MESSAGE:

The National School Lunch Program (NSLP) and School Breakfast Program (SBP) are federally funded programs. The regulations that specifically pertain to the availability and operation of the programs are found in 7 CFR, Part 210 and 220. These regulations are promulgated by USDA. The regulations stipulate that each entity that participates in the National School Lunch Program must account for, record, and deposit all revenues from any food service transaction into a food service account.

In addition to the program specific regulations, government-wide regulations also apply to the operation of the NSLP and SBP, such as the federal cost principles. The federal cost principles are promulgated by the Office of Management and Budget and can be found in 2 CFR, Part 200. Federal-cost principles establish guidance for costs that are allowable or unallowable and apply to the entire food service account. Even though the food service account contains revenue from non-federal resources, such as state reimbursement or student sales, the federal cost principles apply to the entire food service account.

While the federal cost principles have been long-standing, we are now required to monitor for compliance. We have provided trainings on this topic. However, memos pertaining to specific subject matters will be issued as necessary.

Section 2 CFR, 200.426 details that bad debt is an unallowable cost (to the food service account). A student debt for meal charges would become a bad debt when the school has exhausted its measures to collect the money from the student but remains uncollectable when the accounting books are closed at the end of the school year.

Allowing a student to charge for meals is a decision that is made at the local level. If a school does allow a student to charge for meals, the school must have a meal charge policy in place. For example, the policy can stipulate how much (meals or money) the student will be permitted to charge, how a low balance warning and/or debt will be communicated to the family, and the associated consequences as long as the student’s account is in arrears.
Prior to the end of the school year (or when the accounting records close for the school year), the school should make every effort to collect outstanding payments from the student. However, if the school is not able to collect the monies, the debt incurred by the student(s) may not be carried by the food service account to subsequent years. In other words, the school must transfer funds into the food service account in the amount equal to each student’s debt. The Division of Food and Nutrition doesn’t advise on where the funds should be transferred from, other than it cannot be federal funds since the federal cost principles apply to all federal funds. Examples of where funds could be transferred from include the general fund or a foundation fund. Accounting records should show well documented transactions/transfers.

Attached, please find a list of Frequently Asked Questions pertaining to Bad and/or Uncollectable Debt. These questions are included as a section in the Resource/Financial Management Frequently Asked Questions, which is located on PEARs Download Forms, Financial Management Section.

Attachment