Food Distribution National Policy Memorandum

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

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POLICY NO.: FD-104: National School Lunch Program (NSLP), Child and Adult Care Food Program (CACFP), Summer Food Service Program (SFSP), Commodity Supplemental Food Program (CSFP), Food Distribution Program on Indian Reservations (FDPIR), the Emergency Food Assistance Program (TEFAP), and Charitable Institutions

SUBJECT: Value of USDA Donated Foods for Audits

The purpose of this policy memorandum is to clarify the options available to State distributing agencies or recipient agencies in assigning value to USDA donated foods for audit purposes. The significance of this matter is its relevance to determining:

1) If an audit must be obtained for a given school or fiscal year; and

2) Whether FNS programs for which a distributing or recipient agency receives donated foods qualify as major programs that auditors must test for programmatic compliance.

Audit requirements for State or local government agencies and nonprofit organizations that receive Federal awards or grants are included in OMB Circular A-133, and are codified in Departmental regulations in 7 CFR 3052. In accordance with Section 200 of OMB Circular A-133 (7 CFR 3052.200), agencies of State or local governments and nonprofit organizations that expend $500,000 or more in Federal grants in a given school or fiscal year must obtain an audit for that year. In determining whether $500,000 in Federal grants were expended, a distributing agency or recipient agency must consider the value of USDA donated foods as part of such grants. There are two steps in accomplishing this:

Step 1: Determining the **quantity** of each USDA donated food "expended".

a. A distributing agency, and a recipient agency in CSFP, TEFAP, or FDPIR, must consider all USDA donated foods ***distributed or used*** in a school or fiscal year as expended.

b. A recipient agency in NSLP, CACFP, or SFSP, or a charitable institution that receives donated foods in accordance with § 250.67, must consider all USDA donated foods ***received*** in a school or fiscal year as expended.

Step 2: Assigning **value** to the quantity of each USDA donated food "expended".

USDA IS AN EQUAL OPPORTUNITY EMPLOYER AND PROVIDER

In accordance with Section 205(g) of OMB Circular A-133 (7 CFR 3052.205(g)), Federal non-cash assistance, such as USDA donated foods, must be valued at either fair market value (FMV) at the time of receipt, or at the value determined by the Federal agency. Accordingly, for audit purposes, a distributing or recipient agency may use either the FMV of donated foods at the time of their receipt or one of the following donated food valuation methods included in 7 CFR 250.58(e):

1. The USDA purchase price (cost-per-pound);

2. The estimated cost-per-pound data provided by the Department; or

3. The USDA commodity file cost as of a date specified by the distributing agency.

Each distributing or recipient agency must choose a method of valuing donated foods for audit purposes. In most cases, it would probably be easier for a distributing or recipient agency to use one of the options listed in 7 CFR 250.58(e), rather than having to determine the FMV at the time of their receipt. However, in some cases it may be easier to use the FMV. For example, a food bank may provide the FMV of foods (including donated foods) it provides to other food banks or food pantries for distribution, in order to assist them in their audit activities. The use of the FMV for all foods received by food banks or food pantries would provide a measure of accounting consistency for such organizations in conducting audit activities. Once a distributing or recipient agency has selected a method of assigning value to donated foods, it must use that method consistently in all of its audit activities, and must maintain a record of the means of valuing donated foods for such purpose.

The guidance provided in this policy memorandum applies only to the value of donated foods to be used for audit purposes, and not to the value that must be used for other purposes. For example, in determining and pursuing claims for donated food losses, distributing and recipient agencies must determine the value of lost donated foods in accordance with FNS Instruction 410-1.

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