

UNITED STATES DEPARTMENT OF AGRICULTURE

CFDA 10.553	SCHOOL BREAKFAST PROGRAM (SBP)
CFDA 10.555	NATIONAL SCHOOL LUNCH PROGRAM (NSLP)
CFDA 10.556	SPECIAL MILK PROGRAM FOR CHILDREN (SMP)
CFDA 10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN (SFSPC)

I. PROGRAM OBJECTIVES

The objectives of the child nutrition cluster programs are to: (1) assist States in administering food services that provide healthful, nutritious meals to eligible children in public and non-profit private schools, residential child care institutions, and summer recreation programs; and (2) encourage the domestic consumption of nutritious agricultural commodities.

II. PROGRAM PROCEDURES**General Overview**

At the Federal level, these programs are administered by the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture (USDA). FNS generally administers these programs through grants to State agencies. Each State agency, in turn, enters into agreements with subrecipient organizations for local level program operation and the delivery of program benefits and services to eligible children. The types of organizations that receive subgrants under each program are described below under "Program Descriptions." In cases where a State agency is not permitted or is not available to administer the program(s), they are administered directly by FNS regional offices. The regional offices then perform the administrative functions for local program operators that are normally performed by a State agency (7 CFR sections 210.3, 215.3, 220.3, and 225.3). For purposes of this discussion, State agencies and FNS regional offices are referred to collectively as "administering agencies."

Under 7 CFR part 250 (General Regulations and Policies - Food Distribution), USDA makes donated agricultural commodities available for use in the operation of all child nutrition programs except the SMP. FNS enters into agreements with State distributing agencies for the distribution of USDA donated foods. The State distributing agencies, in turn, enter into agreements with local program operators, which are defined collectively as "recipient agencies." A State may designate a recipient agency to perform its storage and distribution duties. A State distributing agency may engage a commercial food processor to use USDA-donated foods in the manufacture of food products, and then deliver such manufactured products to recipient agencies.

“Non-response rate” is defined as the percentage of approved household applications selected for verification for which the LEA has not obtained verification information (7 CFR section 245.6a(a)).

Sources of information for verification include written evidence, collateral contacts, and systems of records, as described in 7 CFR section 245.6a(b) (42 USC 1758(b)(3)(D) and (H)).

Audit Objective - Determine whether the LEA (or State) selected and verified the required sample of approved free and reduced price applications and made the appropriate changes to eligibility status.

Suggested Audit Procedures

- a. Obtain the current family size and income guidelines published by FNS.
- b. Through examination of documentation, ascertain that:
 - (1) The sampling and verification of free and reduced price applications were performed, as required.
 - (2) Changes were made to eligibility status based on documentation and other information obtained through the verification process.

2. Accountability for USDA-Donated Foods

The following compliance requirements do not apply to recipient agencies (as defined at 7 CFR section 250.3), including SFAs and SFSPC institutions. Auditors making audits of recipient agencies are not required to test compliance with these requirements.

Compliance Requirement

a. *Maintenance of Records*

Distributing and subdistributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered *prima facie* evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).

b. *Physical Inventory*

Distributing and subdistributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted

with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)).

Audit Objective - Determine whether an appropriate accounting was maintained for USDA-donated foods, that an annual physical inventory was taken, and the physical inventory was reconciled with inventory records.

Suggested Audit Procedures

- a. Determine storage facility, processing, and end use locations of all donated foods, including end products processed from donated foods. Determine the donated food records maintained by the entity and obtain a copy of procedures for conducting the required annual physical inventory. Obtain a copy of the annual physical inventory results.
- b. Perform analytical procedures and obtain explanation and documentation for unusual or unexpected results. Consider the following:
 - (1) Compare receipts, distribution, losses and ending inventory of donated foods for the audit period to the previous period.
 - (2) Compare distribution by entity for the audit period to the previous period.
- c. Ascertain the validity of the required annual physical inventory. Consider performing the following steps, as appropriate:
 - (1) Observe the annual inventory process at selected locations and recount a sample of donated food items.
 - (2) If the annual inventory process is not observed, select a sample of significant donated foods on hand as of the physical inventory date and, using the donated food records, "roll forward" the balance on hand to the current balance observed.
 - (3) On a test basis, recompute physical inventory sheets and related summarizations.
 - (4) Ascertain that the annual physical inventory was reconciled to donated food records. Investigate any large adjustments between the physical inventory and the donated food records.
- d. On a sample basis, test the mathematical accuracy of the donated food records and related summarizations. From the donated food records, vouch a sample of receipts, distributions, and losses to supporting documentation. Ascertain that activity is properly recorded, including correct quantity, proper period and, if applicable, correct recipient agency.



