



## FOOD SERVICE

### ADMINISTRATIVE POLICY No. 7 SCHOOL YEAR 2002-2003

**Subject:** Schedule of Expenditures of Federal Awards (SEFA) for Single Audit

**Date:** April 25, 2003

Because of the changes in inventory control regulations for USDA Entitlement and Bonus Commodities under the MDE Food Service Administrative Policy #6, SY 2002-2003, issued January 10, 2003, recipient agencies may now choose to inventory commodity and commercial products together. Please be reminded that this change will affect the schools' Schedule of Expenditures of Federal Awards (SEFA), if the district is required to prepare one under the Single Audit Act. The Recipient Entitlement Balance Report (PAL Report) will be the source document for verifying the market value of commodity receipts. Recipient agencies must use the value of commodities delivered to them during the audit period as the value of commodities used for expenditures reported on the SEFA. This fourth quarter PAL Report can be accessed after July 15, 2003 at the following website:

[http://www.michigan.gov/mde/0,1607,7-140-6525\\_6530\\_6569-19567--,00.html](http://www.michigan.gov/mde/0,1607,7-140-6525_6530_6569-19567--,00.html)

For the first year of implementation (SY 2002-2003), any prior year inventory (deferred revenue) reported on the SEFA for USDA commodities will need to be expensed along with the current receipts. School district audit firms have been notified of this change in policy/procedure through our Office of Audits.

This change should not affect how the food cost for commodities is calculated for the Food and Nutrition Year End Cost Report. The actual cost of commodities (processing and delivery) is still used to calculate this food cost for the Year End Report. The market value of commodities must never be used when calculating the cost of commodities. When determining the actual food cost for this report, an accrual method will still be used to determine this cost. This method is as follows:

$$\text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory} = \text{Food Cost}$$

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