

THE EMERGENCY FOOD ASSISTANCE PROGRAM

POLICY AND PROCEDURES MANUAL

REPORTS, RECORD KEEPING, INVENTORY CONTROLS, LOSSES, CLAIMS AND ADMINISTRATIVE FUNDING

This Section establishes procedures for reports, record keeping, inventory controls, food losses, claims and administrative funds required to account and pay distribution costs for USDA foods made available by the Family Support Division (i.e. State Agency) to food banks and other charitable organizations participating in The Emergency Food Assistance Program (TEFAP).

A. Required Reports

Included as Exhibit A to this Section is a list of the form numbers, titles and due dates for all TEFAP reports that are required to be submitted by food banks to the State Agency.

B. Record Keeping

It is essential that all food banks, food pantries, soup kitchens, homeless shelters, domestic violence shelters, Kids Cafes, etc. keep accurate and complete records on the amounts of USDA foods received, stored and distributed/used. Food banks are required to establish and maintain accurate inventory records for each USDA food item and reconcile these records with a physical count once per month.

1. Perpetual Inventory

- (a) It is recommended food banks keep perpetual inventory records for all TEFAP foods in inventory.
- (b) A perpetual inventory ledger should, show at a glance for each food item: the date of each transaction, the type of each transaction (i.e. receipt, distribution, transfer, adjustment, etc.), quantity of food received, quantity of food withdrawn and the balance of food in storage.
- (c) The warehouse manager or designee may find it best to set aside a specific time for posting the entries daily. As a matter of good organization, colored riders may be attached to ledgers to indicate that stock is low or should be used at once.

2. Physical Inventory

- (a) A complete physical inventory of all TEFAP foods on hand must be taken before the form FD-3, “Report of Receipts and Distributions” can be completed. The physical inventory shall include all TEFAP foods at the food bank (including USDA foods returned to the food bank by distribution sites) and in the food bank’s account at commercial storage facilities, if applicable.
- (b) For ease in taking a physical count of all USDA foods, food banks may use form FD-9, “Physical Inventory of USDA-Donated Foods”. Instructions for completing this form are on its reverse side.
- (c) The count of each food item taken during the physical inventory may be recorded in red on the corresponding perpetual inventory ledger. This provides a simple means of comparing the physical inventory with the book inventory. Minor differences may sometimes be found. If this occurs, the figures should be shown on the perpetual inventory ledger and FD-3 as an adjustment. Differences in the two inventories should be researched and reconciled prior to submitting the Report of Receipts and Distributions for each month.

C. Report of Receipts and Distributions (FD-3)

This is a monthly report that summarizes food distribution transactions. The report must be prepared on a computer and transmitted to the State Agency. The following instructions are included for reporting of TEFAP foods.

- 1. Inbound shipments of USDA foods with more than one consignee shall be accepted and received by the primary consignee. The total amount received in good condition shall be reported on line #2, “Receipts from USDA” of the primary consignee’s Report of Receipts and Distributions.
 - (a) Subsequent transfers to a second, third, fourth, fifth or sixth consignee by the primary consignee will be made in accordance with the number of units so designated on the “Notice of Order Placement and Shipment Received” (FD-30).
 - (b) These transactions will be reported on line 5(e), “Transferred Out Other - Specify” of the Report of Receipts and Distributions.
 - (c) The designated “receiving” food banks (consignees) shall report these receipts on Line #3, “Transferred In Other - Specify” of the Report of Receipts and Distributions.
 - (d) Each food bank will submit a copy of the form FD-29, “Transfer of USDA-Donated Foods”, with their Report of Receipts and Distributions.

Note: Food banks are requested to make every effort to clearly communicate and coordinate these transfers between each other. Reports of Receipts and Distributions are audited by the State Agency and may be returned to food banks for correction if a transfer in/out is not consistent with corresponding entries by the receiving/transferring food bank's form FD-3 and form FD-29.

