

Questions and Answers Pertaining to Food Service Management Company (FSMC) Contracts Final

Revised 11/2025

Section I

Billing, Payments, and Meal Equivalency

1. **Question:** When using reimbursement rates for meal equivalency calculations, are the rates for the current year used?

Answer: Yes. The reimbursement rates for the current year are used to determine meal equivalency. New rates are determined by the United States Department of Agriculture (USDA) and provided to the states in July. Once received from USDA, the rates are published in an e-Memo for the districts.

2. **Question:** How is meal equivalency determined for converting cash sales to meals?

Answer: Meal equivalency is used to convert cash sales into meals for billing purposes. The meal equivalency rate is determined by taking the sum of all reimbursements for a free meal and dividing that sum into the total cash sales for the month. **Free reimbursement + Performance based reimbursement + State matching for lunches served in the previous year + Per meal USDA donated foods value = Meal equivalency rate.** The meal equivalency rate is published on the Child Nutrition Unit (CNU) website each year. Sales that are converted to meal equivalency include adult meals, second student meals, a la carte sales, contract meals that are not otherwise claimed by the district. Catering sales are not converted to meal equivalents. FFVP is not converted to meal equivalents.

3. **Question:** What is the time requirement for receiving or getting corrected invoices from the FSMC?

Answer: FSMCs are required to provide the school food authorities (SFA) a.k.a. district with an itemized statement for payment by the 15th day of the month for the previous month's billing. If the SFA finds the invoice contains errors or needs clarifications, the SFA must request a corrected invoice and the FSMC must provide a corrected invoice within 14 days of the request. If additional corrections are needed, a final, corrected, itemized invoice must be received by the SFA no later than 45 days after the end of the month in question. If the FSMC fails to provide an itemized, corrected invoice within 45 days, the SFA will withhold payment for noncompliance. SFAs will pay invoices in the order of calendar months. Payments will not be made out of sequence.

4. **Question:** What costs are not allowable expenses for the non-profit Child Nutrition Programs (CNP)?

Answer: There are many demands made regarding the limited resources of an SFA's non profit school food service account (NPSFSA). It is imperative that SFAs adhere to the Federal regulations and determine whether a cost is allowable, allocable, and charged appropriately to safeguard the financial integrity of the non-profit program. In accordance with 2 CFR 200.467 and 2 CFR 200.421, SFAs must observe the restrictions on the use of nonprofit food service revenue so that all revenue is used for operating the meal service and/or improving the quality and efficiency of the program. Revenue may be used for food, supplies, equipment, and personnel to operate the meal service. Marketing costs are allowed as far as they are used to promote the program to the patrons within the district. Restrictions apply. Marketing the FSMC is not allowed. Marketing costs are unallowable unless they are specifically for:

- recruiting Child Nutrition employees, procuring goods and services for program operations;
- disposal of scrap or surplus materials (except where/if the award recipient is reimbursed or compensated for the disposal of goods);
- program outreach when necessary to meet the requirements of the federally awarded program;
- public relations costs specifically to keep the public informed as related to the program.

Section II

Labor and Professional Standards

5. **Question:** How do professional standards apply to FSMC employees?

Answer: The same professional standards apply to FSMC employees who are working in the Child Nutrition programs in the school districts. This includes the required annual hours of professional development for the employees. See the following for more information: [Professional Standards | Food and Nutrition Service \(usda.gov\)](https://www.usda.gov/food-and-nutrition-service) and [Questions & Answers Regarding Professional Standards for State and Local School Nutrition Program Personnel \(azureedge.us\)](https://www.azureedge.us) In addition to the USDA professional standards, the State of Arkansas has rules for certification known as *Rules Governing Certification and Professional Development of Child Nutrition Professionals*. These regulations are enacted pursuant to the authority of the State Board of Education under Ark. §§ Code Ann. 20-7-134.

6. **Question:** Can the FSMC require employees to sign a non-compete agreement or insert a non-compete agreement into the contract with the district?

Answer: No. Nothing can be added to the RFP. The language is complete and requires no additions or conditions. If district Child Nutrition (CN) employees become employees of the FSMC, the FSMC cannot require them to sign a non-compete agreement as part of the contract with the district. However, the state agency (SA) has no control over what the FSMC requires their employees to sign once they are employed by the FSMC.

7. **Question:** Can the district require FSMC directors and managers to become certified through the State Agency Director and Managers Training courses?

Answer: Yes. The district can require the FSMC directors and managers working in their district to attend the state agency certification training. If so, the district must include this requirement in the RFP so the FSMCs will be aware of this prior to the award. If the FSMC does not want their employees to receive state agency certification, they should not submit a proposal. If the district is requiring the training, the costs (class fees, hotels stay, travel) for the training would be an allowable expense to the nonprofit school food service account (NPSFSA). Proper documentation of the expenses would be required. This would be billed as a line item on cost reimbursable invoices within the month with required documentation included. Fixed rate contracts would bill training costs on a separate invoice within the month and provide the appropriate documentation with the invoice.

