

From: Jerry Durham <Jerry.Durham@cot.tn.gov>

Sent: Tuesday, April 6, 2021

Dear Colleagues,

I have received requests from more than one CPA firm for information about how to perform cafeteria procedures for the end of fiscal year 2020-21 and the beginning of fiscal year 2021-22. The answer is not as simple as I would like it to be.

According to the Tennessee Department of Education, USDA Nutrition waivers that were assigned to Schools through the 2020-21 fiscal year have been extended through the Summer of 2021 and are scheduled to expire September 30, 2021. This means that some auditors may not be able to perform normal audit procedures similar to the way it was last spring during the beginning of the Covid outbreak.

However, the degree of normalcy for schools and school cafeterias has improved drastically between the Spring of 2020 and the Spring of 2021. I am anticipating that more CPA firms will be able to perform normal test procedures. Having said that, I know already that some of you will not be able to do that, especially where waiver programs are still in operation or school cafeterias are not operating. Each firm will need to make an objective decision about what procedures can and cannot be performed under the circumstances at each selected school.

I have attached the memo that was sent out last year. (*Please note the guidance about waiver programs.*) You should follow the guidance on that memo in cases where procedures cannot be performed. The key to all of the work that cannot be performed is **documentation**. Your documentation should be of the quality that it can be replicated by an experienced auditor (such as dates and times and applicable waivers in place, etc.).

Thank you for your continuing audit assistance and cooperation. Jerry

Jerry E. Durham, CPA, CGFM, CFE

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Comptroller of the Treasury

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JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

July 27, 2020

Memorandum

To: All Contract CPA Firms

From: Jerry E. Durham, CPA, CGFM, CFE, Assistant Director
Division of Local Government Audit

Subject: **Centralized Cafeteria Procedures for the Year Ended June 30, 2020**

Dear Colleagues,

We realize that several of you have been waiting for directions from the Division of Local Government Audit concerning our office's approach for performing Centralized Cafeteria Procedures. This memo will attempt to address your questions. We believe CPA Firms can still perform the majority of the 14 required procedures, but we also believe auditors will have difficulty with the three procedures listed below:

1. Prior to the end of the school year, physically observe (on a sample basis of schools) meal counts, cash collections, and internal controls during the year under audit. At least 25 percent of the total schools in the system must be included in this sample on a yearly rotation basis. At the same time the internal control questionnaire is filled out, prepare a short summary of daily operations as stated by the cafeteria manager. Compare the cafeteria manager's responses with your observation and review of internal controls. Prepare a list of all internal control weaknesses noted and recommendations for improvement.

Unless you performed these procedures prior to March, we do not believe you will be able to perform these procedures. Please document what you have observed and documented in prior years for these procedures (i.e. deficiencies/no deficiencies) and further document that these procedures could not be performed in the current school year due to school closures related to Covid-19.

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2. Determine that "collection procedures" submitted annually to the Tennessee Department of Education are implemented properly. Auditors should determine that an annual meal count for reimbursable meals is taken at the point of service. Determine that reimbursable meal counts are accurate and the supplemental sales (a la carte) are not included in the reimbursable meal counts. Verify that the procedures established are in effect.

Auditors may or may not be able to perform all the required procedures. If you cannot perform any required procedure, please document what you have observed and documented in prior years for these procedures (i.e. deficiencies/no deficiencies) and further document that these procedures could not be performed in the current school year due to school closures related to Covid-19. (Auditors may consider comparing reimbursable meal counts through February of 2020 with reimbursable meal counts through February of 2019 as an alternative procedure.)

14. Document food supply inventory management procedures and test procedures for safeguard food receipts, usage, and inventory. Document any deficiencies with inventory management and control practices.

It may still be possible to document food supply inventory management procedures and test procedures to safeguard inventory. However, to the extent that you rely on a physical inventory count to perform these procedures, we doubt that a physical inventory count, subsequent to the time schools closed, would result in sufficient appropriate audit evidence. There certainly could be exceptions to this general statement. If adequate procedures cannot be performed, please document what you have observed and documented in prior years for these procedures (i.e. deficiencies/no deficiencies) and further document that these procedures could not be performed in the current school year due to school closures related to Covid-19.

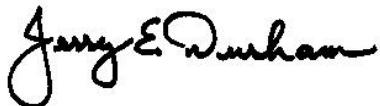
We believe all other procedures can be performed though the procedures may be limited to a shorter time-period (i.e. July 1, 2019 to February or March 2020) than normal. Please follow your normal 25% rotation plan when you perform the cafeteria procedures. If you discover that an additional procedure cannot be performed, follow the same guidance about prior year documentation and the notation of school closures due to Covid-19 as is referenced above for procedures 1, 2, and 14.

The Division of Local Government Audit will contact you during their audits to get an update on procedures that could not be performed. The Division will then make a decision about whether to disclaim an opinion on the USDA Nutrition Programs. Unless your audits demonstrate unusual circumstances, or additional guidance is received from the U.S. Office of Management and Budget, the Division will likely not disclaim an opinion.

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With regard to the USDA Emergency Waiver Programs that replaced the normal USDA Nutrition Programs for April through June 2020, the only requirements that should be tested at the Schools where the Waiver Programs were in effect are: **(a)** did the school keep records of the number of meals served and file a report with the Tennessee Department of Education, and **(b)** did the school keep some type of documentation that indicated an attempt to serve children who were in need. This group would be similar to those who would receive free and reduced-price meals under the normal USDA nutrition programs **but** would be substantially **broader** in scope. Documentation of these two procedures should be included in your workpapers along with the normal Centralized Cafeteria Procedures. Auditors should perform these procedures for at least 25% of the schools where the emergency food distribution took place. However, it may be possible to perform these procedures for all schools by examining records at the Director of School's Office.

Thank you for your efforts under these difficult circumstances. Please circulate this memo within your firm. If you have questions about the audit approach noted above, you may contact Jerry E. Durham at Jerry.Durham@cot.tn.gov or 615.401.7951.



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