2. Distributions to food pantries shall be reported on the Report of Receipts and Distributions, line 5(A), "Food Pantries".
3. Distributions to soup kitchens, homeless shelters, domestic violence shelters and Kids Cafes shall be reported on line 5(B), "Soup Kitchens".
4. Distributions to second tier congregate meal organizations shall be reported on line 5(C) "2nd Tier Congregate Meal Sites".
5. At the end of each month, a physical count of each TEFAP food item in inventory must be taken and reported on line #8 "Physical Inventory" of the Report of Receipts and Distributions. All gains or losses shall be explained in the designated area of the report below line #9.

D. USDA Food Losses and Claims

1. Minimizing Losses

- (a) Federal regulations require that food banks obtain insurance to protect the value of donated foods at its storage facilities. The amount of such insurance must be at least equal to the average monthly value of donated food inventories at such facilities in the previous fiscal year.
- (b) Federal regulations do not require that distribution sites carry insurance for the value of TEFAP foods. However, all eligible recipient agencies are obligated to conduct operations in a responsible manner to keep losses at a minimum.
- (c) Food banks and TEFAP distribution sites must carefully follow approved storage/handling procedures and use a first in/first out (FIFO) inventory control system to rotate stock.

2. Liability for USDA Foods

- (a) When physical delivery of TEFAP foods is taken, the food bank assumes all responsibility for safekeeping of these foods; including loss or damage caused by failure to provide proper storage, care and handling. Losses must be reported promptly to the State Agency followed by completion and submittal of form FD-5 "Report of USDA-Donated Food Loss" (refer to Appendix B of this Manual).

- (b) The food bank shall be responsible for ensuring that distribution sites maintain proper handling, care and storage of foods to guarantee the quality and safety of TEFAP products. Every effort must be made to reduce loss due to spoilage, infestation and theft by following accepted warehousing methods. This action not only ensures quality products are being distributed, but also protects the food bank from claim action by the State Agency and/or USDA to recover the value of the spoiled or lost product.

3. USDA Foods Received Out-Of-Condition

- (a) Out-of-condition products are those foods which appear to be contaminated, deteriorated, spoiled, infested or have latent defects. All foods must be inspected upon receipt. Cans that are leaking or bulged, have sharp dents or rust on the seams are examples of out-of-condition products. If foreign matter such as glass or metal is found in the product, the situation should be treated as an emergency.
- (b) All foods suspected or discovered to be out-of-condition must be reported by the food bank to the State Agency by phone immediately. The food bank shall follow up the verbal notification by completing and submitting form FD-5D “USDA Food Complaint Report”.

4. TEFAP Losses

- (a) The food bank assumes liability for the value of TEFAP foods if a loss occurs because of negligence in storage, handling or improper distribution/use in accordance with federal regulations 7 CFR; Parts 250 and 251 and may be held liable for the value of the products.
- (b) All losses, regardless of the value of the loss, shall be reported to the State Agency upon discovery.
- (c) The State Agency will determine if a claim must be pursued against the party responsible for the loss. Such claim determination must be completed within 30 days from the date of the discovery of the loss, or from the date that information was first received indicating the loss had occurred, whichever is later.
- (d) Food banks shall submit the Report of Receipts and Distributions (FD-3) on a monthly basis. An explanation of losses discovered during the completion of this report is required. For losses of unknown origin, the explanation “unknown” shall be sufficient.

- (e) Unknown inventory gains and losses will be tracked throughout the federal fiscal year for each food bank. At the end of the fiscal year, the State Agency will take the following steps:
- Disregard the loss of any one food item if the quantity lost is less than 1% of the total quantity of that item distributed during the year and the product was not stored at a commercial storage facility.
 - Apply offsetting on the basis of TEFAP product value. The products involved in the offset process are not required to be of like or similar kind. Overages and shortages in entitlement foods maybe offset with overages and shortages in bonus foods; or vice versa. Note: The State Agency must approve all proposed offsets.
 - Proceed with claim action for any remaining net losses in excess of \$500.
- (f) Food banks shall require that distribution sites report all TEFAP food losses. The food bank must pursue claim action when the loss exceeds a value of \$500 or regardless of value, any loss where there is evidence of violation of State or federal law. The food bank shall immediately notify the State Agency if a distribution site loss exceeds \$500 or is due to violation of law.
- Note: For detailed instructions regarding claim procedures to be initiated by the food bank when a distribution site incurs a loss, see Exhibit B at the end of this Section.
- (g) If the State Agency holds a food bank financially liable for a loss, restitution may be made by repayment or replacement of the foods lost. Food purchased to replace TEFAP losses shall be distributed to TEFAP food pantries, soup kitchens or other first tier congregate meal sites.

