



FSMC Renewal Contracts

Addressing Duplicative Costs





YOUR PRESENTER



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Topics

- 2018 USDA Management Review Finding
- Renewal Process
- Next Steps
- Correcting Submissions



2018 Management Evaluation Finding

- **The SA must ensure that all contracts that involve CEs with FSMCs with a duplication of services are not paying for duplicate services out NPSFSA.**
- FNS SWRO will review a random sample of contracts to verify that the SA has taken appropriate corrective action for FSMC contracts that have duplicative services and ensure that the NPSFSA has been replenished from funds that were used for unallowable costs and/or duplicative services.

Renewal Process

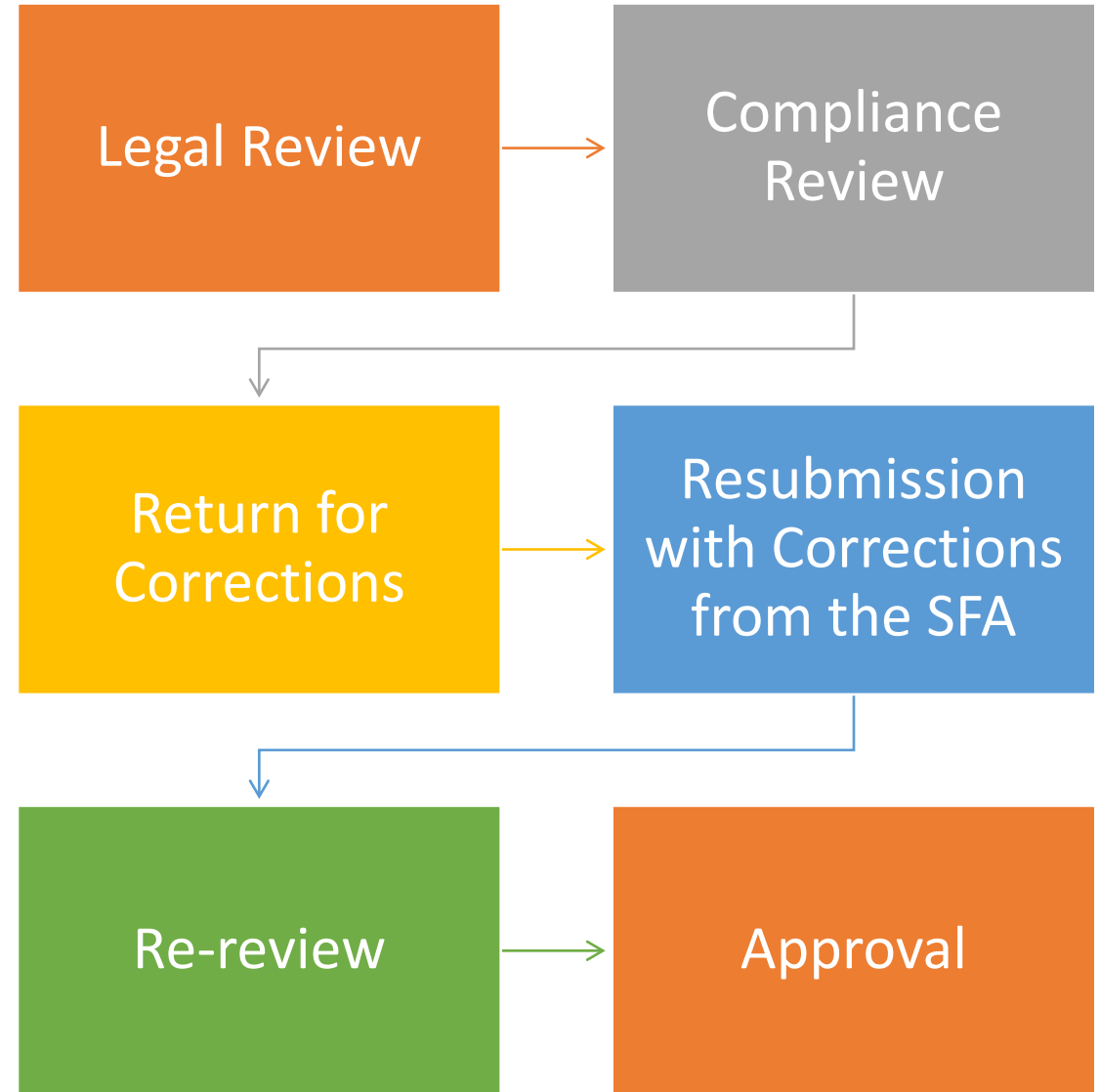
- Districts must follow the instructions on the Square Meals website
- Checklist is required
- Certification statements should be included but the agreement cannot be executed
- Renewal documents must be approved by TDA **before** execution with a vendor
- Submissions are due April 30, 2021

All submissions should be provided to:

NSLP-sbp.bops@texasagriculture.gov



TDA Review Process for Renewals



Compliance Review – Fixed Rate

- Price Increases
 - Limited to the Consumer Price Index (CPI)
- USDA Foods
 - Entitlement is not revenue
 - Cannot be included in expense totals
- Management Fees/Admin Fees are not permitted
- Only a rate x number of meals may be invoiced
- Fees greater than the reimbursement rates

