

FINANCIAL MANAGEMENT IN CHILD NUTRITION PROGRAMS



New York State
EDUCATION DEPARTMENT

CHILD NUTRITION KNOWLEDGE CENTER

1 hour Professional Standards Training

School Nutrition Programs

- ▶ Serve millions of children daily
- ▶ Managing the financial resources of these programs is critical
- ▶ Ability to interpret the financial outcomes of operational decisions
- ▶ Benchmark best practices



Financial Management Competencies

- Develop financial management guidelines that supports school nutrition program operational goals and comply with regulations
- Establish cost control goals to effectively manage the school nutrition program



Activities for Effective Financial Management

- Develop an annual budget & adjust as needed
- Maintain a written internal control policy
- Apply efficient cost control measures
- Increase productivity
- Identify ways to increase resources



Financial Management System

- Uniform and consistent financial reporting structure
- Meaningful and timely financial management information
- Understanding federal, state, and local reporting requirements
 - NSLP - 7 CFR 210.14
 - UGG 2 CFR 200



Evaluating Revenue

- Determine if and where revenue should be increased
- Analyze revenue by source
- Identify areas in which revenue should be monitored for revenue loss



Revenue Analysis

- ▶ Calculate average revenue per meal or meal equivalent
- ▶ Compare revenue generated per meal with costs per meal
- ▶ Establish consistent guidelines for pricing non-program food items to ensure revenue is equal to or greater than costs

Revenue: Non-Program Foods

- Adult meals
- Sale of second meals
- A la carte
- Individual food items
- Catering



Non-Program Foods Sales

- Catered food or meals
- Contract meals
- Special school function meals such as banquets



Revenue: A la Carte Pricing (Nonprogram)

- ▶ Evaluate pricing
- ▶ Pricing matters

LUNCH	
A LA CARTE ITEMS	
ITEM	COST
EXTRA MEAL	\$1.00
PIZZA	\$1.00
PB & JELLY	\$1.00
MAIN ENTRÉE ONLINE	\$1.00
SANDWICHES	\$1.50
CHICKEN SALAD AND CRACKERS	\$1.50
CHIPS	\$0.75
VEGETABLES	\$0.75
BREADSTICKS	\$0.75
FRUIT CUP	\$0.75
FRUIT	\$0.75
STRING CHEESE	\$0.60
COOKIE	\$0.50
MILK	\$0.40
JELLO CUP	\$0.60
SALAD (SMALL)	\$1.50

Evaluating Expenditures

- Patterns or trends
- Significant changes in cost categories
- Deviations from financial goals
- Possible abuse or theft
- Transaction errors



Classification of Expenditures

- Labor
- Employee Benefits
- Professional and Technical Services
- Property Services
- Purchased Foods and USDA Foods
- Supplies
- Capital Assets
- Miscellaneous
- Indirect Costs
- Fund Transfer-Out



Criteria for Allowable Costs

- Necessary
- Reasonable
- Allocable
- Applied uniformly to both federal and non-federal activities of the entity
- Consistently treated as direct or indirect
- Determined in accordance with Generally Accepted Accounting Principles (GAAP)
- Not included as a cost or matching contribution to any other grant
- Adequately documented

Types of Expenditure Analysis

- ▶ Operating ratios: $\text{Cost of food} / \text{total revenue} = \%$
- ▶ Total cost to produce one meal
- ▶ Costs to produce a meal compared with the average revenue generated per meal
- ▶ Meals per labor hour: $\text{Number of meal equivalents served in a day} / \text{number of paid hours}$

Expenditure: Controlling Labor

- ▶ Labor is an essential cost to food service
- ▶ Meals Per Labor Hour tool evaluates labor and productivity
- ▶ Meal Equivalents



Using Meal Equivalents in Program Analysis to Measure Performance

By converting food sales to meal equivalents, the school nutrition director can determine:

- ▶ Meal cost
- ▶ Labor productivity ratios
- ▶ Average revenue earned per meal/meal equivalent



Meal Equivalent Conversions

1 lunch = 1 meal equivalent

3 breakfasts = 2 meal equivalents ($2/3 = .67$)

3 snacks = 1 meal equivalent ($1/3 = .33$)



Meal Equivalent Formula for Non program Food Sales

Nonprogram Food Sales

Free lunch reimbursement rate + USDA Foods Value

Calculate Total Labor Hours

- ▶ Calculate the current total hours of labor paid daily by building because each building has its own unique circumstances related to preparation and serving meals.

