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**ADMINISTRATIVE POLICY #12
SCHOOL YEAR 2004-2005**

SUBJECT: Inventory Calculations for School Meals Program Year End Report and Single Audit

DATE: May 16, 2005

Administrative Policy No. 6 for School Year 2002-2003 – *Changes In Inventory Control Regulations* - allowed Schools to store USDA commodity foods and commercial foods together. This change was brought about by USDA to accommodate the use of commercial labels on some commodity products.

As a result of this change, Administrative Policy No. 7 for School Year 2002-2003 – *Schedule of Expenditures of Federal Awards (SEFA) for Single Audit* - was issued. However, there has been much confusion regarding how to compute inventory for the Single Audit versus computing inventory for Michigan Department of Education (MDE) School Meals Program Year End Report.

For the Single Audit, the ending inventory for USDA commodity foods must be calculated using the USDA Commodity Value Listing as posted on the MDE Food Distribution web site. Schools that participate in the Great Lakes Cooperative will receive their Commodity Value Listing from DJ Co-Ops. Schools that participate in SPARC will receive their Commodity Value Listing from SPARC. It should be noted that for schools in either cooperative, the value of any inventory remaining at the processors (e.g. raw chicken) or at the district's distributor (any brown box) must be included. The ending inventory for the Single Audit must reflect the value of all USDA commodities remaining at the end of the School Year.

For the School Meals Program Year End Report, the ending inventory for USDA commodity foods must be calculated using the cost that the schools paid for the USDA commodities from their state contracted warehouse, or from their commercial distributor if the school participated in a cooperative. To calculate Food Cost in the School Meals Program Year End Report:

Food Cost equals Cost of Beginning Inventory (plus) Purchases (minus) Cost of Ending Inventory.

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The actual cost of commodities (processing and delivery) must be used to calculate this inventory. **The market value of commodities must never be used when calculating the cost of commodities for the School Meals Program Year End Report.**

Although schools may store USDA commodity foods and commercial foods together in one storeroom, it is imperative that the school have a method for determining how much USDA commodity food and how much commercial food is left in inventory. For further clarification, schools can refer to the School Meals Program Year End Report worksheet instructions available online at:

http://www.michigan.gov/documents/SM4012complete_122577_7.pdf

If you have any questions on this policy, please contact Marla Moss at (517) 241-4054.