Fixed-Rate Example: Correct

Total Revenues = All Cash Sales + All Reimbursements

\$907,620

Expenses:

Reimbursable Breakfast Meal Rate Fee	329,703
Reimbursable Lunch Meal Rate Fee	441,768
Reimbursable Snack Meal Rate Fee	-
Reimbursable Dinner Meal Rate Fee	-
Reimbursable Special Milk Meal Rate Fee	-
Direct Catering & Vended Costs	11,500
FSMC FFVP Direct Cost Fee	-
Management Fee	-
A la Carte Equivalent Meal Rate Fee	92,467
A la Carte Management Meal Rate Fee	-
SFA Direct Expense	15,000
IT System	-

Total Expenses

890,438

USDA-donated Foods Used 79,000

Surplus / Subsidy = Total Revenues - Total Expenses

\$17,183

Fixed-Rate Example: Incorrect

FSMC Indirect Costs – Subcategory examples include:

FSMC Charges

Technology Expense

a. Technology Allocated Charge

\$1,800

b. Other Technology Charge

Insurance Allocated Charge

(Worker's Comp. Excluded)

Other Allocated Charges

Franchise Charges

Trademark Charges

Other Indirect Cost Categories

National Standards for Pricing

Lunch Cost

- Breakfast = .67 of Lunch Cost
- Snacks = .34 of Lunch Cost

Reimbursement Rates

- Lunch \$3.51 – 3.68
- Breakfast \$2.26
- Snacks \$.96

TDA is further evaluating costs beyond reimbursement rates

Compliance Review – Cost Reimbursable

- Price Increases
 - Limited to the CPI
- Duplicative Costs
 - Management Fees
 - Administrative Fees
- Delegated Duties/Fees
 - Cooperative Agreements
 - Fee Return to SFAs
- USDA Foods
 - Crediting of USDA Foods back to the SFA

Cost-
Reimbursable:
Correct

TDA Budget Template **without** the addition of line items with costs not originally defined in the template

Compliance depends on the delegation of duties outlined in the RFP.



Cost-Reimbursable Example: Incorrect

Office Supplies	\$	1,000.00
Printing	\$	100.00
Postage	\$	100.00
Laundry	\$	-
Rental	\$	-
Exendable Equipment	\$	5,000.00
Non-Expendable Equipment	\$	50,000.00
Pest Control	\$	500.00
Repair & Maintenance	\$	30,000.00
Permits & Licenses	\$	1,000.00
Safety Supplies	\$	1,000.00
Smallwares	\$	5,000.00
Kitchen Supplies	\$	-
Site Promotions	\$	1,000.00
Background Check	\$	1,275.00
Training & Development	\$	1,485.00
Management Meetings	\$	1,250.00
Uniforms	\$	5,600.00
Grease Traps	\$	1,500.00
General Insurance & Risk Mgt. Charge	\$	27,445.99
Taxes	\$	-
Allocated Tech Fee	\$	5,119.30

Cost-Reimbursable Example: Incorrect

FSMC Salaried Employees

Base Gross Salary	\$	59,350
Educational Assistance	\$	-
Incentive Payments	\$	-
Bonus	\$	5,935
Merit Increase	\$	-
Retirement / IRA	\$	-
401K, 403(b)(7)	\$	-
Fringe Benefits	\$	23,740
Payroll Taxes	\$	5,935

Cost-Reimbursable: FTE Documentation Required

FSMC Salaried Employees: FTE _____ PTE _____

FSMC Hourly Staff FTE _____ PTE _____

Gross Salaries	\$262,000
Fringe Benefits	\$9,900
Payroll Taxes	\$26,500

District Hourly Staff FTE _____ PTE _____

Gross Salaries	\$36,000
Fringe Benefits	\$3,000
Payroll Taxes	_____




Other Duplicative/ Unallowed Costs

Cost-Reimbursable Contracts

Examples

- Expenses that should be a part of the management fee
 - Travel for FSMC specific meetings
 - Insurance coverage for FSMC employees
- Expenses that should be a part of the administrative fees
 - Marketing fees
 - Technology fees for FSMC specific reporting or software
- Any other costs defined in the RFP to be included in the rate provided

Next Steps?

- Submission Corrections
 - All duplicative costs must be removed or attestation that these costs will be paid from non-federal funds
 - Review the training webinars provided if you or your contract manager did not participate
 - Ensure that you have a designated contract manager
 - Reach out to the ESC for technical assistance or training about procurement contract management
 - Contract Management
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Corrections Required?


- Returns will begin tomorrow!
- Team members will reach out to discuss the required changes with each district representative so that only one correction is required

Re-submissions should be sent to:

NSLP-sbp.bops@texasagriculture.gov



Contract Management

- Required and Ongoing
 - Districts must manage this contract as any other vendor contract
 - CEs must check to ensure that duplicative costs are not on their monthly invoices
 - Key to mitigate compliance finding and fiscal action to the district
 - Districts must ensure that unallowable FSMC costs are not paid with the NPFSA
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mail:

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Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;

fax: (202) 690-7442; or email: program.intake@usda.gov.

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Food and Nutrition Division
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Questions?