

Food Service Management Companies (FSMC) as Service Organizations

Schools must closely evaluate their FSMC contract to determine the relationship created.

For assistance, see our comparison at:

https://ohioauditor.gov/resources/docs/FSMC_Graphic_Relationships_Final_May2023.pdf

IF A SERVICE ORGANIZATION RELATIONSHIP IS ESTABLISHED, THE SCHOOL:

- 1 MUST** establish accounting and compliance monitoring procedures to ensure that:
 - FSMC activity is accurately reported on the school's financial statements;
 - FSMC is in compliance with the contract between the school and FSMC; and
 - FSMC is in compliance with federal, state, and ODE requirements.

- 2 SHOULD** consider the implications of the FSMC acting on-behalf of the school for various activities subject to compliance requirements, especially considering the Federal compliance implications as the FSMC is paid with Nutrition Cluster dollars.
 - Nutrition Cluster expenditures are subject to Federal allowable cost, allowable activities, procurement, and other requirements. The FSMC must be aware of the implications of those compliance requirements.
 - For further information, see General Federal Resources available on the AOS Website at https://ohioauditor.gov/resources/federal_general.html

- 3 SHOULD** ensure the FSMC is aware that auditors will need support from them during the audit process.

Auditors may utilize the FSMC's current, relevant service organization control (SOC 1) report to gain assurances over the controls in place at the FSMC level.

For further information, see AICPA Attestation Standard (AT-C) 320 Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting

Disclaimer: This is a tool to help schools understand the audit impact of FSMC contracts. It does not contain all relevant guidance and is not meant to be a substitution for reviewing the requirements contained in the Uniform Guidance, Governmental Accounting Standards Board (GASB) Codification, and AICPA Standards.