



YOUR SCHOOL NUTRITION PROGRAM



Georgia School Nutrition Foundation



Help Wanted

The Georgia School Nutrition Foundation was established in 1967 to focus on

- Child Nutrition Research,
- Professional Development for Staff, and
- Public Education on School Nutrition.

One Foundation goal is to educate Georgians on outsourcing the school nutrition program. Because we understand that food service management companies market their services routinely to Superintendents and Board members, this publication was developed to give a different perspective on outsourcing. This perspective is important because it is developed from the school district's point of view.

Programs in Georgia rank among the top in the nation for student participation, nutrition standards, accountability, best practices, and fiscal discipline. You are in a position to dictate and control local program improvements without the hassle of outsourcing and its unpredictable results. Did you know that research puts the percentage of outsourcing deals that fail at between 50 and 75 percent? (Brown and Wilson, 2007) Before you decide that an outside company can do a better job, *let us help you do, what you do, even better.* We offer independent peer reviews to local school districts seriously considering outsourcing because we know you desire the best for your communities. Read on for more information.

As a local Superintendent or Board Member you are faced daily with making decisions that dramatically influence education in your community. When making tough decisions in these difficult times, don't be led to believe that outsourcing is the sole answer. Take the time to review this publication and then speak to a Foundation representative.

Thank you for leading Georgia in building healthy children, ready to learn.

For information, email Susan Cheshire, Executive Director, Georgia School Nutrition Association at susan@georgiaschoolnutrition.com.

Let Us Help You Do, What You Do, Even Better

What is a School Nutrition Program Peer Review?

A peer review is an independent onsite assessment of a district's school nutrition program. The program is measured against recognized performance standards. Results

Continued on page 2



The One Thing to Know About Outsourcing Foodservice is . . . It's More Than One Thing!

It's

- Analyzing the current operation to determine how to best meet local goals and objectives.
- Reviewing available resources that describe the pros and cons of outsourcing.
- Knowing the right questions to ask for a full picture of outsourcing.
- Understanding the potential impact of outsourcing on communities and employees.
- Understanding that references in other districts may be contractor employees or district employees with vested interests.
- Identifying potential contractors to ensure competition if outsourcing is chosen.
- Keeping foremost the district's ethics policy including conflict of interest and inappropriate practices, before, during, and after the procurement.
- Providing for a timeframe sufficient for all steps in the process.
- Providing contract expertise for the procurement process including supervision and legal review.
- Developing and securing approval of all procurement documents developed by the district—not by the vendor.
- Understanding the federal and state requirements for outsourcing including certification and classification of program personnel required by state board rule and federal procurement rules.
- Understanding the functions that the district cannot delegate to a contractor.
- Having a close relationship with the state education agency throughout outsourcing.
- Issuing a Request for Information before inviting a single potential vendor into district to visit or to review district data.
- Determining the procurement method which will be in the best administrative and fiscal interest of the district – Competitive Sealed Bids or Competitive Proposals/Negotiations.
- Having access to personnel who are familiar with the complexities of federal procurement.
- Acknowledging all functions and assigning responsibility for their execution and costs to either the district or contractor to avoid unforeseen costs.
- Limiting the scope of proposals to provide consistency in information among bidders.
- Incorporating all of the proposal/bid of the successful vendor into the contract.
- Incorporating fiscal penalties into the contract for contractor's failure to meet performance and fiscal goals.
- Protecting the district from financial losses incurred through outsourcing.
- Requiring performance security/bond.
- Ensuring that vendor pays to the district fees they have received for purchasing food/supplies on behalf of the district (rebates, credits, or discounts).

Continued on page 2

are practical recommendations for program improvement. Recommendations can be used

- for improvement planning including future decision making and resource allocations,
- to establish a baseline of work for a new program director upon a retirement or resignation, and
- to define contractual terms including expectations for future performance of a contractor.

Why a Peer Review?

The school nutrition program is a large budget item in a district – driven by complex federal, state, and local rules. While essential functions that are driven by rules receive attention these same functions may not be perceived by customers and decision makers as contributing to program quality. The unintended results can be reduced attention to quality. While not a regulatory review or audit, a peer review does measure compliance – compliance with quality standards.

What is Measured During a Peer Review?

The review team has options for the quality standards it will use:

Quality Measures for Georgia's School Nutrition Program
(Georgia Department of Education)
http://www.doe.k12.ga.us/fbo_nutrition.aspx?PageReq=QMINTRO
or
Keys to Excellence
(School Nutrition Association)
<http://www.schoolnutrition.org/Content.aspx?id=2406>

Performance areas generally include organization and management, financial management, menu management, nutrition and nutrition education, leadership, and professional development.

