonpricing programs, the adult charge should be at least the amount of reimbursement received for a free lunch plus the per-meal value of both entitlement and bonus commodities or for breakfasts, the rate established for free meals plus the value of bonus commodities.

4) Were breakfasts and lunches sold to teachers, administrators, custodians and other adults priced so that the adult payment in combination with any per-lunch revenues from other sources designated specifically for the support of adult meals (such as State or local fringe benefit or payroll funds, or funding from voluntary agencies) was sufficient to cover the overall cost of the adult meal?

YES

NO

Not Applicable

Describe the formula used by the SFA to price adult meals:

If the SFA did not price adult meals sufficiently, detail any necessary corrective action, including an increase in the SFA’s adult meal prices, to resolve the discrepancy:

5) If the SFA served adult meals at nonpricing sites and/or served adult meals free of charge to adults not directly involved in the meal service, determine how the nonprofit school food service was reimbursed in full for the cost of all adult meals served. Was the SFA’s process for recovering the full cost of adult meals served sufficient?

YES

NO

Not Applicable

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Describe the SFA's process for collecting revenues for adult meals served. If the process wasn't sufficient, document the reason(s) why in the comment box.

Assessing Compliance with the Nonprogram Foods Revenue/Cost Ratio

6) Did the SFA assess its compliance with the Revenue from Nonprogram Foods requirements?

YES

NO

Comments:

7) If yes, what process did the SFA use to calculate its compliance with the revenue from nonprogram food requirements in 7 CFR 210.14(f)?

USDA Nonprogram Food Revenue Tool

5-Day Reference Period –reference in FNS Policy Memo SP20-2016

Other

None of the above

Not Applicable

Comments:

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When an SFA assesses compliance with the Revenue from Nonprogram Food requirements in 7 CFR 210.14(f), the SFA must ensure that it includes all of its nonprogram food costs and revenues in its calculations as applicable, that the reference period it used was sufficient if the SFA used a 5 Day Reference Period as described in FNS Policy Memo SP 20-2016, and that the revenue and food cost ratios were calculated correctly.

8) Did the SFA:

a) Include in its food cost ratio or five-day reference period calculation the cost of any nonprogram foods it provides for free to students or adults?

YES

NO

Not Applicable

Comments:

b) Include all of its nonprogram revenues and costs in its calculation*?

YES

NO

Not Applicable

*The SFA is not required to include catering when using a 5 day reference period but catering should be included if the Nonprogram Foods Revenue Tool is instead used to assess compliance.

Comments:

c) Use a sufficient reference period as described in FNS Policy Memo SP 20-2016?

YES

NO

Not Applicable

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Comments:

The SA reviewer should validate the SFA's Revenue from Nonprogram Foods calculations below by inputting the SFA's nonprogram foods information:

$$\frac{\text{Revenue ratio:}}{\text{Nonprogram Food Revenue}} \geq \frac{\text{Food cost ratio:}}{\text{Nonprogram Food Costs}}$$

Total program + nonprogram revenue Total program foods + nonprogram food costs

9) Did the SFA correctly calculate its nonprogram food ratio and its food cost ratio?

- YES NO Not Applicable

Comments:

10) If the SFA found that its revenue ratio was less than its food cost ratio, did the SFA take additional steps to sufficiently increase its nonprogram food prices, add sufficient funds to its nonprofit food service account, and/or take other actions to adequately resolve the problem?

- YES NO Not Applicable

Describe actions taken by the SFA to increase its revenue ratio, if applicable:

Unique Situations

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11) After assessing its compliance with the nonprogram foods revenue/cost ratio, an SFA that sells a limited number of nonprogram foods with an identifiable per-serving cost (i.e. milk) may find that it must still add funds to its nonprofit school food service account despite selling its nonprogram foods at prices that cover its full costs. State agencies may review these SFAs to determine if the compliance assessment does not fully represent the SFA's pricing practices for nonprogram foods and if it does not, the SA may instead base compliance on whether or not the SFA is recovering more than the per-serving food cost of these nonprogram food items (See Q&A #3 in FNS Policy Memo 20-2016).

Was the SFA out of compliance with the Revenue from Nonprogram Foods requirements despite fully covering its costs for the small number of nonprogram foods it sold?

YES NO Not Applicable

Comments:

Indirect Costs

Note the RM review period used by the SA to assess Indirect Costs:

Previous School Year Last Audited School Year

Indirect Costs

In order to complete the indirect costs review, please collect the following information:

- The SFA's Indirect Cost Rate Agreement (ICRA);
- The SFA's Statement of Revenues and Expenses listing revenues and expenditures by category;
- Documentation of the indirect cost rate used by the SFA;
- Documentation of the direct cost base dollar amount used;
- The calculation used to obtain the amount of indirect costs charged to the SFA.

Indirect Cost Rate Agreement

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- 1) Did the SFA obtain an approved indirect cost rate from the State Education Agency (SEA) or other State Agency?

YES

NO

Record the approved indirect cost rate:

- 2) If the SFA was charged an indirect cost rate less than provided for in the indirect cost rate agreement, was there documentation explaining how the difference would be handled with the nonprofit school food service account (loan or forgiveness/gift)?

YES

NO

N/A

Comments:

Correct Rate/Base Calculation

- 3) Did the SFA apply the correct indirect cost rate for the appropriate year?

YES

NO

Record the applied indirect cost rate:

- 4) Did the SFA apply the correct indirect cost rate to the correct direct cost base?

YES

NO

Record the direct cost base:

Indirect Cost Consistency

- 5) Were school food service accounts charged indirect costs consistently across the SFA?

Comments:

Applying Indirect Costs to Closed Out Years

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- 6) Confirm that the nonprofit school food service account was not charged in the year being reviewed for indirect costs paid during past years through the general fund. Did such charges occur?

YES

NO

If yes, record the years and amounts:

- 7) If indirect costs were charged to the nonprofit school food service account but had not been charged in previous years, did a loan agreement exist and did accounting records support the implementation of a loan agreement?

YES

NO

Not Applicable

If yes, record date of loan agreement

Proper Classification of Costs (Direct/Indirect)

- 8) Confirm that the nonprofit school food service account was not charged directly for expenses that were included in the indirect cost pool (double dipping). Did such charges occur?

YES

NO

If yes, record the amount of expenses:

Verification of Indirect Cost Documentation

- 9) Did the SFA have documentation to support the indirect costs charged to the nonprofit school food service account?

YES

NO

Comments: