

**FOOD DISTRIBUTION CLUSTER**

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<b>10.568</b>	<b>EMERGENCY FOOD ASSISTANCE PROGRAM (ADMIN COSTS)</b>
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<b>10.569</b>	<b>EMERGENCY FOOD ASSISTANCE PROGRAM (USDA FOODS)</b>
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**State Project/Program: EMERGENCY FOOD ASSISTANCE PROGRAM**

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**U.S. Department of Agriculture**

**Federal Authorization: 7 CFR 251, Public Law 98-8, 7 USC 7501-16, Public Law 100-435, Public Law 104-193**

**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**

The objective of the Emergency Food Assistance Program (TEFAP) Cluster is to provide USDA foods to low-income households for home consumption, and to provide hot meals prepared from USDA foods to needy persons in approved site congregate settings. TEFAP is authorized by the Emergency Food Assistance Act of 1983 (Public Law 98-8) (7 USC 7501-16), as amended by the Hunger Prevention Act of 1988 (Public Law 100-435) and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193). Program regulations are found at 7 CFR part 251.

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### II. PROGRAM PROCEDURES

The Food Distribution Division of the NC Department of Agriculture and Consumer Services (NCDA&CS) administers TEFAP in North Carolina. NCDA&CS enters into agreements with local Emergency Feeding Organizations (EFOs) for the distribution of USDA foods, and provides funding for the distribution costs these organizations incur in performing this function. The USDA Foods recipient agencies engaged by these State agencies to deliver TEFAP benefits to eligible persons may include charitable institutions, food banks, food pantries, soup kitchens, faith-based organizations, and similar public and non-profit private entities. These funds are provided by the Regular TEFAP Grant.

USDA provides food to NCDA&CS FDD, which in turn arrange for their delivery to EFOs. The value of TEFAP entitlement USDA foods and the amount of administrative funds that NCDA&CS receives is determined through an allocation formula described at 7 CFR section 251.3(h). NCDA&CS allocates food to each county using a formula. The formula for distribution to each county is based on the average number of Aid to Families with Dependent Children (AFDC), adult Medicaid, and Food Stamp recipients in the county. The percentages are applied to the number of units of product available. The result is an equitable pro-rata shares of products allocated to each approved EFO. In addition to the basic allocation, there may be some bonus USDA foods available for distribution which is allocated in the same manner as the entitlement USDA foods.

USDA regulations require the NCDA&CS to have a **permanent** agreement, Form TEFAP-1, with those agencies that have had prior approval to receive USDA foods. A copy of the agreement document should be maintained on file at the EFO Administrative Office. State contract requirements and reports are based on GS 143C-6.23.

The USDA foods distributed vary depending on agricultural market conditions. The foods must be nutritious, have a long shelf life, and be available in sufficient quantities for nationwide distribution. TEFAP foods may include flour, canned or frozen meat or poultry, peanut butter, canned beans or other vegetables and fruits, raisins, and other similar products. These foods are provided in package sizes that are suitable for household use. The TEFAP food package is intended as a supplement to other sources of foods, and not intended to be used as a household's primary food source.

Upon delivery of product by NCDA&CS to the EFO, the EFO should verify: (1) the product being delivered; (2) the quantity being delivered; (3) the condition of the product. The shipping invoice should be signed by the recipient. 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. Copies of the shipping invoice are retained by the EFO.

Eligibility of recipients is determined by the EFO. Eligibility criteria for the receipt of USDA foods are (1) Eligibility for food stamps; or (2) Completion of a signed, self-declaration income state application (Form TEFAP-3). The self-declaration requires the total amount of household income to be below 200% of the current income poverty guidelines, according to the income eligibility scale provided annually by the Southeast Regional Office of USDA. We in turn forward the income scale to the EFOs.

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

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of distribution. These 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 to an EFO. 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; (5) Sale or exchange; (6) Other similar causes. When a loss of food occurs after delivery to an EFO, a claim determination must be made. If the value of the food loss exceeds \$500, documentation must be forwarded to the USDA Regional Office for concurrence with a claim determination by NCDA&CS. In either event, if the EFO is found to have not been at fault in the loss, there is no claim. If, however, the EFO is found to be negligent, a claim for the value of the food must be pursued by NCDA&CS.

