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COMMODITY SUPPLEMENTAL FOOD PROGRAM

State Project/Program: COMMODITY SUPPLEMENTAL FOOD PROGRAM

U.S. Department of Agriculture

Federal Authorization: 7 CFR Part 247

State Authorization:
N.C. Department of Agriculture & Consumer Services
Food Distribution Division

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

This compliance supplement must be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

I. PROGRAM OBJECTIVES

Several years ago, the Commodity Supplemental Food Program (CSFP) was authorized by USDA to help decrease the rate of infant mortality. Areas of high infant mortality were identified, and funding was provided to those areas. Overtime, USDA transitioned this to a Seniors ONLY food program to provide nutritious commodities to help State and local agencies meet the nutritional needs of low-income elderly persons 60 years of age and older. The NC Department of Agriculture and Consumer Services (NCDA&CS) administers CSFP. This agreement also provides funding for the administration of the program. Program regulations can be found at 7 CFR 247.

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II. PROGRAM PROCEDURES

The Food Distribution Division of the NCDA&CS administers CSFP in North Carolina. There are currently six agencies operating the CSFP program in NC. Foods are ordered monthly from the regional office of USDA. The order is based on the CSFP Caseload for North Carolina. There is a maximum number of cases for which we are eligible to receive USDA foods. This caseload is determined by USDA annually. If there are additional persons eligible to receive USDA foods, they are placed on a waiting list until there is an available slot. USDA monitors the number of cases in each state and redistributes allocations as necessary to provide the help to the greatest number of people.

All USDA foods for CSFP are initially delivered to the Food Distribution warehouse in Butner and Salisbury NC. The CSFP office determines which participants will be provided food and places an order to the warehouse. Orders are shipped to the CSFP warehouse once per month.

The USDA foods distributed include foods such as, but not limited to peanut butter, juices, cheese, dairy products, cereals, fruits, and vegetables. These foods are provided in package sizes that are suitable for household use. The CSFP food package is intended as a household's supplemental food source, which is received monthly.

Upon delivery of product by NCDA&CS to the contracted CSFP agencies, these agencies are required to verify (1) the product being delivered; (2) the quantity being delivered; and (3) the condition of the product. The recipient should sign the shipping invoice. In the event anything is questionable, products or portions thereof should be rejected or conditionally accepted. Each exception should be noted on the actual delivery invoice and signed by both the receiving party and the NCDA&CS truck driver. Each agency retains copies of the shipping invoices.

USDA foods must be maintained in a clean and secure environment. Storage conditions must be such that premature deterioration of USDA foods is prevented, such as proper temperature and air circulation. USDA foods should be used on a First In, First Out method of distribution. These USDA foods have a pack date on the case, and the items with the oldest pack dates should be used first. Where a pack date is not available, it is recommended to mark the product using month and year of receipt, or a receipt date.

Occasionally USDA foods are lost after delivery. USDA foods are considered lost if one or more of the following situations has occurred: (1) Damage, spoilage, or infestation; (2) Theft; (3) Improper distribution; (4) Diversion to an improper use; or (5) Other similar causes. When a loss of food occurs after delivery, a claim determination must be made. If the value of the food loss does not exceed \$500, claim determination is made by NCDA&CS. If the value of the lost food exceeds \$500, documentation must be forwarded to the USDA Regional Office for concurrence with a claim determination by NCDA&CS. In either event, if an agency is found to have not been at fault in the loss, there is no claim. If, however, an agency is found to be negligent, a claim for the value of the food must be pursued by NCDA&CS.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as "Y," on the "Matrix of Compliance Requirements" located in Part 2 of the OMB 2020 Compliance Supplement; however, the State Agency may have added the Type and this is noted by "Y." If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance

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requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2020 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/ Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	Y	N	N	Y	N	Y	N	Y

A. Activities Allowed or Unallowed

Federal funding for administrative costs may only be used in making these USDA foods and nutrition education available to eligible beneficiaries. USDA foods can only be made available to eligible beneficiaries and cannot be sold, exchanged, or otherwise disposed of without prior specific approval by USDA.

