

resources are defined as all monies that are available to, or have accrued to a School Food Authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities. Net cash resources may not exceed three months average expenditures. A link to a sample Net Cash Resource Schedule in the format provided by the USDA is available on page II-60.10 of this Audit Program. This sample schedule is guidance for the auditor's use and is required to be completed. If the Child Nutrition Program is audited as a major program in the current audit period in accordance with federal OMB Circular A-133, the Net Cash Resource Schedule is a required submission included in the auditor's management report (AMR). The auditor must also comment in the AMR as to whether proper net cash resource balances are maintained by the district/charter school. In the event that net cash resources exceed three months average expenditures, the state agency may require the School Food Authority to reduce the children's meal price, improve food quality, or take other actions designed to improve the nonprofit school food service. (REF 7CFR 210:14)

5. The auditor should comment on whether Food Distribution Program properly processed and warehoused U.S.D.A. Foods (commodities), if received. If the school district/charter school is utilizing a FSMC to operate its food service program, review evidence that the market value of Food Distribution Program processed and warehoused USDA Foods was credited to the LEA/charter school. Year to date amounts must be provided.
6. Auditors should verify that financial arrangements (i.e. fee calculations, presentation of invoices, and other provisions) in the Food Service Management Contract (FSMC) have been complied with; if not, cite exception:
 - a) Is FSMC fee calculated in accordance with the contract provisions and properly reported in the year end operating statement? (Refer to [Handout 248.pdf](#), [Handout 349.pdf](#) and [Locals and Authorities - Integrity Monitor Guidance \(2\).pdf](#) received by the district or charter school.)
 - b) Has the FSMC met or exceeded the food service program operating results guarantee provision stated in the contract/addendum?
 - c) Does the contract with the FSMC comply with the requirements of *N.J.A.C.5:34-4.4(b)* with regard to the prohibited inclusion of other goods/services required to be separately and competitively bid?
 - d) Has the FSMC complied with the provisions of *N.J.A.C.5:34-4.4(b)* prohibiting the combination of unrelated items with other good/services required to be separately procured through competitive bidding?
 - e) Has the FSMC provided the detailed expenditure information necessary for the LEA to perform the required segregation of program versus non-program meal and related costs in accounting records and financial reports?
 - f) Has the FSMC charged the LEA only for costs that are actual and allowable, net of all discounts, rebates, and other applicable credits accruing to or received by the FSMC? Refer to the illustrative FSMC contract section "Rebates, Discounts and Credits". (See Form #17 (FSMC) cost contract [FMCCContract.pdf](#))
7. The United States Department of Agriculture does not permit increases in reimbursement for revised vouchers received after 60 days without proper verification. However, payment can be considered if the under claim is verified in an audit or administrative review. **Auditors are instructed to verify any under claims (identify in the Schedule of Meal Count Activity – where applicable) as a result of late revisions.** Please note that such payment is subject to approval.