Contracting with a Food Service Management Company Training

Given by the
Pennsylvania Department of Education (PDE)
Division of Food and Nutrition (DFN)

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Section 1 Essential Questions

• What are the two types of contracts that a School Food Authority (SFA) can enter into?

• What are the federal requirements related to contracting with a Food Service Management Company (FSMC)?
Section 2 Essential Questions

• What are the responsibilities of the School Food Authority?

• What are the responsibilities of the Food Service Management Company?
Section 3 Essential Question

• How do I correctly complete the Request for Proposal (RFP) process for an initial year contract?
Section 4 Essential Questions

• When must the bidding process be completed?

• What are some guidelines for what should and should not be done when completing the application?

• Whom can you contact if you have questions?
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Section 1
Section 1 Essential Question

What are the two types of contracts?

– Cost-Reimbursable

– Fixed Cost
Type of Contracts

• Cost-Reimbursable
  – The operational costs to run the program plus Administrative and/or Management fees

• Fixed Price
  – Set price for each meal, inclusive of operational costs, Administrative and/or Management fees

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Definitions

• Operational Costs
  – The allowable direct day to day costs to operate the program
    ◦ Labor, food costs, supplies, direct costs attributable to food service

• Administrative Fee
  – The allowable indirect and direct costs to administer the program
    ◦ Payroll processing, office supplies, background checks, costs incurred by FSMC’s corporate office

• Management Fee
  – The FSMC’s profit
    ◦ Price per meal, flat fixed rate or combination of both. Cannot be cost plus a percentage of cost or cost plus a percentage of revenue.
Cost-Reimbursable Contract

• Operational Costs

• Administrative Fee – must be itemized on the monthly billings to insure charges are not being billed twice

• Management Fee
Fixed Price Contract

• Based on one price for each meal served (i.e., breakfast, lunch)

• Projects the cost of operating the program

• Three parts: Direct costs of operations, Administrative fee and/or Management fee

• Price per meal cannot change throughout the contact period even due to economic fluctuations
Federal Regulatory Requirements for Contracting with a FSMC

• General procurement requirements apply
  – 2 CFR Part 200
  – 7 CFR Part 3016

• Regulations specific to School Nutrition Programs
  – 7 CFR parts 210, 215, 220, 225 and 245
Federal Requirements for FSMC

• In order to use non-profit school food service account funds
  – SFA must have a proper contract and follow proper procurement procedures
  – Costs paid must reflect all discounts, rebates and applicable credits received by the FSMC

• SFA must have the contract reviewed and approved by DFN prior to signing with FSMC

• FSMC may not be paid using funds in the food service account prior to receiving final approval from DFN (located in PEARs FSMC Fact Sheet and noted on the contract cover page)
Management of Donated Foods

• Revises and clarifies requirements for the management, distribution and use of donated foods

• Establishes specific requirements to ensure that SFAs receive the benefit and value of all donated foods

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Requirements Related to USDA Donated Foods

Specific requirements to ensure that SFAs receive the benefit and value of all donated food

• **Receiving Donated Foods**
  – Considered received when the food arrives at either the SFA’s or the FSMC’s storage facility
  – Either in raw form or in processed end products

• **Credititing Donated Foods**
  – Performed monthly through invoice reductions, refunds, discounts, or by other means of crediting
  – Must be clearly documented

• **Determining Donated Food Values**
  – USDA November Commodity Price List
What Does this Mean for SFA?

• SFA must indicate activities the FSMC will perform
• Donated ground beef, ground pork and all end products received from processors must be used by the FSMC
• FSMC will use all other donated foods, or commercially purchased foods of the same generic identity, of U.S. origin, and of equal or better quality than the donated foods, in the SFA’s meal service.

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What Does this Mean for SFA?

• Procurement of processed end products must only be from processors that have agreements with PDA

• FSMC must provide assurance that it will not itself enter into the processing agreement with the processor

• FSMC may store/inventory donated foods with commercially purchased foods unless contract states otherwise, but they must be able to prove that all donated foods were used for the SFA’s food service.
What Does This Mean for SFA?

• Comptroller General, PDA, USDA, PDE, or their duly authorized representatives, may perform onsite reviews of the FSMC’s food service operation, including the review of records for the management and use of donated foods.
• FSMC will maintain records to document compliance relating to donated foods.
• Contract renewal contingent upon fulfillment of contract provisions relating to donated foods.
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Section 2
Section 2 Essential Questions

• What are the responsibilities of the School Food Authority (SFA)?

• What are the responsibilities of the Food Service Management Company (FSMC)?
What are the Responsibilities of the SFA?

• SFA must guarantee open and free competition
  – Every bidder must be afforded the same opportunity to bid on the contract
  – All bidders must receive the same information
What Factors Restrict Free and Open Competition?

• Accepting FSMC proposals after all bids are publicly read

• Adding programs, services, etc., after the proposal is awarded

• Collusion between firms

• Gifts from the FSMC to the SFA

• FSMC helping to prepare RFP
What Factors Restrict Free and Open Competition?

• Insufficient submission time
• Lack of uniform information for all potential bidders
• Requirement for unnecessary experience or bonding
• Unreasonable requirements
Penalty for Violations

• Any violation of free and open competition will make a proposal non-responsive
  – If the contract was already awarded, the SFA must rebid the contract
  – If the violation occurred prior to the award of the contract, the FSMC’s proposal will be considered ineligible
Additional SFA Responsibilities

• Access and utilize PEARs

• Access and utilize COMPASS

• Distribute, process and approve household applications for Free and Reduced Price Meals
Additional SFA Responsibilities

• Create bid protest procedures
• Conduct on-site reviews in each building
• Conduct Direct Certification
• Obtain list of homeless, runaway, and migrant students
• Conduct Verification
Additional SFA Responsibilities

• Develop a charge policy and collection of delinquent charges policy

• Pursue the student debt

• Develop the food service budget

• Develop the RFP
Additional SFA Responsibilities

• Enter and maintain the free/reduced eligibility information into the Point of Service (POS) system (paper or electronic system)

• Establish advisory committee and conduct meetings

• Establish meal and a la carte prices
Additional SFA Responsibilities

• Generate and maintain master eligibility list
• Develop and implement local wellness policy
• Monitor food service program
Additional SFA Responsibilities

• Review monthly invoices against supporting documentation for proper billing, including credits, discounts, and rebates to ensure the SFA receives the benefit

• Review Edit Check Worksheet (validate and initial)
Additional SFA Responsibilities

• Submit, review, verify and certify Reimbursement Claim

• Review USDA commodity utilizations

• Validate actual monthly invoice to FSMC’s monthly billing
What are the FSMC Responsibilities?

- Provide acceptable meal counting and accountability methods
- Develop and analyze meal trends and participation reports
- Provide appropriate menu components and portion sizes
What are the FSMC Responsibilities?

• Participate in advisory committee meetings

• Provide employee training and nutrition education

• Present information to School Board, PTA, etc., upon request

• Supply support services of dietitian or chef, if appropriate
What are the FSMC Responsibilities?

• Handle payroll for FSMC employees
• Monitor FSMC employee promotions
• Provide documentation regarding nutrition content of foods served
• Provide and implement proper monetary collection methods.
What if I Have Questions?

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