E. Administrative Funding

1. The State Agency shall make available to food banks, as a minimum, forty (40) percent of the State Agency's federal apportionment of TEFAP administrative funds as reimbursement of direct and indirect expenses associated with the distribution of TEFAP products and foods secured from other sources to the extent that these foods are ultimately distributed by eligible recipient agencies that have entered into TEFAP agreements with the food banks. Federal funds expended by the State Agency for storage and distribution costs on behalf of food banks may be counted toward meeting the 40 percent requirement.

The State Agency will reimburse food banks for allowable administrative costs after such costs have been incurred and reported.

2. Allowable Costs

- (a) The intrastate and interstate transport, storing, handling, repackaging, processing and distribution of TEFAP products and foods obtained from other sources; except that for interstate expenditures to be allowable, foods must have been specifically earmarked for the food bank that incurs the cost;
- (b) Costs associated with determinations of eligibility, verification and documentation;
- (c) Costs of providing information to persons receiving USDA foods concerning the appropriate storage and preparation of such foods;
- (d) Costs involved in publishing announcements of times and locations of distribution; and
- (e) Costs of recordkeeping, auditing and other administrative procedures required for program participation.

3. Costs Not Allowable

- (a) Funds used to purchase food;
- (b) Costs associated with the acquisition, storage and distribution of non-food items;
- (c) Expenses covered by other federal funds.

F. Record of Expenditures Under TEFAP Financial Assistance (FD-32D)

- 1. Upon approval of a food bank's TEFAP Agreement and amendments (if any) by the State Agency, a food bank may receive TEFAP administrative funds available under the 40 percent requirement.
- 2. Food banks shall request these funds on form FD-32D, "Record of Expenditures Under TEFAP Financial Assistance".
- 3. Food banks shall submit this report to the State Agency and shall ensure its receipt by no later than the 20th calendar day of the month following the month to which the report pertains.

G. Record Maintenance and Inspection

- 1. Food banks shall establish and maintain accurate and complete records to account for the receipt and distribution of foods and funds made available under The Emergency Food Assistance Program. These records shall be retained in an organized manner for a period of at least three years from the close of the federal fiscal year (October 1 to September 30) to which they

pertain. However, in instances when claim action and/or audit findings have not been resolved, the records shall be retained as long as required for the resolution of such action or findings.

2. As a minimum, these books and records must contain:
 - (a) a record of all TEFAP foods received, including dates and quantities;
 - (b) a complete record of TEFAP foods distributed to food pantries, soup kitchens, homeless shelters, etc. showing the (1) organization's name, (2) address, and (3) eligible recipient agency's authorized representative's signature.
 - (c) a record of actual costs incurred in receiving, storing and distributing TEFAP foods.
3. Federal and State representatives are authorized to inspect all TEFAP foods in storage, and all related records and reports at any reasonable place and time.

H. Review of Eligible Recipient Agencies' Audits

1. Food banks shall annually review the audits of any TEFAP eligible recipient agencies required to have an audit conducted in accordance with applicable OMB Circulars.
2. Food banks shall compile a listing of the agencies whose audits are required to be reviewed by providing the Office of Management and Budget (OMB) Single Audit Requirement Statement (FD-133FB) to TEFAP eligible recipient agencies. As part of the TEFAP agreement process, new agencies that will distribute/use TEFAP foods shall complete the FD-133FB along with the Food Bank/Eligible Recipient Agency Agreement (FD-6).
3. Documentation of the review will be recorded on the OMB Single Audit Analysis Form for Food Banks (FD-134FB) or a similar form designed to capture information necessary to complete the reviews
4. For the purpose of comparing the food value expended as shown in the audit's Schedule of Expenditures of Federal Awards to the food value determined by the food bank, a discrepancy of up to 10% will be considered an acceptable tolerance level.
5. Documentation shall be retained in the same manner as described in Section (G) 1.

