



Food and  
Nutrition  
Service

Park Office  
Center

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**DATE:** December 2, 2016

**POLICY NO:** FD-104: National School Lunch Program (NSLP), Child and Adult Care Food Program (CACFP), Summer Food Service Program (SFSP), Commodity Supplemental Food Program (CSFP), Food Distribution Program on Indian Reservations (FDPIR), the Emergency Food Assistance Program (TEFAP), and Charitable Institutions

**SUBJECT:** Value of USDA Donated Foods for Audits (Revised)

The purpose of this policy memorandum is to clarify the options available to State distributing agencies or recipient agencies in assigning value to USDA donated foods for audit purposes. The significance of this matter is its relevance to determining:

- 1) If an audit must be obtained for a given fiscal year, as applicable; and
- 2) Whether FNS programs for which a distributing or recipient agency receives USDA donated foods qualify as major programs that auditors must test for programmatic compliance.

Audit requirements for State, local, or Tribal government agencies and nonprofit organizations that receive Federal awards are included in OMB's Uniform Guidance at 2 CFR Part 200, Subpart F and Appendix XI, Compliance Supplement and USDA implementing regulations at 2 CFR Part 400. In accordance with Section 501 of OMB's Uniform Guidance (2 CFR 200.501), agencies of State, local, or Tribal governments and nonprofit organizations that expend \$750,000 or more in Federal awards in a given school or fiscal year must obtain an audit for that year. In determining whether \$750,000 in Federal awards was expended, a distributing agency or recipient agency must consider the value of USDA donated foods as part of such Federal awards. There are two steps in accomplishing this:

Step 1: Determining the **quantity** of each USDA donated food "expended"

- a. A distributing agency, and a recipient agency in CSFP, TEFAP, or FDPIR, must consider all USDA donated foods ***distributed or used*** in a fiscal year as expended.
- b. A recipient agency in NSLP, CACFP, or SFSP, or a charitable institution that receives donated foods in accordance with § 250.67, must consider all USDA donated foods ***received*** in a fiscal year as expended.

Step 2: Assigning **value** to the quantity of each USDA donated food “expended”

In accordance with Section 502(g) of the Uniform Guidance (2 CFR 200.502(g)), Federal non-cash assistance, such as USDA donated foods, must be valued at either fair market value (FMV) at the time of receipt, or at the value determined by the Federal agency. Accordingly, for audit purposes, a distributing or recipient agency may use one of the following options:

- a. The FMV of USDA donated foods at the time of their receipt; the FMV must exclude non-food items.
- b. One of the following donated food valuation methods included in 7 CFR 250.58(e):
  1. The cost-per-pound USDA donated food prices posted annually by USDA, found on the Food Distribution web page (<http://www.fns.usda.gov/fdd/fns-wbscm-information>);
  2. The most recently published cost-per-pound price in the USDA donated foods catalog, found in the FNS electronic USDA donated foods ordering system, Web-Based Supply Chain Management (WBSCM); or
  3. The rolling average of the USDA prices (average cost per pound), based on each State distributing agency’s USDA donated foods sales orders in WBSCM. To calculate the rolling average, all prices that a particular material has been sold at for the current fiscal year are averaged together to get an average cost per pound for the material.

Each distributing or recipient agency must choose a method of valuing USDA donated foods for audit purposes. In most cases, it is recommended that a distributing or recipient agency use one of the options listed in 7 CFR 250.58(e), rather than having to determine the FMV at the time of their receipt. However, in some cases it may be easier to use the FMV. Once a distributing or recipient agency has selected a method of assigning value to USDA donated foods, it must use that method consistently in all of its audit activities, and must maintain a record of the means of valuing donated foods for such purpose.

The guidance provided in this policy memorandum applies only to the value of USDA donated foods to be used for audit purposes, and not to the value that must be used for other purposes. For example, in determining and pursuing claims for USDA donated food losses, distributing and recipient agencies must determine the value of lost USDA donated foods in accordance with FNS Instruction 410-1.

*/s/ Original Signature on File*  
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Director  
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