Section III

Buy American Provision and USDA Donated Foods

8. **Question:** What are the requirements for the Buy American Provision when programs are outsourced to a company?

Answer: The Buy American Provision applies to all districts, not just the self-operated districts. When an FSMC purchases food or food products on behalf of the SFA, the FSMC must follow the same Buy American provisions and exceptions that are required of self-operated districts. To ensure that the FSMC follows the Buy American provisions contained in 7 CFR 210.21(d) and 7 CFR 220.16(d) the SFA must verify the provisions are contained in the procurement documents of the FMSC. When exceptions to the Buy American provision are identified as in SP 23-2024, the FSMC must notify the SFA in advance that a non-domestic substitute may be necessary. The SFA can approve the use of the foreign substitute or require a domestic substitution for the product. Beginning July 1, 2025, USDA will begin placing limits on the percentage of non-domestic foods that may be purchased for the entire year. This information is in the RFP. For more information see [USDA Memo SP 23-2024](#) and [CNU e-Memo 09-2025](#).

9. **Question:** How does the district receive credit from the FSMCs for use of USDA donated foods or commodities? Does this include additional funds for local funds for purchasing from local farmers?

Answer: USDA donated foods must be made available to the FSMC and must be credited to the SFA each month for their value. The USDA sets the value of the donated foods. Credit is based on the total amount of donated foods received rather than what is used. This includes brown box items (those ordered

monthly), Department of Defense (DoD) fresh produce, net off invoice (NOI) from processed items, and any bonus items received in the district. In fixed rate contracts the value of the received donated foods is subtracted directly from the invoice total each month. Crediting must appear on the invoice so the district can track the receipt of the items. In cost reimbursable contracts the credit is revealed through disclosure of the value of the items received. Credit must also be given to the SFA for additional funds provided to districts for the purchase of local foods from local farmers. Currently there are no additional funds available for purchasing local foods from local farmers.

Section IV Submitting the RFP, Scoring, Contract Awards, Conflicts of Interest, Contract Duration and Termination

10. **Question:** I was told I didn't have to use the State Agency's Request for Proposal (RFP). If we like the RFP we have we can use it again.

Answer: No, this is not true. The RFP is developed by the state agency and reviewed by USDA annually.

Districts soliciting an RFP for school meals are required to use the prototype RFP for the year of solicitation.

11. **Questions:** Are magazines, binders, notebooks, etc. allowed as the submission of the Request for Proposal?

Answer: No. These items are prohibited and will cause the RFP to be disqualified. FSMCs are not to submit anything with the RFP other than items requested by the district. The RFP is complete and requires nothing other than completion by the district and the responding FSMCs. The language cannot be changed. Assumptions and addendums are not allowed.

12. **Question:** In the RFP submissions from the FSMCs, what is considered overly responsive and how is an overly responsive submission handled?

Answer: An overly responsive submission is one that offers something in the proposal that was not requested by the district. Examples include but are not limited to food trucks, grills or other equipment, bonuses, scholarships, monetary guarantees, loans, and gifts or gratuities of any kind. When proposals are scored, they should first be checked for overly responsiveness. Overly responsive proposals must be disqualified from receiving the award.

13. **Question:** Can the price/cost section under the scoring criteria be defined?

Answer: Yes. According to USDA guidance, price/cost is the total cost of the proposal submitted to the district. In a fixed rate contract, the per meal price covers food, labor, and supplies for the meal service. In Option B of the fixed rate, the price/cost is the monthly fee and no other fees are charged to the district. If the proposal is for a cost reimbursable contract, price/cost evaluation should include the administrative and management fees and the proposed labor that would be payable by the district. The cost reimbursable Option B is fixed monthly rate and district reimburse the FSMC for the costs of food and supplies for producing the meals. Look to historic data for food and supplies cost.

14. **Question:** How are the RFPs scored?

Answer: A score and rank system is used to determine the award. The RFPs are scored based on the scoring criteria published in the RFP. Once the RFP is released, the criteria cannot be changed. The scoring team will use the score sheets provided by the state agency. Each member will score each RFP individually and rank the FSMC according to their score. The FSMC with the highest rank will receive the award. Districts may enter a negotiation phase if it is indicated in the original RFP. See question 15.

15. **Question:** Can the contract award be negotiated?

Answer: Yes. If negotiations are used in the award criteria it must be stated in the original solicitation sent to the FSMCs. Negotiations are conducted between the FSMCs that meet a predetermined cut off score based on the scoring criteria. In the negotiation phase, the only consideration is price. No other items

are changed or considered in the negotiation phase. The person conducting the negotiation must not be a member of the scoring team. FSMCs that did not meet the cutoff score must be notified in writing.

