

## CRITERIA AND PROCEDURE

<b>BROAD SUBJECT: FINANCIAL MANAGEMENT</b>	<b>NO: FM-01-01</b>
<b>TITLE: Catered Foodservice</b>	<b>EFFECTIVE DATE: January 1, 2007 Revised June 5, 2009</b>

### PURPOSE OF THIS CRITERIA/PROCEDURE -

If a School Food Authority (SFA) decides to cater food services, it is recommended they consider three goals:

1. To provide a service to the school district,
2. To generate revenue over expenditures that can be used to enhance the SFA's non-profit school food service program, and
3. To promote positive public relations between the School Nutrition Program (SNP), the school community and school-related organizations.

School Food Authorities may cater in-house food services to school functions and school-related organizations in order to generate revenues. Examples of school-related organizations include the Parent Teacher Association (PTA), Southern Association of Colleges and Schools (SACS), Booster Club or professional organizations of school employees. School functions might include functions where students and/or employees are in attendance (such as class events, school board events, faculty events or athletic program events). At no time should school-based catering compete with the private sector. If the SFA wishes to cater events that are not related to school functions, the event must be approved by the local Board of Education, as reflected in their meeting minutes. The purpose of this document is to outline how SFAs must keep financial records for catering accounts. Catering does not include contracted meals or non-reimbursable sales as defined herein.

7 Code of Federal Regulations (CFR) Part 210.14(a) requires that "Revenues received by the nonprofit school food service be used only for the operation or improvement of such food service..." Additionally, regulations require that "Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State Agency under §210.19(a) (2) of this part."

Allowable expenses from the non-profit foodservice account are outlined in Office of Management and Budget (OMB) Circular A-87.

**Georgia Department of Education  
Kathy Cox, State Superintendent of Schools  
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## **KEY TERMS AND DEFINITIONS -**

**Catering:** The planning, preparation and service of food and beverages, other than reimbursable, adult or contracted meals, and non-reimbursable foods, at special events to generate revenue that exceeds expenses for full costs of the food service.

**Catering Account:** An enterprise fund (Fund 693) used to record all revenues and expenses associated with the full costs of food service at special events.

**Contracted Meals:** Units of foods equivalent to school meals that are sold under contract to non-profit entities with missions comparable to the SNP such as Headstart, Child and Adult Care Food Programs, senior citizen programs, etc. Revenue is reported on the DE Form 106 as Other Non-reimbursable sales. Contracted meals are not considered catering.

**Non-reimbursable Sales:** The sale of items other than school meals, adult meals, or contracted meals. This includes second servings of items that are part of the reimbursable meal, such as pizza, as well as a la carte items and other items not available to students such as cookies for staff meetings or coffee or tea. Non-reimbursable sales are recorded on the DE Form 0120. Non-reimbursable sales are not considered catering.

## **CRITERIA AND PROCEDURE -**

1. A separate bank account must be used for the catering account, Enterprise Fund 693. This account will track expenditures and income separately so that associated expenses and revenues of catering are purged from costs attributable to the SNP, so potential and actual revenues may be tracked.
2. Legitimate SNP expenses shall not be paid from the catering account, as these expenses will not be included on the School Nutrition On-line (SNO) meal cost and expenditure reports. Legitimate expenses may be paid from the school nutrition account after transferring profits from the catering account (Enterprise Fund 693) to the school nutrition account (Function 3100); transfers of funds into the school nutrition account will be reported as "transfers in " on the SNO reports and "transfers out" in Fund 693.
3. The full cost of all catering functions must be identified and recovered including clearly identifiable costs of food, labor, small and large equipment, and supplies and indirect costs calculated through the application of the indirect rate to cover the common costs that cannot be clearly charged to one program or another.
4. Co-mingling of labor or food costs must be minimized in an effort to separate the two activities as much as possible.
5. Because it is not possible to identify and recover all the indirect costs incurred by the SNP on behalf of the catering account, Georgia Department of Education's approved federal non-restricted indirect cost rate (%) must be applied at least annually to total expenditures from Fund 693. Examples include catering's portion of costs such as payroll, warehousing, procurement, facility maintenance, rental, utilities, etc. when the SNP is incurring expenses related to these charges. Upon application of this rate, the resulting dollar amount must be transferred from Fund 693 to the school nutrition account (3100). These funds then become available to spend within the school nutrition account.
6. Pricing catered functions is comparable to pricing a la carte items sold by the SNP and the same criteria can be used. Pricing must include food, labor, supplies and the indirect rate and must provide for revenues in excess of expenditures.
7. To calculate labor, consider the employee's salary and benefits for the time worked for the special event. Any payment due to an SNP employee for work performed, including catering functions, must be processed through the payroll department, so that the appropriate withholdings are made and the gross income earned is recorded and reported correctly. Time records must be available to demonstrate that the SNP has not compensated employees for work done on catering functions.
8. Program employees who work on catering functions are subject to Fair Labor Standards Act (FLSA) requirements and, beyond the 40 hour work week, must be paid overtime. The SNP must not be charged overtime for any incident where catering requires labor hours to exceed 40.