Who Conducts a Peer Review?

Review team members are veteran professionals familiar with practices that make a successful school nutrition program. The team has three to five members whose expertise match the perceived needs of the district. Team members are recently retired from full time work in the program. They have served in leadership positions at the state and national levels and continue their professional involvement. They volunteer time to benefit Georgia's school districts. If funds are not available from a facilitating organization or foundation, the district may be asked to fund travel expenses of members. Resumes are available upon request.

How does the District Request a Peer Review?

The district is welcome to request a peer review from The Georgia School Nutrition Foundation, Tucker, GA, by emailing susan@georgiaschoolnutrition.com. A sample board resolution is also available upon request.

- Approving menus to avoid foods valued for their rebate over their acceptability and nutritional content.
- Clarifying liability and termination for cause.
- Setting meal equivalents beneficial to the district.
- Managing and responding to parental and student advisory boards.
- Employing a full time district contract administrator to monitor invoices and vendor compliance with contract terms, to resolve conflicts with contractor, and to report monthly to the board.
- Monitoring program performance against district goals and objectives prior to contract renewal.
- Being prepared to acknowledge problems and to return to an in-house program within a few months due to contract termination or non renewal.

Your “911” . . . When Considering Outsourcing!

☞ **State Government**

Attorney General of New York. Press Release: Attorney General Cuomo Announces \$20 Million Settlement With Food Services Company for Overcharging New York Schools. Retrieved September 30, 2011, from http://www.ag.ny.gov/media_center/2010/july/july21a_10.html

State of New York. Retrieved September 30, 2011, from http://portal.nysed.gov/portal/page/pref/CNKC/MGMTCO_PAGE_PP

State of Illinois. Retrieved September 30, 2011, from http://www.isbe.net/nutrition/htmls/contract_procurement.htm

State of Arizona. Retrieved September 30, 2011, from <http://www.ade.az.gov/health-safety/cnp/nslp/Operating/ContractingwithFSMC/>

☞ **Education Affiliates**

Brown, D. & Wilson, S. (2007, October). Outsourcing Survival Tips: Going Outside Can Control Costs and Improve Services, but Advance Planning and Common Sense are Critical to Success. *American School Board Journal*. Retrieved September 9, 2011, from <http://secure.asbj.com/store/detail.aspx?ID=983>

Dillon, N. (2008, June). No Free Lunch – Child Nutrition Programs are Struggling to Maintain Self-Sufficiency in Volatile Times. *American School Board Journal*. Retrieved October 8, 2011, from <http://www.sl-tech.net/LinkClick.aspx?fileticket=%2BvU%2BSBHFpf%3D&tabid=70>

McClure, J. (2000, May). Outsourcing Support Services. *The School Administrator*. Retrieved September 30, 2011, from <http://www.aasa.org/SchoolAdministratorArticle.aspx?id=14516>

Mathis, W. & Jimerson, L. (2009, October). Considerations before Outsourcing Services. *The School Administrator*, Retrieved October 8, 2011, from <http://www.aasa.org/SchoolAdministratorArticle.aspx?id=6932>

Mathis, W. & Jimerson, L. (2008, October). Weighing Outsourcing. *The School Administrator*. Retrieved September 9, 2011, from <http://www.aasa.org/SchoolAdministratorArticle.aspx?id=6946>

Sack-Min, J. (2008, June). The Outsourcing Question. *American School Board Journal*. Retrieved September 9, 2011, from <http://www.asbj.com/MainMenuCategory/Archive/2008/June/0608PDFS/TheOutsourcingQuestion.pdf>

Shah, N. (2011, August 23). USDA: Cafeterias Shouldn't Be Cash Cows for Schools: USDA clarifies the costs that districts can charge to their school cafeterias. *Education Week*. Retrieved September 9, 2011, from <http://www.edweek.org/ew/articles/2011/08/24/01foodservice.h31.html?tkn=ZVTFShS4eVS%2FJEAGH9N%2F9aBtWZcbXmiSDkt&cmp=clp-edweek>

Shah, N. (2011, June 14). USDA to Probe Companies Running School Cafeterias, *Education Week*. Retrieved September 9, 2011, from http://www.edweek.org/ew/articles/2011/06/15/35rebates_ep.h30.html?qs=USDA+to+probe+companies+running+school+cafeterias

Tokofshy, D. (2008, June). Food for Thought – Child Nutrition Programs Deserve the School Boards' Time—and Attention. *American School Board Journal*. Retrieved October 8, 2011, from <http://www.nsba.org/Services/CUBE/ConferencesMeetings/2009-CUBE-Meetings/Issues-Forum/Food-for-Thought.pdf>