16. **Question:** What happened to the Year-to-Date Report that was included in the RFP in the past?

Answer: When the Child Nutrition unit's claim system changed, the year-to-date report was taken out and is no longer available. Districts are instructed to include the October claim in their RFP. October was chosen because free and reduced eligibility is established by October 1 and historically October is a full month with few breaks in meal service. This applies to districts with the traditional 5-day week calendar or the recently adapted 4 day week calendar. See question 11.

17. **Question:** What claims should districts include in their RFPs?

Answer: The October and November claims are included in all RFPs. In the past, districts with traditional calendars only submitted an October claim while year-round districts and four-day week districts were instructed to submit both October and November claims due to their fall breaks. Since many districts with traditional schedules now have fall breaks in the month of October, all districts are asked to submit both claims.

18. **Question:** What are conflicts of interest when procuring the services of an FSMC?

Answer: No employee, officer, agent, or board member with a real or apparent conflict of interest may participate in the selection, award, or administration of a contract supported by the Federal award. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an organization that employs or is about to employ any of the parties indicated herein, has financial or other interest in or a tangible personal benefit from an entity considered for a contract. An employee, officer, agent, and board member of the recipient or subrecipient may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors. However, the recipient or subrecipient may set standards for situations where the financial interest is not substantial, or a gift is an unsolicited item of nominal value. An example would be the value of a coffee mug or less. The recipient's or subrecipient's standards of conduct must also provide for disciplinary actions to be applied for violations by its employees, officers, agents, or board members. Organizational conflicts of interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, the recipient or subrecipient is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 C.F. R. § 200.318(c)

Section V

Loans and Guarantees

19. **Question:** Can loans from the FSMC be part of the RFP?

Answer: Yes. If the district wants to ask for a loan for allowable purchases, it must be stated as part of the original solicitation. If so, the district will complete additional documents as part of the RFP. These documents must be submitted to the State Agency and approved. The district remains the purchasing agent for these expenditures. Proper procurement procedures must be followed in accordance with 7 C.F. R. § 210.21 and 2 C.F.R. § 200.318 Failure to follow proper procurement may constitute an unallowable expense to the NPSFSA. Purchases cannot exceed the original loan amount indicated in the RFP. All purchases must be approved by the district CND. Any item not listed on the State Agency pre-approved capital expenditure list, must be approved by CNU prior to purchasing. For more information see Loans for Allowable Expenditures in the RFP.

20. **Question:** If the district asks for a guaranteed return at the end of the year, how does this work?

Answer: Districts can ask for a guaranteed return as part of the original solicitation of the RFP. The guarantee represents profit for the year, which begins July 1 and ends June 30. Guarantees do not extend over multiple years.

Example 2: If the NPSFSA has a balance of \$37,000.00 at the beginning of the year and requests a guaranteed return of \$5,000.00 at the year's end, the balance in the NPSFSA should be \$42,000.00; a gain of \$5000.00. Instead, the NPSFSA balance is \$20,000.00 showing a loss of \$17,000.00. The FSMC would owe the district the \$17,000.00 that was lost plus the \$5,000.00 for a total of \$22,000.00. If the FSMC fails to meet the guaranteed return, the district should hold the FSMC liable for the deficit payable to the NPSFSA.

Section VI Catering, Concessions, and Other Programs

Answer: To keep funds separate from the NPSFSA and assure proper billing, beginning with the 2024-2025 school year, catered events are billed directly to the group ordering the catering. Catered events are not billed at the meal equivalency rate. Example 1: The district hosts a sports banquet for the high school athletes. The banquet is approved by the CND and the FSMC will quote a price for the banquet. The price would include the per meal rate which covers food costs, labor, and supplies for the meals, and the FSMCs service fee for the event, if charged. The SFA may or may not charge a facilities fee for the event. If the SFA charges a facility fee, the fee is billed by the SFA to the party requesting the service. Example 2: The elementary school wants to provide a breakfast for teachers and all district staff to kick off the new school year before students begin to attend. The request is made to the CND who approves the event. The FSMC gives a price for the staff breakfast that will cover food, labor, supplies, and a service fee, if added. The breakfast is not billed to the non-profit school food service account. The FSMC will bill the district or school directly. Example 3: The administration orders 5 dozen cookies, a fruit and cheese tray, and beverages for an open house. The request is sent to the CND who approved the request. The FSMC determines a price that covers food, labor, supplies, and a service fee if charged. The FSMC bills the administration for the catering.