This example - Employee hours paid daily include manager

Number of Employees	Number of Daily Hours	Total Number of Hours
1	6.5	6.5
3	3	9

Total Paid Labor Hours assigned Daily: 15.5 hours

Meals Per Labor Hour Formula

Number of Meal
Equivalents ÷ Number of
Paid Labor Hours =
Meals Per Labor Hour
(MPLH)



Meals Per Labor Hour Example

A food service director wanted to calculate the meals per labor hour from the previous day. The lunch program reported the following meals served and labor hours paid:

- 425 lunches, 150 breakfasts, 175 snacks
- 32 labor hours

Lunch	425.00 Meal Equivalents
Breakfast (150 x .67)	100.50 Meal Equivalents
Snack (175 x .33)	<u>57.75 Meal Equivalents</u>
Total	583.25 Meal Equivalents

583.25 meal equivalents ÷ 32 labor hours = 18.227 or 18 Meals Per Labor Hour



Meals Per Labor Hour

Sample Staffing Guidelines for On-Site Production



Number of Meal Equivalents	Meals per Labor Hour (conventional systems)	Total Hours of labor per day	Meals per Labor Hour (convenience systems)	Total Hours of labor per day
Up to 100	8	9-12	9	9-11
101-150	9	12-16	10	11-14
151-200	10-11	16-17	12	14-16
201-250	12	17-20	14	16-18
251-300	13	20-22	15	18-20
301-400	14	22-29	16	20-25
401-500	14	35-40	18	25-28
501-600	15	40-43	18	28-34
601-700	16	40-43	19	34-37
701-800	17	43-47	20	37-40
800+	18	47+	21+	40+

Factors Affecting Meals Per Labor Hour

- ▶ Size of operation
- ▶ Number of serving lines
- ▶ Type service provided
- ▶ Scheduling of lunch periods
- ▶ Production system
- ▶ Amount of convenience foods used
- ▶ Skill level of employees
- ▶ Complexity of the menu



Expenditure: Indirect Cost

- Share of general schools' costs that are incurred for common or joint purposes
- Indirect costs include:
Human resources, payroll, accounting, budgeting, purchasing, utilities (light, heat, etc.), etc.
- See USDA memo SP60-2016, dated September 30, 2016



Participation

- ▶ Participation is key to creating a financially healthy and successful Child Nutrition Program
- ▶ SFAs are encouraged to be innovative and creative in delivery of their child nutrition programs
 - ▶ Taste testing
 - ▶ Marketing

Calculate the Cost of Food

- Determine if costs are within guidelines,
- Ascertain if there are sufficient funds to pay expenditures,
- Establish the cost of each meal equivalent served, and
- Prevent waste and food theft through monitoring food usage.

Calculating Cost of Food Used

$$\begin{aligned} &\text{Beginning Food Inventory} \\ &+ \text{Total Food Purchases} \\ &\hline &= \text{Total Food Available} \\ &- \text{Ending Food Inventory} \\ &\hline &= \text{Cost of Food used} \end{aligned}$$

Example of Calculations for Cost of Food Used

Example	Annually	Monthly
Beginning Inventory	\$ 8,000	\$ 8,000
Food Purchases	+ 300,000	25,000
Food Available	\$ 308,000	\$ 33,000
Less: ending inventory	- 7,000	- 7,000
Cost of Food Used	\$ 301,000	\$ 26,000

Inventory Management

► Best Practices

- Monitor inventory
- Use an inventory check list
- Have an effective food safety plan
- Buy American

Inventory Control Self-Check

Directions: Mark Yes or No to the following questions to assess your school's potential for inventory loss.