9. Calculate the cost of all food and supplies used; be sure to include the cost of packaging used for catered items. Foods used for catering events should be ordered and inventoried separately from foods used for the service of reimbursable meals and should NOT be reported on the School Nutrition Form, *DE 106 Financial Data*.
10. It is recommended that items used for catering functions be bid separately from the items used for the SNP. If the two are bid together, bids must state that items being bid will be used for catering as well as for the service of reimbursable meals in keeping with sound business practices.
11. Purchase orders must reflect applicable purchases of goods, time sheets must reflect applicable personnel charges and invoices must reflect charges for events; these expenditures and revenue will be tracked in the appropriate accounts in the catering fund.
12. When deciding whether to purchase catering equipment or supplies, the potential frequency of use should serve to guide the decision whether it should be purchased or rented.
13. Maintain a current local board policy on rental fees and terms and conditions for the use of school facilities.
14. USDA commodities can only be used (1) when the full cost of commodities are recovered and accrue back to the nonprofit school nutrition account and (2) when students are the primary beneficiaries of the food service. When determining the cost of commodities under the single inventory system, the higher value (purchased vs. commodity) must be used. See *FNS Instruction 770-1, Rev. 1, Use and Sale of USDA Donated Foods in Schools and RCCI's* issued on 5/16/86 and *USDA Policy Memorandum 250.48-01: Policy Interpretation Regarding the Use and Sale of Commodities in School Food Authorities (SFAs)*.
15. It is strongly recommended that SFAs have, for their own protection, a written contract with the organization fiscally responsible for the catered event; include the menu, type of meal service, price, and terms of payment. A contract should require that a guaranteed number of participants in the catering function be identified several days in advance of the function in order to help with planning and preservation of financial resources.

## **AUTHORITY – FEDERAL:**

7 CFR Part 210.14 *Resource management, (a) Nonprofit school food service*

7 CFR Part 210.19 *Additional responsibilities, (a) General Program management, (2)  
Assurance of compliance for finances*

7 CFR Part 3015, Uniform Federal Assistance regulations

FNS Instruction 770-1, Rev.1, *Use and Sale of USDA Donated Foods in Schools and RCCI's*  
issued 5/16/86

USDA NSLP Policy 210.19.03 *Use of Revenues Generated by the Food Service Account*

USDA Policy Memorandum 250.48-01: *Policy Interpretation Regarding the Use and Sale of  
Commodities in School Food Authorities (SFAs)*

Fair Labor Standard Act, 1938, as amended Section 7

Circular E, Employers Tax Guide, January 1995

Office of Management and Budget Circular A-87

## **AUTHORITY – STATE:**

Record Keeping Guide for Georgia's SNPs (under revision)

O.C.G.A. 20-2-167 (b) (1) . . . *computerized uniform budget and accounting system . . .*

Georgia Board of Education Rule 160-5-2-.23 *Financial Management for Georgia Local Units of Administration*

Georgia Department of Education Indirect Cost Plan (online)

Georgia SNP SNO:

Instructions for Reporting

School and System Profit-Loss Report

School and System Non-Reimbursable Sales Report

System Net Cash Resource Report