

## **GUIDANCE REGARDING VALUE OF USDA DONATED FOODS FOR AUDITS.**

**Revised 8/2/13**

### **BACKGROUND**

USDA issued Policy FD-104 "Value of USDA Donated Foods for Audits" in February 2010 to clarify the options schools have in assigning value to USDA foods for audit purposes. The Dept. of Education sent FD-104 to the Education listserv when it was first issued and again in July 2011 as an attachment to the email "Commodity Reporting for Audit Purposes." At that time, TN schools were still following Education's single inventory procedures as first implemented, using a single value for all commodities for which they had a commercial equivalent and the Dept. of Agriculture "price list" for any brown box food for which there wasn't a commercial equivalent. USDA reconfirmed Tennessee's procedures were in accordance with FD-104, but added that schools must be given the option to establish the value they use independently of the state distributing agency. This led to issuance of guidance in September 2011 giving schools the option to choose one of the four methods described in FD-104. Today's revision includes minor changes to the language of the guidance and a new confirmation website for auditors. The four options for valuing remain the same.

### **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 the 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 the use of Option 1 (FMV) or Option 2 (our price list) as your valuation method.

Each school district (or private school or residential institution) 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.

### **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 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 (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 calculating 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 match.

If you process commodities, there are two 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 by 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.

The Comptroller’s Division of Local Government Audit posts our year-end report on their “Confirmations Page” on their website at <http://www.comptroller.tn.gov/la/commodit.asp> . Select the “Public and Private Schools” link for the year in question. 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 commodity value information you need for your audits.