☞ **Colleges and Universities**

Lafer, G. & Bussell, B. (2008, February). *All Costs Considered: A NEW Analysis on the Contracting Out of School Support Services in Oregon*. Eugene: University of Oregon. Labor Education and Research Center. Retrieved September 9, 2011, from <http://pages.uoregon.edu/lerc/public/pdfs/costsconsidered.pdf>

Zullo, R. (2008). *Privatized Food Service and Student Performance in Michigan*. Ann Arbor, MI: University of Michigan. Retrieved January 1, 2011, from <http://www.ilir.umich.edu/LSC/Publications/PrivatizedSchoolFoodServiceAndStudentPerformance.pdf>



An Adequate Timeline is Essential to Accomplish All Critical Tasks . . . Consider

# of Months	Critical Tasks
Preliminary	<ul style="list-style-type: none"> • Potential bidders (PBs) market to decision makers • Concept discussed informally by decision makers • State/Federal Agency requirements reviewed • PBs offer free on-site or data analysis to market their services (Caution: may violate federal procurement rules; issuing a Request for Information [RFI] is alternative) • Rationale for outsourcing emerges • PBs identified • Independent peer review of program requested/recommendations received
1-3 (July-Sept)	<ul style="list-style-type: none"> • Board formally adopts or rejects concept/rationale If adopted, <ul style="list-style-type: none"> • District releases request for information (RFI) to PBs • PBs may visit schools and conduct analysis under same conditions • Board may receive information from PBs • Board decides to proceed with Request for Proposals (RFP) or Invitation to Bid (ITB) • Board determines disposition of personnel and guarantees
3-7 (Sept-Jan)	<ul style="list-style-type: none"> • District <ul style="list-style-type: none"> ▷ Develops drafts RFP or ITB ▷ Secures approval of legal counsel ▷ Secures local board approval ▷ Secures state agency approval of procurement documents ▷ Identifies panel to evaluate proposals (if RFP)
6-8 (Dec-Feb)	<ul style="list-style-type: none"> ▷ Releases RFP or ITB including contract terms
7-9 (Jan-Mar)	<ul style="list-style-type: none"> ▷ Prequalifies bidders ▷ Receives for review proposals/quotations from qualified bidders ▷ If ITB, identify low bidder ▷ If RFP, evaluation panel may ask for presentations by bidders ▷ If RFP, evaluation panel ranks proposals ▷ If RFP, district negotiates or solicits best and final offers from top bidder(s)
8-10 (Feb-Apr)	<ul style="list-style-type: none"> ▷ Drafts final contract incorporating successful bidder's proposal or bid ▷ Receives approval of legal counsel ▷ Secures local board approval ▷ Receives state agency approval
9-11 (Mar-May)	<ul style="list-style-type: none"> • Board executes final contract • Board designates district's contract administrator
10-13 (Apr-July)	<ul style="list-style-type: none"> • Contract administrator and vendor implement prescribed transition plan
14-19 (Aug-Feb)	<ul style="list-style-type: none"> • Contract administrator evaluates vendor performance against contract terms and reports monthly to board • Board exercises option to renew, rebid, or return to self-operated status

Note: Tasks may require more or less time based on expertise of personnel involved. Tasks may require execution more than one time; for example, if a state agency review of an RFP or contract results in considerable changes, the amended RFP/contract may require reapproval by local board. If terms of contract change substantially during the contract period, the federal or state agency may require it to be rebid.

Coming Soon to Your District . . . Really?

“. . . Cuomo announced today a **\$20 million settlement** with food service provider Sodexo for overcharging 21 New York school districts as well as the State University of New York system for some of the food provided to students.”

Press Release
Office of the Attorney General, State of New York
http://www.ag.ny.gov/media_center/2010/july/july21a_10.html

“There is **an inherent conflict of interest** between the people who are choosing what foods to buy for children and . . . the children they are buying the food for,” he said. “They are likely to make food choices based at least in part on maximizing rebate income rather than more important factors.”

John Carroll, Assistant Attorney General, State of New York
Education Week
USDA to Probe Companies Running School Cafeterias
Published Online: June 14, 2011

“. . . Sodexo **will pull out of its \$13 million-a-year** contract with Columbus City Schools (OH) on Dec. 21, [2011] . . . Sodexo's contract requires the company to pay the district for any money lost in the program. Two years ago, Sodexo paid the district \$1.7 million to close an end-of-year gap. The payment for last school year hasn't been announced yet. The firm rewrote the contract to limit its loss to no more than \$500,000 in the future.”