THE EMERGENCY FOOD ASSISTANCE PROGRAM

REQUIRED REPORTS AND DUE DATES

<u>Form No.</u>	<u>Title</u>	<u>Due Date</u>
FD-3	Report of Receipts and Distributions	15 th day of the month following the month for which the report is prepared
FD-4	TEFAP Distribution Data Report	15 th day of the second month following the quarter for which the report pertains
FD-5	Report of USDA-Donated Food Loss	Within 10 days after loss
FD-29	Transfer of USDA-Donated Foods	With the Report of Receipts and Distributions (FD-3)
FD-32D	Record of Expenditures Under TEFAP Financial Assistance	20 th day of the month following the month for which expenses are being claimed
FSA-21	Public Voucher – Commodity Programs	Within 10 days after expense incurred

FOOD BANK CLAIM PROCEDURES

FOOD BANK LEARNS OF DISTRIBUTION SITE COMMODITY LOSS

Immediately:

- Contact the State Agency to report the loss.

Within 10 days:

- Obtain a completed Report of USDA-Donated Food Loss (FD-5) and/or the USDA Foods Complaint Form (FD-5D) from the distribution site.
- Advise the distribution site what to do with the damaged/spoiled food (i.e. destroy in a manner that ensures the USDA foods cannot be retrieved for human consumption).
- If the food was damaged/out-of-condition when received, request the agency provide as much data as possible (i.e. pack date, contract number, can codes, lot numbers, etc.).

Within 30 days:

- Determine if a claim exists. If the value of the loss is under \$500 and there is no evidence of fraud or theft, no further claim action is necessary. Losses due to fraud, theft, or other violations of the law must be pursued regardless of value.
- If the value of the loss is \$500 or more, determine if the recipient agency is responsible for the loss. The recipient agency may submit a written statement explaining why they feel they are not primarily at fault and outline what corrective action will be taken to prevent future losses.
- If a claim must be filed, transmit a demand letter to the eligible recipient agency (cc: State Agency). The demand letter shall include the following:
 - a. A description of the loss, including types, quantities, and values of the food loss;
 - b. The date, location, and cause of the loss, if determined;
 - c. Evidence and documentation relating to the loss;
 - d. Evidence of theft, embezzlement, willful misapplication, or fraud, as applicable;

e. A formal demand that the responsible party make restitution by means of one of the following options:

1. Purchase food to replace lost food (with prior approval of the State Agency). Distribution sites utilizing this option must provide copies of receipts or invoices to document food purchases. Replacement foods must be distributed to TEFAP eligible households or first tier agencies.

or

2. Repay the value of the lost USDA foods. Monies received for food losses may be retained by the State Agency. Checks/money orders should be made payable to FSD-USDA-Donated Food Account and mailed to Food Distribution Unit, P O Box 310, Jefferson City, MO 65102.

Note: Option 1 is the preferred method for settling a claim as replacement foods are distributed to program participants, which subsequently benefits the program purpose.

- Allow 30 days (or less) for a response from the recipient agency. If no response is received, submit a second and third demand letter at 30 day (or less) intervals. (cc: State Agency)

Finalizing a Claim:

- A claim may be waived, compromised, or settled by repayment or replacement of the lost food. Contact the State Agency for further information if a request to waive or compromise a claim is received.
- Once the agency responds and the claim is satisfactorily resolved, close the claim and notify the eligible recipient agency in writing. (cc: State Agency)
- If the agency does not respond after three demand letters, impose a sanction, prohibiting the receipt of TEFAP commodities until the claim is resolved. Notify the agency of the sanction in writing. (cc: State Agency)
- Food banks and eligible recipient agencies shall retain written records and documentation of all claim actions in accordance with Section VI, G, 1 of the TEFAP Policy and Procedures Manual.