

CRITERIA AND PROCEDURE	
BROAD SUBJECT: FINANCIAL MANAGEMENT	NO: FM-01-02
TITLE: Single Inventory of USDA Commodity Foods	EFFECTIVE DATE: July 1, 2005 Revised June 5, 2009

PURPOSE OF THIS CRITERIA/PROCEDURE -

To outline procedures to be followed by School Food Authorities (SFAs) choosing to implement the single inventory method regarding USDA commodity food inventories. SFAs whose food service is conducted under contract with Food Service Management Companies are prohibited from implementing single inventory due to provisions at 7 Code of Federal Regulations (CFR) Part 210.16(a)(6).

In taking steps to more fully integrate USDA commodities with other foods utilized by SFAs in the National School Lunch Program (NSLP), USDA now allows vendors to provide USDA commodity foods labeled with standard commercial labels. This negates many functions previously required to identify and segregate USDA commodities from purchased foods. USDA published a final rule on October 23, 2002, amending federal regulations (7 CFR Part 250). The intent of the federal change is to treat commodity foods like other foods purchased, stored and used by SFAs.

KEY TERMS AND DEFINITIONS -

Food Distribution Unit: The unit within the School Nutrition Division of the Georgia Department of Education (GaDOE) that is responsible for operation of the USDA Food Distribution Program for institutional use in Georgia (7 CFR Parts 250 and 252).

Food Service Management Company: A commercial enterprise or a nonprofit organization which is or may be contracted with by a recipient agency to manage any aspect of its food service in accordance with federal regulations (7 CFR Part 210.2, 210.16).

Georgia Department of Education GaDOE Portal: To an approved user. All recordkeeping forms and reporting instructions, including accounting instructions, can be accessed through the GaDOE portal.

School Approval Module (SAM): The state agency database that facilitates the annual approval of schools to participate in the school lunch, school breakfast, after school snacks, seamless summer, special milk and commodity foods programs. It is password protected and accessible via the SNP School Nutrition Online (SNO) main menu by an approved user.

School Food Authority (SFA): The governing body responsible for the administration of one or more schools and has the legal authority to operate the Program.

SNO Reporting System: An electronic system that is used to file claims for meals and snacks served. It is authorized by federal regulations and state board of education rule. SNO is password protected and accessible to an approved user.

Single Inventory: The process of treating all USDA commodity foods (whether commercially labeled or USDA labeled) the same as purchased foods for the purpose of inventory and reporting of value.

State Distributing Agency: A state agency that enters into an agreement with USDA for distribution of USDA commodity foods to eligible recipient agencies or recipients. For National School Lunch Program (NSLP) commodity foods in Georgia, this agency is the GaDOE.

CRITERIA AND PROCEDURE -

Implementation of a single inventory for SNP reporting is an **option** available to local SFAs in Georgia. The Georgia School Approval Module (SAM) will capture an SFA's intent to operate under single inventory. A list of SFAs electing this option is forwarded to the State Department of Audits for use in conducting annual local SFA audits under OMB Circular A-133.

Under the option, SFAs are **not**:

- (1) Required to maintain inventories of USDA commodity foods separate from inventories of purchased foods.
- (2) Required to conduct an annual physical inventory of commodity foods storage facilities; an end-of-year inventory of all food is, however, required to be conducted and its value reported through the Georgia SNO Reporting System.
- (3) Required to report commodity foods found to be lost, stolen, or out-of-condition; the value of food losses (purchased and commodity) must however be reported monthly through the Georgia SNO as instructed by the Georgia School Nutrition Program Recordkeeping Guide and source documentation must be maintained for all adjustments to inventory.
- (4) Required to report excessive commodity food inventories to the state agency.

Although regulatory changes at 7 CFR Part 250 removed the SFA requirement to maintain records of the receipt, distribution/disposal, and inventory of commodity foods, the Georgia Department of Audits has informed the Georgia Department of Education that SFAs must maintain receipt records, post receipts in the SNP accounting records, and report receipts to the state agency via the SNO monthly DE 106 financial form. Failure to do so will result in an audit exception. The value of commodity expended during the past year is a required factor to determine whether the SFA exceeds the value threshold and must have a Single Audit.

Reporting Revenue and Expenses Associated with USDA Commodity Foods:

To comply with the Schedule of Expenditures for Federal Awards (Schedule 1), the value of USDA commodity receipts must be recorded and reported as both revenue and expense associated with USDA foods (non-cash revenue/expense) in the accounting records and on the DE106 financial form, Section IV - Revenue & Expense per the state auditors.

Determining the Value of New USDA Commodity Food Receipts: Each SFA utilizing single inventory must determine which method they will use to value commodity food receipts. Detailed information regarding available methods can be found in the GaDOE portal listed as RK Single Inventory Procedures dated 07/01/2003. Once the SFA has established the method to be used for valuing USDA commodity products for inventory purposes, these procedures should be used consistently throughout the fiscal year to minimize distortion of per meal food costs.

AUTHORITY – FEDERAL

7 CFR Parts 250.14(b)(4), 250.14(e), 250.14(f), and 250.16(a)(2).

National USDA Policy Memorandum No. FD-020: Single Inventory and Related Commodity Issues – Clarification of Regulatory Changes and Other Guidance.

Regional USDA Policy Memorandum No. 250.14-04 and 210.15-01: Questions and Answers for Single Inventory Recordkeeping.

Regional USDA Policy Memorandum No. 250.14-03 and 210.09-08: Commercial Labels.
U.S. Office of Management and Budget Circular A-133, Compliance Supplement, Child Nutrition Cluster, March 2002, Page 4-10.553-6.

AUTHORITY - STATE

ORS Repository – RK / Single Inventory Procedures Dated 07-01-03.

O.C.G.A. 20-2-167 (b) (1) . . . *computerized uniform budget and accounting system . . .*

Georgia Board of Education Rule 160-5-2-.23 *Financial Management for Georgia Local Units of Administration*