Bush, Bill. (2011, October 6) Sodexo food service to end in Columbus schools, *The Columbus Dispatch* Retrieved October 12, 2011, from <http://www.dispatch.com/content/stories/local/2011/10/08/sodexo-food-service-to-end.html#comment>

“UCA's (University of Central Arkansas) contract with Aramark included a **\$700,000 donation for renovations** of the president's home contingent upon the university retaining Aramark as its food service vendor. UCA hands over Aramark probe to state police
Arkansas News Bureau
<http://arkansasnews.com/2011/09/27/uca-hands-over-aramark-probe-to-state-police/>

“During renewal, the contractor insisted on raising the fixed meal charge using a percentage equal to the point increase in the CPI – NOT the percent increase in the CPI as specified in the contract. The state agency argued on behalf of the district saving them **hundreds of thousands of dollars**. There were no district employees who had been involved in the initial contract or who understood this term.”

Annette Bomar Hopgood, Retired
Georgia Department of Education

“. . . the FSMC provided data that showed it received over \$6 million in incentives on purchases made for 298 SFAs in 22 States . . . company officials stated that none of the \$6 million was passed on to the SFAs.”
OIG, USDA
2005 Audit Report No. 27601-15-KC

“. . . as a result, four SFAs contracting with Chartwell . . . did not receive . . . **\$307,000** in donated commodities . . .”
OIG, USDA
Audit Report No. 27601-13-KC, December 2005

“Four of the five companies that operated under fixed-rate contracts at 46 SFA's . . . withheld credit for **\$5.8 million** in USDA-donated commodities . . . The management companies profited by using the USDA-donated commodities and failing to properly credit those SFA's with the commodities' value.”

OIG, USDA
Audit Report No. 27601-0027-Ch, April 2002

“Finally, we found that SFA's (districts) turned over most aspects of their programs, including meal accountability . . . There was **little or no SFA oversight**. In all, 16 of the 24 SFAs we visited did not have adequate controls in place to ensure accurate meal claims or to prevent management companies from being reimbursed for nonprogram costs.”

OIG, USDA
Audit Report No. 27601-0027-CH, April 2002

“The lack of clear instructions from FNS, in conjunction with inadequate oversight by State agencies and school food authorities, allowed . . . management companies to reduce their costs by **retaining benefits intended for school food authorities**.”

OIG, USDA
Semiannual Report to Congress, FY 2002 – Second Half

“The contractor had marketed its staffing abilities but actually sought program directors from the **same pool of prospects** that the district had – eventually hiring from a neighboring district.”

Annette Bomar Hopgood, Retired
Georgia Department of Education

☞ **Other**

Arkansas News Bureau. (2011, September 27). University of Central Arkansas Hands over Aramark Probe to State Police. *Arkansas News*. Retrieved October 8, 2011, from <http://arkansasnews.com/2011/09/27/uca-hands-over-aramark-probe-to-state-police/>

LaFaive, M. (2007). *A School Privatization Primer for Michigan School Officials, Media and Residents*. Midland, MI: The Mackinac Center for Public Policy. Retrieved January 1, 2011, from <http://www.mackinac.org/8691>

Mathis, W. & Jimerson, L. (2008, March). *A Guide to Contracting Out School Support Services: Good for the School? Good for the Community?* Retrieved October 8, 2011, from http://greatlakescenter.org/docs/Policy_Briefs/Mathis_ContractingOut.pdf

National Governor's Association, Issue Brief. (2010, Jan 11). *State Strategies to Help Schools Make the Most of Their National School Lunch Program*. Retrieved October 13, 2011, from <http://www.nga.org/files/live/sites/NGA/files/pdf/1001SCHOOLLUNCH.PDF>

Warner, Mildred and Air Hefetz, *Privatization and the Market Role of Local Government*, Economic Policy Institute Briefing Paper, Washington DC, 1998. Retrieved September 9, 2011 from <http://www.epi.org/page/-/old/briefingpapers/112/bp112.pdf>

Bush, Bill. (2011, October 6). Sodexo food service to end in Columbus schools. *The Columbus Dispatch*. Retrieved October 12, 2011, from <http://www.dispatch.com/content/stories/local/2011/10/08/sodexo-food-service-to-end.html#comment>

☞ **Federal Government**

Audits and Investigations

United States Government Accountability Office (GAO). (1996, August). Report to Congressional Committees: *School Lunch Program: Role and Impacts of Private Food Service Companies*. Retrieved September 30, 2011, from <http://www.gao.gov/archive/1996/rc96217.pdf>