YES	NO	
		Prevention Practices: Standard Operating Procedures
<input type="checkbox"/>	<input type="checkbox"/>	1. Produce is cleaned and stored correctly.
<input type="checkbox"/>	<input type="checkbox"/>	2. Proper storage containers are used for all foods.
<input type="checkbox"/>	<input type="checkbox"/>	3. Food is stored six inches above the floor.
<input type="checkbox"/>	<input type="checkbox"/>	4. All food is used as first in, first out (FIFO).
<input type="checkbox"/>	<input type="checkbox"/>	5. Leftovers are dated and used the next day or frozen.
<input type="checkbox"/>	<input type="checkbox"/>	6. Food is purchased in quantities that can be used within a short time period to assure best quality and prevent spoilage.
<input type="checkbox"/>	<input type="checkbox"/>	7. Food products are dated as they are received.
<input type="checkbox"/>	<input type="checkbox"/>	8. Temperatures of all refrigeration equipment and freezers are checked to make sure they are in correct temperature zones and are recorded on a log that is maintained daily.
<input type="checkbox"/>	<input type="checkbox"/>	9. In addition to items 1-8, all standard operating procedures in the school's Food Safety Plan are followed.
		Prevention Practices: Loss Caused by Customers
<input type="checkbox"/>	<input type="checkbox"/>	10. Staff is trained to observe customers to prevent theft on the service line.
<input type="checkbox"/>	<input type="checkbox"/>	11. Line servers and cashiers are placed where they can see the line.
<input type="checkbox"/>	<input type="checkbox"/>	12. Cashiers are placed at the exit of the serving line area.
<input type="checkbox"/>	<input type="checkbox"/>	13. Checks are accepted only for the amount of the purchase or the amount of prepayment.
<input type="checkbox"/>	<input type="checkbox"/>	14. Customers are requested to leave heavy coats outside the serving area.
<input type="checkbox"/>	<input type="checkbox"/>	15. Prepackaged a la carte or self-service items are placed where the cashier can give them to the customer at the time of payment.
<input type="checkbox"/>	<input type="checkbox"/>	16. There is a secure lock system on any vending machines that the SNP operates.
		Prevention Practices: Loss Caused by Employees

Helpful Resources and Training:

- ▶ Child Nutrition Knowledge Center - www.cn.nysed.gov, Training Tab
- ▶ USDA Food and Nutrition Service - <https://www.fns.usda.gov/school-meals/child-nutrition-programs>
- ▶ The Institute of Child Nutrition - www.theicn.org
- ▶ *School Food & Nutrition Service Management Book*
- ▶ *Managing your Child Nutrition Program Training; 4-day training in July Training Topics: Financial Management, Menu Planning, Procurement*

Accountability: The Administrative Review



CRITICAL AREAS OF REVIEW		GENERAL AREAS OF REVIEW		
<i>Meal Access & Reimbursement</i>	<i>Meal Pattern & Nutritional Quality</i>	<i>Resource Management</i>	<i>General Program Compliance</i>	<i>Other State/Federal Program Reviews</i>
Certification & Benefit Issuance	Meal Components & Quantities	Risk Assessment	Civil Rights	Afterschool Care Snack Program
Verification	Offer vs. Serve	Nonprofit School Food Service Account	Food Safety	Fresh Fruit and Vegetable Program
Meal Counting & Claiming	Dietary Specs & Nutrient Analysis	Paid Lunch Equity	Local Wellness Policy	
		Revenue from Non-Program Foods	Competitive Foods	Special Milk Program
		Indirect Costs	Water Level One Certification	
			On-Site Monitoring	



This concludes Financial
Management in Child Nutrition
Programs

New York State Education
Department

- **Child Nutrition Program
Administration**

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