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Denise Juneau
Superintendent

March 16, 2009

To: Auditors of Montana School Districts

From: Rebecca Phillips
School Finance Division

Subject: Letter from USDA Regarding Catalogue of Federal Domestic Assistance (CFDA)
Number for Identifying Commodity Assistance in A-133 Audits

This letter is a follow up to the 2008 Auditor Letter Appendix N – No CFDA for Donated Commodities. The United States Department of Agriculture (USDA) has released a letter regarding guidance for identifying the commodity assistance on the Schedule of Expenditures of Federal Awards (SEFA) and in the single audit data collection form (SF-SAC). I am including that letter for you to review. If you have any questions or concerns feel free to contact me at (406)444-0783 or rphillips2@mt.gov

SUBJECT: Catalogue of Federal Domestic Assistance (CFDA) Number for Identifying
Commodity Assistance in A-133 Audits

TO: Financial Management Directors
All Regions

As you know, the auditee of an A-133 audit must identify its Federal awards by CFDA number in the required Schedule of Expenditures of Federal Awards (SEFA) and in the single audit data collection form (SF-SAC). We understand that State agencies, their subgrantees, and auditors have recently experienced confusion regarding the correct CFDA number to use when identifying commodity assistance in these documents.

The CFDA number for Food Distribution has historically been 10.550, and many State and local agencies have used it to refer to commodity assistance. However, FNS policy holds that commodities are an integral part of the categorical programs under which USDA makes them available and should be identified with those programs. Item 71 of the A-133 Q&As issued in 1999 explains that cash and commodity assistance for the same program "are inextricably linked. At the local level, donated commodities and food purchased with cash reimbursement payments are used in preparing the same school lunches. Children are eligible for the lunches, regardless of what combination of purchased and donated foods was used in their preparation." For this reason, the cash and commodity assistance must be viewed as components of the same program.

The categorical programs affected by this policy and their CFDA numbers are: the National School Lunch Program (NSLP)(CFDA 10.555), the Child and Adult Care Food Program (CACFP)(CFDA 10.558), the Summer Food Service Program (SFSP)(CFDA 10.559), the Commodity Supplemental Food Program (CSFP)(CFDA 10.565), and the Food Distribution Program on Indian Reservations (FDPIR)(CFDA 10.567). Since commodities used in The Emergency Food Assistance Program (TEFAP) have their own program-specific CFDA number (10.569), TEFAP is not affected by this policy.

Schools often use commodities in the School Breakfast Program (SBP)(CFDA 10.553), but that program does not appear in the foregoing list of affected programs. This is because the SBP, unlike the NSLP, does not generate separate commodity entitlements for State agencies and the schools under their oversight. There is no "award" of commodities under the SBP. Since reporting in the SEFA and SF-SAC focuses on the expenditure of Federal awards, commodities used in the SBP should be deemed "awarded" under the NSLP and reported as such.

Despite the promulgation of this longstanding policy, we understand that it is still not widely understood. Our deletion of CFDA No. 10.550 from the CFDA on May 6, 2008 seems to have exacerbated the confusion. We took this action because the CFDA write-up no longer reflected the way FNS receives funding for commodity assistance. Given the foregoing, FNS has adopted the following position:

Audit Periods That Began Before May 1, 2008.

State and local agencies and their auditors may use whatever CFDA number they have customarily used to identify commodity assistance in the SEFAs and SF-SAC forms for audits covering auditee fiscal years that began before May 1, 2008. Auditors that have already issued reports on such audits, using CFDA number 10.550 for this purpose, need not re-issue them. The rationale for this position is that the CFDA in effect when these audit periods began still gave 10.550 as the CFDA number for Food Distribution. If the auditor and/or auditee use(s) CFDA number 10.550 as a generic Food Distribution identifier, the full disclosure principle necessitates that they include the following statement as a note to the SEFA:

"CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering (name of auditee) fiscal year beginning (date), and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities."

Audit Periods Beginning on or After May 1, 2008.

For audits of auditee fiscal years beginning on or after May 1, 2008, State and local agencies and their auditors **must** identify commodity assistance by the CFDA numbers of the categorical programs under which USDA donated the commodities. We recommend the following presentations:

For the SEFA.

Exhibit E to the A-133 Q&As we issued in 1999 presented two suggested formats for presenting cash and commodity assistance for the Child Nutrition Cluster in the SEFA. That exhibit is attached to this memorandum. We consider it suitable for the other affected programs as well.

For the SF-SAC.

