

GUIDANCE REGARDING VALUE OF USDA DONATED FOODS FOR AUDITS.

Revised 7/1/2021

BACKGROUND

This guidance explains the options available to school food authorities (SFAs) when assigning value to USDA foods for audit purposes. It is intended to clarify revised USDA Policy Memo FD-104 "Value of USDA Donated Foods for Audits" dated December 2, 2016, which can be found at:

<https://www.fns.usda.gov/usda-foods/value-usda-donated-foods-audits>

When determining the value of Federal awards expended, SFAs must consider the value of USDA Foods expended in a fiscal year as part of such Federal awards.

ASSIGNING VALUE TO USDA FOODS

To determine the quantity of USDA foods "expended," an SFA must consider all USDA foods **received** in a fiscal year as expended.

To assign value to the foods expended (received), an SFA has four options. 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 options allowed are:

1. The Fair Market Value (FMV) at the time of receipt (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 cost-per-pound posted annually by USDA, which can be found by choosing the "List of Materials" link on the left side of this USDA Food and Nutrition site:

<https://www.fns.usda.gov/usda-fis/usda-foods-available>, OR

3. The most recently published price in the USDA online ordering system, OR
4. The rolling average of USDA prices, based on each state's USDA food orders in the online ordering system.

Each SFA must choose one method of valuing USDA foods for audit purposes. The selected method must be used consistently in all audit activities, and a record of the means of valuing USDA foods for such purpose must be maintained.

OPTION USED BY THE STATE AGENCY

Our office's "price list" and notices of arrival are based on the second of the options listed above, which is the value posted annually by USDA. After the end of each school year, our office provides the TN Comptroller's office 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.
- The actual value of DoD fresh produce which is found in the DoD FFAVORS Web system.
- The estimated value of bulk pounds allocated to you for processing.

COMPARING YOUR VALUE TO OURS

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 match.

For brown box and bulk foods, your value may 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 SFA or carried over any 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 calculating our value using the cases shipped into the warehouse and allocated to you.

If you process commodities, there are two ways you can calculate the value of the bulk pounds 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 pounds of donated food in each case of end product. With that information, you can multiply the cases you received by the estimated cost-per-pound found on the USDA Food and Nutrition site:

<https://www.fns.usda.gov/usda-fis/processor-material-prices>

Be sure to choose the file for the correct school year. You can also find this cost-per-pound on the commodity planning worksheet you completed for the school year in question.

Your processing value may not match ours. If you carried over pounds from a previous year or didn’t utilize all of your pounds from the year that just ended, your value will be different than ours because we’re basing our value on the pounds that were shipped to the processor and allocated to you during the school year, not the pounds in cases you actually received.

The Comptroller’s Division of Local Government Audit posts our year-end report of estimated values on their “Confirmations Page” found here:

<https://comptroller.tn.gov/office-functions/la/e-services/confirmations.html>

Select “Commodities Allocations” for the year in question, then choose the “Public and Private Schools” link. 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 arrive at your values, you should have the USDA food (commodity) value information you need for your audits.