Answer: No. The FSMC contract is for the National School Lunch Program, which includes afterschool snacks, and the School Breakfast Program. Operating the concession stands for athletic or other events outside of the Child Nutrition programs is not included. If the district wants to outsource the concession stand operations, there must be a separate contract between the district and the FSMC for that purpose. Food items for concessions are to be purchased separately and invoiced separately from the nonprofit school food service.

Answer: The district retains control of the FFVP. The FFVP is a discretionary reimbursement grant separate from the funding for National School Lunch Program (NSLP), School Breakfast Program (SBP), and Child and Adult Care Food Program (CACFP). Administrative and management fees, fixed price fees, and meal equivalency fees do not apply to items served under the FFVP. Produce purchased for the FFVP must meet the Buy American requirements. FFVP menus must be approved by the CND just as other menus served in the district. The FFVP grant allows for administrative costs, but administrative costs cannot exceed 10% of the total award for the year. This includes administrative labor, which should be minimal, and equipment solely for the FFVP. The state agency provides timesheets for FFVP labor that must be used for the

program. In FSMC contracts charging labor to the districts, the district will be reimbursed for the labor paid to the FSMC. Charges for the FFVP must, at the district's discretion, be a separate line item on the monthly subsidy invoice or on a separate invoice entirely. Department of Defense (DOD) produce from USDA donated food cannot be used for the FFVP. FFVP invoices will be included in the FSMC monitoring. More details on FFVP can be found in the RFP.

Section VII

Contract Monitoring

24. **Question:** My contract was reviewed by the state agency and unallowable costs were discovered.

Who is responsible for the unallowable charges to the program?

Answer: USDA requires all first-year contracts to be reviewed by the state agency. This is to identify any findings early and apply the needed corrective actions. If findings requiring fiscal action are identified, it is the district's responsibility to restore the money to the NPSFSA. The district will have the responsibility of recovering the funds from the FSMC. The state agency and the district enter an agreement each year to serve reimbursable meals to students and receive the federal award. The district elects to enter a contract with the FSMC. The state agency does not have a contract with the FSMC.

25. **Question:** What is the SFA responsibility in monitoring the FSMC?

Answer: When an SFA outsources their Child Nutrition programs their role is largely contract monitoring. The Child Nutrition Director (CND) will perform on-site reviews at all sites throughout the district. These are separate reviews from the on-site reviews conducted by the site managers. The monitoring form is available on the CNU website under the FSMC navigation tab. Reviews are to be conducted 2 times per year at each site. The first review at each site must be within the first 4 weeks of operation. Typically, there should be a fall and spring monitoring. If there is a warehouse, the warehouse should be monitored as well.

Section VIII

Miscellaneous

26. **Question:** Is there a formula for plate cost?

Answer: To determine the plate cost, you must know the costs of all items on the plate and find the portion cost or the cost as served. An example would be if you have a case of chicken strips costing \$65.00 and there are 120 servings in a case, the portion cost of that item would be \$.5416. You would need to determine the portion cost of each item to determine plate cost. Implementing offer vs. serve is one way to reduce plate cost. Many menu planning software packages will calculate plate cost, but it is up to the operator to keep the prices updated. This can also be accomplished with an Excel or Google spreadsheet if you have the technology to set up those documents. Plate cost (food cost) is only one piece of the costing puzzle as labor, and supplies need to be part of the equation as well as certain indirect costs.

27. **Question:** Does the type of contract (Fixed/Cost Reimbursable) determine the quality of food served in the program?

Answer: Since the SA has included a food specification section in the RFP, this should help maintain food quality. Districts soliciting fixed rate contracts should be cognizant of very low proposal fees since the fees are to cover the cost of the labor, food, and supplies. These low fees would affect quality of the food. In contrast, when fees are very low in cost reimbursable proposals, districts may find that they are invoiced for costs that should normally be included in the fees rather than billed to the nonprofit.

28. **Question:** If you have a Fixed Rate contract, can you request certain foods?

Answer: Yes. The SA has included a section in the RFP that includes food specifications. This serves dual purposes. 1. To allow district to specify specific items they want served; and 2. To allow the FSMCs to determine meals costs so they can better determine a per meal fee.

29. **Question:** Is there a template available for simplified monthly billing from the FSMC that would make allowable charges and total charges more easily identified.

Answer: No. Currently, the SA has not developed a template for invoices. It is strongly recommended that you request a sample invoice from the FSMCs when you are making your selection of a company. This is suggested in the scoring criteria. Items on an invoice should be easily identified with documentation to back up the charges.

30. **Question:** Are there companies that only want to bid on Cost Reimbursable contracts?

Answer: At this time no FSMCs have reported to the SA that they will only submit cost reimbursable proposals, but there are FSMCs that only submit cost reimbursable proposals. This is something that district officials need to determine as part of their consideration to hire an FSMC.