United States Department of Agriculture (USDA) , Office of Inspector General (OIG). (2005, December) Audit Report: *Food and Nutrition Service, National School Lunch Program, Cost-Reimbursable Contracts with a Food Service Management Company, Report No. 27601-15-KC*. Retrieved September 9, 2011, from <http://www.usda.gov/oig/webdocs/27601-15-KC.pdf>

United States Department of Agriculture, Office of Inspector General Food and Nutrition Service. (2002, April) Audit Report: *National School Lunch Program: Food Service Management Companies, Report No. 27601-0027-CH*. Retrieved September 9, 2011, from <http://www.usda.gov/oig/webdocs/27601-0027-CH.pdf>

USDA Guidance

United States Department of Agriculture, Food and Nutrition Services. *Contracting with Food Service Management Companies: Guidance for School Food Authorities*. Retrieved September 30, 2011, from <http://www.fns.usda.gov/cnd/guidance/FSMCguidance-sfa.pdf#xml=http://65.216.150.153/texis/search/pdfhi.txt?query=food+service+management+company+guidance&pr=FNS&prox=page&rorder=500&rprox=500&rdfreq=500&rwfreq=500&rlead=500&rdepth=0&sufs=0&order=r&cq=&id=4d192e0b7>

USDA Policy Memorandum. Retrieved September 30, 2011, from <http://www.fns.usda.gov/cnd/governance/policy.htm>

SP_05 – 2011, Further Clarification in Crediting for, and Use of, Donated Foods in Contracts with Food Service Management Companies. Retrieved September 30, 2011, from http://www.fns.usda.gov/cnd/governance/Policy-Memos/2011/SP05%20-2011_os.pdf

SP44-2009, Guidance in Crediting for, and Use of, Donated Foods in Contracts with Food Service Management Companies, Retrieved September 30, 2011, from http://www.fns.usda.gov/cnd/governance/Policy-Memos/2009/SP_44-2009_os.pdf

SP 09-2008, Final Rule, Procurement Requirements for the National School Lunch, School Breakfast and Special Milk Programs. Retrieved September 30, 2011, from http://www.fns.usda.gov/cnd/governance/Policy-Memos/2008/SP_09-2008-OS.pdf

SP 15-2008, Allowability of Procurement Fees in School Food Authority (SFA) Contracts. Retrieved September 20, 2011, from http://www.fns.usda.gov/cnd/governance/Policy-Memos/2008/SP_15-2008-OS.pdf

SP 28-2009, Procurement Questions, Retrieved September 30, 2011, from http://www.fns.usda.gov/cnd/governance/Policy-Memos/2009/SP_28-2009_os.pdf

FD-110, Further Clarification in Crediting for, and Use of, Donated Foods in Contracts with Food Service Management Companies (Note: see SP_05-2011 above)

FD-023, Accounting for Donated Foods in Cost-Reimbursable Contracts between School Food Authorities and Food Service Management Companies. Retrieved September 30, 2011, from http://www.fns.usda.gov/fdd/PolicyMemo/pmfd023_NSLP-FsmcContracts.pdf (Note: released prior to final regulations dated 11-3-07)

Federal Regulations

7 CFR Part 250.50–250.54. Retrieved September 30, 2011, from http://www.fns.usda.gov/fdd/regs/final/7cfr250_09DonatedFoods.pdf#xml=http://65.216.150.153/texis/search/pdfhi.txt?query=food+distribution&pr=FNS&prox=page&rorder=500&rprox=500&rdfreq=500&rwfreq=500&rlead=500&rdepth=0&sufs=0&order=r&mode=&opts=&cq=3&sr=&id=4d192e70164

7 CFR Part 210.16, Food Service Management Companies & 7 CFR Part 210.21, Procurement. Retrieved September 30, 2011. From http://www.fns.usda.gov/cnd/governance/regulations/7cfr210_09.pdf

☞ **Labor Organizations**

Campaign for Quality Services by the Services Employees International Union (SEIU). Retrieved September 30, 2011, from <http://campaignforqualityservices.org/>

MacDermott, T. (2010). *Hard to Swallow: Do Private Food Service Contractors Shortchange New Jersey Schools?* Clarion Group. 2010. Retrieved September 30, 2011 from <http://campaignforqualityservices.org/documents/HardToSwallowReportPDF.pdf>

Can You Count on Your Contractor? SEIU, 2010. Retrieved September 30, 2011, from <http://www.scribd.com/doc/30657338/Can-You-Count-on-Your-Contractor-Report>