Page 3 of the SF-SAC gives a matrix in which the auditee and/or auditor can list the auditee's Federal awards by CFDA number and provide additional information about them. For entering programs for which the auditee received commodity assistance, we recommend reporting the program's cash and commodity components on separate lines but using the same CFDA number for both. For example, an auditee that operated the National School Lunch Program would enter "10.555" and "National School Lunch Program – Cash" on one line; and "10.555" and "National

School Lunch Program – Commodities” on the following line. Since both are elements of the Child Nutrition Cluster, both must be identified as major in column (g), page 3 of the SF-SAC whenever the Cluster as a whole is audited as a major program.

Please share this information with your Special Nutrition Programs counterparts, with the State agencies for which you have oversight responsibility, and with the audit communities in their States.

Lael J. Lubing
Director
Grants Management Division

Attachment

cc: Marbie Baugh, OIG
Rachel Bishop, OGC
Peter Laub, OCFO
Cynthia Long, CND
Cathie McCullough, FDD
Gilbert Tran, OMB

FNS:FM:GMD:Lipsey:10-29-2008.Revised01-29-2009.Revisedjdh:01-30-2009.Revisedjdh:02-03-2009.Revised02-23-2009.

GMD Filing Classification: FPI-18-2 (Audit Policy)

File name: "FD CFDA 10.550.doc"

SUGGESTED PRESENTATIONS OF THE CHILD NUTRITION CLUSTER IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EXAMPLE 1 - Focus on Assistance Component:

U.S. DEPARTMENT OF AGRICULTURE

Pass-Through - State Department of Education:

Child Nutrition Cluster:

Non-Cash Assistance (Commodities):

National School Lunch Program	10.555	\$xx,xxx,xxx	
Summer Food Service Program for Children	10.559	x,xxx,xxx	
<i>Non-Cash Assistance Subtotal</i>			\$xx,xxx,xxx

Cash Assistance:

School Breakfast Program	10.553	\$xxx,xxx,xxx	
National School Lunch Program	10.555	xxx,xxx,xxx	
Special Milk Program for Children	10.556	xx,xxx	
Summer Food Service Program for Children	10.559	x,xxx,xxx	
<i>Cash Assistance Subtotal</i>			xxx,xxx,xxx

Total for Program (Cluster) \$xxx,xxx,xxx

Total for Federal Grantor Agency

EXAMPLE 2 - Focus on Categorical Programs:

U.S. DEPARTMENT OF AGRICULTURE

Pass-Through - State Department of Education:

Child Nutrition Cluster:

School Breakfast Program - Cash Assistance	10.553		\$xx,xxx,xxx
National School Lunch Program	10.555		
Cash Assistance		\$xx,xxx,xxx	
Non-Cash Assistance (Commodities)		x,xxx,xxx	
National School Lunch Program Subtotal			xx,xxx,xxx
Special Milk Program for Children - Cash Assistance	10.556		xx,xxx
Summer Food Service Program for Children	10.559		
Cash Assistance		x,xxx,xxx	
Non-Cash Assistance (Commodities)		xxx,xxx	
Summer Food Service Program Subtotal			x,xxx,xxx

<i>Total for Program (Cluster)</i>			\$xx,xxx,xxx
<i>Cash Assistance Subtotal</i>		\$xx,xxx,xxx	
<i>Non-Cash Assistance (Food Distribution) Subtotal</i>		\$x,xxx,xxx	



State of Arizona
Department of Education

Tom Horne
Superintendent of
Public Instruction

CN# 14-10
SFSP CN# 06-09

MEMORANDUM

To: National School Lunch Program Sponsors
Summer Food Service Program Sponsors

From: Tina Herzog, Acting Deputy Associate Superintendent
Health & Nutrition Services Unit

Nicholas Dunford, Financial Services Director
Health & Nutrition Services Unit

Original Signed

Date: September 28, 2009

RE: Catalogue of Federal Domestic Assistance (CFDA) Number for Identifying Commodity Assistance
in A-133 Audits

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If you have questions or concerns regarding this memo, please contact Health & Nutrition Financial Services at 602-542-8700.

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Total for Program (Cluster) \$xxx,xxx,xxx

Total for Federal Grantor Agency

EXAMPLE 2 - Focus on Categorical Programs:

U.S. DEPARTMENT OF AGRICULTURE

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Child Nutrition Cluster:

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National School Lunch Program	10.555		
Cash Assistance		\$xx,xxx,xxx	
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Special Milk Program for Children - Cash Assistance	10.556		xx,xxx
Summer Food Service Program for Children	10.559		
Cash Assistance		x,xxx,xxx	
Non-Cash Assistance (Commodities)		xxx,xxx	
Summer Food Service Program Subtotal			x,xxx,xxx

<i>Total for Program (Cluster)</i>			\$xx,xxx,xxx
<i>Cash Assistance Subtotal</i>		\$xx,xxx,xxx	
<i>Non-Cash Assistance (Food Distribution) Subtotal</i>		\$x,xxx,xxx	