B. Allowable Costs/Cost Principles

Each agency is eligible to receive reimbursement for a portion of their administrative costs for the program. The level of funding for the program is established by USDA and is based on the approved caseload. Items such as rent of warehouse and office space, and utility costs are eligible for reimbursement. The agency makes delivery of USDA foods, so transportation costs are allowable. Staff members teach participants how to prepare the food, which is being provided, and those training costs are allowable. In addition, general administrative costs of the office are allowable, including personnel costs.

C. Cash Management

Each agency operates strictly on a cost reimbursement basis for administrative costs.

D. Reserve

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E. Eligibility

The agencies determine the eligibility of recipients. To be eligible to receive USDA foods, the applicant must 60 years of age or older. Income level is the second criteria. The poverty guidelines are published by USDA and NCDA&CS Food Distribution Division distributes these to recipient agencies. For the elderly feeding program, eligibility is based on income at or below 130% of Federal Poverty Income Guidelines. This income is to be based on gross income of a family. The third criterion is based on residency. An individual who resides in a county that administers the CSFP program, is over 60 years of age and meets the income criteria is eligible for consideration and participation in the Commodity Supplemental Food Program.

F. Equipment and Real Property Management

Not Applicable

G. Matching, Level of Effort, Earmarking

Not Applicable

H. Period of Performance

Not Applicable

I. Procurement and Suspension and Debarment

The Suspension of Funding List provided by the Grants and Contracts office is monitored on a weekly basis to ensure contracted agencies receiving USDA foods remain in compliance.

J. Program Income

Not Applicable

K. Reserve

L. Reporting

Each Agency is required to submit a Request for Reimbursement form for each month following the month of distribution. This request includes any expenses incurred in receiving and distributing the CSFP food boxes. CSFP Agencies must also complete a monthly USDA FNS-153 report. The FNS-153 report is a CSFP inventory report/worksheet, which includes the number of participants served, an itemized list of the CSFP foods distributed in units, food losses, foods used for nutrition education, as well as provides the ending inventory amounts of CSFP foods remaining after distribution.

M. Subrecipient Monitoring

NCDA&CS Field Representatives monitor the subrecipient agencies.

N. Special Tests and Provisions

Accountability for USDA Foods

Compliance Requirement – Accurate and complete records shall be maintained with respect to the receipt, distribution/use, and inventory of USDA foods. Failure to maintain records required by section 247.29 shall be considered prima facie evidence of improper distribution or loss of USDA foods, and the agency, processor, entity is liable for the value of the food or replacement of the food in kind. Each agency shall take a physical monthly inventory of all storage facilities. Such inventory shall be reconciled monthly with inventory records and maintained on file by the agency. Corrective action shall be taken

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immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the NCDA&CS.

Audit Objective – Determine whether an appropriate accounting was maintained for USDA foods, that a monthly physical inventory was taken, and the physical inventory was reconciled with inventory records.

Suggested Audit Procedures

- a. Determine the commodity records maintained by the entity and obtain a copy of procedures for conducting the required monthly physical inventory. Obtain a copy of the monthly physical inventory results.
- b. Perform analytical procedures, obtain explanation and documentation for unusual or unexpected results. Consider the following:
 - (1) Compare receipts, usage/distribution, losses and ending inventory of USDA foods for the current audit period to the previous audit period.
 - (2) Compare relationship of usage of USDA foods to the number of clients served for the audit period to the same relationship for the previous period.
- c. Ascertain the validity of the required monthly physical inventory. Consider performing the following steps, as appropriate:
 - (1) Observe the annual inventory process and recount a sample of USDA food items.
 - (2) If the monthly inventory process is not observed, select a sample of significant foods on hand as of the physical inventory date and, using the food records, “roll forward” the balance on hand to the current balance observed.
 - (3) On a test basis, recomputed physical inventory sheets and related summarizations.
 - (4) Ascertain that the monthly physical inventory was reconciled to food records. Investigate any large adjustments between the physical inventory and the food records.
- d. On a sample basis, test the mathematical accuracy of the commodity records and related summarizations. From food records, vouch a sample of receipts, usage/distribution, and losses to supporting documentation. Ascertain that activity is properly recorded, including correct quantity, proper period.