

GUIDANCE REGARDING VALUE OF USDA DONATED FOODS FOR AUDITS. ISSUED TO EDUCATION LISTSERVES 9/26/2011.

USDA Policy FD-104 "Value of USDA Donated Foods for Audits" was issued to clarify the options schools have in assigning value to USDA foods for audit purposes. The Dept of Education originally sent FD-104 to the Education listserve in February 2010 when it was first issued and again in July 2011 as an attachment to the email "Commodity Reporting for Audit Purposes." When single inventory was first implemented, Education issued guidance instructing schools to use a single value for all commodities for which they had a commercial equivalent and the Dept of Agriculture "price list" for any brown box foods for which there wasn't a commercial equivalent. While we've confirmed the method outlined in the earlier guidance continues to be in accordance with FD-104, in recent months we've learned that schools may establish the value they use independently of the state distributing agency. In other words, you aren't required to use the single inventory method previously issued as long as you choose one of the methods listed in FD-104.

OPTIONS

FD-104 allows four options for valuation of USDA foods. These methods are only for establishing the value of USDA food for audit purposes and do not include other costs, such as delivery charges or processing fees for service. While those additional costs are important when analyzing food service expenses or plate costs, they are not part of the Federal assistance level that should be documented for audit purposes. The four options allowed by FD-104 are:

1. The Fair Market Value (FMV) at the time of receipt, which is method described in Education's original guidance (i.e. a case of commercially purchased green beans and a case of USDA green beans will have the same single inventory value), OR
2. The USDA commodity file cost as of a date specified by the distributing agency (that's our "price list" as well as the value printed on notices of arrival for schools receiving food from one of the state-contracted warehouses), OR
3. The USDA purchase price (cost-per-pound) OR
4. The estimated cost-per-pound data provided by USDA.

Until USDA's online ordering system is rolled out to the school district level, Options 3 and 4 aren't practical and would require a considerable amount of additional work for both the school district and our office. Therefore, our office recommends Option 1 (FMV) or Option 2 (our price list) as your valuation method.

Each school district (or private school or residential institution) must choose a method of valuing USDA foods for audit purposes. Once a method has been selected, it must be used consistently in all audit activities, and a record of the means of valuing USDA foods for such purpose must be maintained.

THE OPTION USED BY THE STATE AGENCY

Our office uses Option 2, which is the commodity file cost as of a specific date. After the end of each school year, our office provides Municipal Audit a year end report of our estimated value of your USDA foods. Our estimate includes:

- The estimated value of “brown box” foods we allocated to you (using the values on the price list and notices of arrival)
- The actual value of DoD fresh produce which is found in the DoD FFAVORS Web system.
- The estimated value per pound of all bulk commodities allocated to you for processing.

COMPARING YOUR VALUE TO OURS

If you're using Option 1 (FMV), your estimated value of brown box foods will not match ours. However, if you've documented your method and used it correctly and consistently, any difference should not be considered a discrepancy during an audit.

If you've transferred cases to another school district or carried over any brown box cases at the warehouse (either from the previous year or into the next school year), your estimated value will not match ours since we're setting our value using the cases we allocated. Again, if you've documented your method and used it correctly and consistently, a difference should not be considered a discrepancy.

If you are a DoD participant, you're familiar with the FFAVORS Web system and can see the same value we're using. Your value and ours should be the same.

If you process commodities, there are a couple of different ways you can calculate the value of the bulk lbs in your processed end products:

- Your processor or broker may have provided the value of donated food (often listed as “DF”) in each end product case in your bid documentation.
- At a minimum, your processor or broker should have provided the number of lbs of donated food in each case of end product. With that information, you can multiply the cases you received times the estimated cost per lb which can be found in the Nov 15 commodity files on USDA's website: <http://www.fns.usda.gov/fdd/pcims/Nov15CommodityFiles.htm> . Be sure to choose the commodity file for the correct school year. You can also find these estimated values per lb on the commodity planning worksheet you completed for the school year in question.

Your processing value may not match ours. If you carried over bulk lbs from a previous year or didn't utilize all of your lbs from the year that just ended, your value will be different than ours because we're basing our value on the lbs we allocated to you during the school year, not the lbs in cases you actually received. Once again, if you've documented your method and used it correctly and consistently, a difference should not be considered a discrepancy during an audit.

Municipal Audit posts our report on their “Confirmations Page” on their website at <http://www.comptroller1.state.tn.us/Audit/commodit.asp> . Click on the year in question and then click on the link for Public and Private Schools. Don't expect your total to match ours. Ours is not “right” while yours is “wrong.” Our total is simply provided as an estimate an auditor can use to compare to your total. If you choose a method you'll use consistently and document how you arrived at your values, you'll have what you need for your audits.