

# Cash on Campus? Consider the Alternatives

*Online payment systems promote safety and accountability district-wide.*

By Barry Sackin, SNS

**F**ood service is one of the biggest—if not *the* biggest—business operations in a school district. Revenue is determined by sales: federal and state meal reimbursements, cash received for meals, and other sales. Expenses fall into three principal categories: wages and benefits, cost of goods sold, and other. The number of meals served affects both cost and revenue: serve more meals and both revenue and costs increase.

Food service functions differently from other aspects of school accounting in that the system handles quite a

bit of cash, perhaps hundreds if not thousands of dollars every day, particularly in schools with few students eligible for free and reduced-price meals. One challenge of handling so much cash is accountability and control. Potential reasons for cash mishandling or cash shortage range from simple cashier mistakes to theft.

If cash sales are available on campus, students must bring cash with them—and kids with cash are a liability. Problems can range from a student losing his or her money to bullying and theft.

Many school cafeterias have resolved some of the risk of cash sales by incorporating cashless payment systems into their operations. With the majority of homes having access to computers, online payment systems provide convenience and security to the sales function. When proper controls are in place, an online prepayment system is a great tool.

## Kids with cash are a liability.

But the cafeteria is not the only school-based business that handles cash on campus. Student stores, athletic departments, vending machines and concessions, and fee-based services are all likely to take in cash. And attendant to those activities are the risks of handling cash.

Accounting and accountability in cash-based systems always carry risk. Minimizing risk is a key management function for school business officials.

Is the cafeteria prepayment system a replicable model for the other businesses on campus? Absolutely.

Reducing, or even eliminating, cash on campus has significant benefits for schools. It vastly improves accountability and reduces risks.

## Food Service and Data Security

The demand for data has grown exponentially for schools in recent years. No Child Left Behind and many state programs want to associate a variety of data points for individual students in order to assess performance and allocate resources. A





principal element of many of those needs is the socioeconomic status of the child.

Because school meals are means-tested, student meal eligibility becomes a standard proxy. Aggregate eligibility data have long been shared within the school environment, but now, individual status is being requested more frequently. Unless explicitly approved by parents, federal law prohibits using student meal status outside of the cafeteria, and confidentiality is written into school meal laws.

Beyond the restriction in school meal laws, the Children's Online Privacy Protection Act and the Family Educational Rights and Privacy Act establish strict guidelines for the use of data in student information systems. It would be unseemly and unacceptable for cafeteria staff to have access to unrelated and unnecessary information about a student, such as grades and disciplinary records. Similarly, teachers don't need to know, nor should they have access to, a student's meal eligibility status. For that reason, standard data protocols like the Schools Interoperability Framework create barriers to access among data and data users.

When school districts implement an online payment system, many of which use third-party vendors for payment processing, schools must ensure the security of all data. If a vendor requests a download of student enrollment data to populate the payment system, only the

fields necessary to facilitate creating and funding student accounts should be available. And the vendor's data system must absolutely ensure the security of the system. If the vendor wants to interact directly with student records, adequate firewalls must be in place at all points to ensure that access to one aspect of the database cannot be used as a portal into other elements of the database.

## **Asking vendors for certification of their compliance with those standards is critical.**

School business officials must be vigilant in overseeing the procurement of student data systems, including cafeteria operations and online payment programs. An industry group, the Payment Card Industry Security Standards Council, has established compliance standards for businesses that conduct transactions online. Asking vendors for certification of their compliance with those standards is critical. Some major players in the online payment universe, including Visa Inc., provide lists of compliant vendors.

### **System Integration and Accountability**

One of the benefits that a school's food service gains in contracting for online payment services is the ability to

integrate those services into its financial management system. Cafeterias have been on the leading edge of that kind of integration of operations and accountability on school campuses. As more campuses become cashless, control improves, as does the ability to manage finances.

Equally important to financial management is funds security. With no cash changing hands, and with a reputable payment-processing vendor, there is absolute accountability for receipts. Funds are deposited into the district's account at the processor and are transferred directly into the district's bank accounts, much like government meal reimbursement funds. Linking sales to deposits is ensured. Add to that the security and safety for students who no longer need to bring cash to school.

### Procurement

Under federal law, school food service is considered a subgrantee, receiving funds passed through from the primary grantee, the state. And federal law is prescriptive regarding procurement for grantees of federal funds. Subsection 3016.36 of Title 7 of the *Code of Federal Regulations* establishes the rules for procurement for the cafeteria. School districts and states may write their own procurement rules as long as they follow, at a minimum, that section of law. So assuming the district has followed the law in procuring its cafeteria management and prepayment systems, the district can be assured that the contracts for those services are appropriate.

That said, the school cafeteria may have facilitated the district's procurement of prepayment services that can be used for other activities on campus. Student activities, athletics, and other district programs can easily piggyback on the existing contract that many schools have procured for the cafeteria. Separating receipts by account is no different from the existing accounting structure that most districts use for the general fund. Providing detailed transaction reports is fundamental to most vendors, and moving funds to the appropriate account is a paper transaction that the vendor should provide. Providing the same security and ease enjoyed by the child nutrition program should be relatively easy to achieve.

### Costs and Benefits

In most cases, school districts opt to have users pay the fees associated with online payments. By law, those fees must be fixed for each transaction rather than being a percentage of the value of the transaction. Fixed fees encourage larger prepayments that, in turn, benefit the

school. Most parents are more comfortable using online prepayments than they are sending cash with their children because it's more secure.

## Fixed fees encourage larger prepayments that, in turn, benefit the school.

If you have not yet incorporated an online payment system into school operations, now is a good time to start thinking about it. And it may be no more difficult than talking with your cafeteria manager. After all, he or she may have the most experience in the district's traditional commercial business practices and may already have acquired a system that is readily available for other businesses on campus.

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