

CLARIFICATION OF FEDERAL POLICY

In Texas, organizations that contract directly with Texas Department of Agriculture's USDA federally funded nutrition programs are called Contracting Entities or CEs. The Summer Food Service Program (SFSP) is identified as a nutrition program and, as such, sponsors are considered CEs.

Value of USDA Foods for Audits (Policy Alert SFSP 2010-11)

Recipient agencies (RAs) must obtain an annual audit if they expend more than \$500,000 in Federal grants during the contractor's fiscal year. The value of USDA Foods must be considered part of Federal grants.

For audit purposes, SFSP contractors must consider all USDA Foods **received** during the fiscal year as expended.

The value of expended USDA Foods may be determined by the fair market value (FMV) at the time the foods are received by the RA or by one of the following options:

1. The United States Department of Agriculture (USDA) purchase price (cost-per-pound);
2. The estimated cost-per-pound data provided by USDA at the beginning of the contract year; or
3. The USDA commodity file cost posted each November. This information is available from the Texas Department of Agriculture (TDA).

A method of determining the value of USDA Foods must be chosen for audit purposes. Once an RA has selected a method of determining the value of USDA Foods, it must use that method consistently in all of its audit activities and must maintain a record of the means of valuing USDA Foods for audit purposes.

In most cases, it would be easier for an RA to use one of the options provided rather than having to determine the FMV at the time of the receipt of the USDA Foods. TDA recommends the first option as the easiest and most accurate method and is the way most contractors currently determine FMV.

Food banks may want to provide the FMV for all donated foods, including USDA Foods, that they provide to other food banks or pantries for distribution to assist them in the audit activities. FMV information can usually be found in the bill of lading, Electronic Online Commodity System (ECOS), or Texas Commodity System (TCS).

The value applied to USDA Foods for audit purposes does not apply for other purposes.