## II. 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 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

The EFO must use its administrative money for activities intrinsic to the transportation, storage, and distribution of TEFAP foods within its service area. An EFO that receives

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USDA non-program foods under 7 CFR part 250 as well as TEFAP foods, may use its administrative cost subgrant for the distribution of both classes of foods.

### B. Allowable Costs/Cost Principles

EFOs are eligible to receive reimbursement for a portion of their distribution costs. Form TEFAP-4, Monthly Report, is required to be submitted by the thirtieth (30<sup>th</sup>) day of the month following the distribution. EFOs may be reimbursed for labor, storage, transportation, printing, and postage. Labor costs include a prorate portion of staff salaries based on actual hours worked on the distribution, and the cost of any individuals employed to assist in the distribution. Storage costs include the cost of storage space, trucks and/or refrigerated trucks, if used for storage. The cost of transportation of food to sites is reimbursable. Only directly related printing and postage costs are allowable. Any other items purchased which are directly related to the distribution process must be documented before they are reimbursed. Direct expenses include the following, regardless of whether they are charged to TEFAP as direct or indirect costs.

### C. Cash Management

Funds are provided on a reimbursement basis only, therefore no testing is required.

### D. Reserve

### E. Eligibility

#### 1. Eligibility for Individuals:

- a. Receipt of USDA foods for household use – An EFO certifies households eligible to receive TEFAP foods for household consumption by applying income eligibility criteria established by the NCDA&CS. Eligibility criteria for the receipt of USDA foods are:
  - (1) Eligibility for food stamps; or
  - (2) Completion of a signed, self-declaration income state application (Form TEFAP-3). The self-declaration requires the total amount of household income to be below 200% of the current income poverty guidelines, according to the income eligibility scale provided annually by the Southeast Regional Office.
- b. Receipt of prepared meals – There is no means test for eligibility of persons receiving meals at congregate feeding sites. Their eligibility is derived from the eligibility of the organization operating the feeding site to receive and use TEFAP foods.

### F. Equipment and Real Property Management

This requirement is not applicable at the local level.

### G. Matching, Level of Effort, Earmarking

This requirement is not applicable at the local level.

### H. Period of Performance

This requirement is not applicable at the local level.

### I. Procurement and Suspension and Debarment

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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

This requirement is not applicable at the local level.

### K. Reserve

### L. Reporting

#### 1. Financial Reporting

EFOs are provided a monthly Reimbursement Request including a TEFAP-4 report of all the pounds of USDA foods received for TEFAP distributions. Agencies must complete and submit the monthly Reimbursement Request Form and include all expenses incurred as it relates to the handling and distributing of the TEFAP foods. This report is required to be submitted by the thirtieth (30<sup>th</sup>) day of the month following the distribution. Agencies are also provided with a TEFAP-4a Food Loss Form to complete for any Transfers, Losses, etc. of USDA foods that took place during the reporting month and explain in detail the cause of the transfer, loss, etc.

#### 2. Performance Reporting – Not Applicable

#### 3. Special Reporting – Not applicable

### M. Subrecipient Monitoring

NCDA&CS Field Representatives monitor the subrecipient agencies.

### N. Special Tests and Provisions

#### 1. 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 251.10 shall be considered prima facie evidence of improper distribution or loss of USDA foods, and the agency, processor, or entity is liable for the value of the food or replacement of the food in kind. Distributing and recipient agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency which contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency.

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

#### **Suggested Audit Procedures**

- a. Determine storage facility and end use locations of all USDA foods. Determine the food records maintained by the entity and obtain a copy of procedures for

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- conducting the required annual physical inventory. Obtain a copy of the annual 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 production, meals served, or similar activity reports for the audit period to the same relationship for the previous period.
  - c. Ascertain the validity of the required annual physical inventory. Consider performing the following steps, as appropriate:
    - (1) Observe the annual inventory process and recount a sample of commodity items.
    - (2) If the annual 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, precompute physical inventory sheets and related summarizations.
    - (4) Ascertain that the annual 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 food 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.