



STATE OF MICHIGAN  
DEPARTMENT OF EDUCATION  
LANSING

RICK SNYDER  
GOVERNOR

MICHAEL P. FLANAGAN  
STATE SUPERINTENDENT

**FOOD DISTRIBUTION**

**ADMINISTRATIVE POLICY NO. 1  
SCHOOL YEAR (SY) 2014-2015**

**SUBJECT: Proper Crediting of USDA Donated Foods Value**

**DATE: February 25, 2015**      **Replaces Previous Version of  
Administrative Policy No. 1  
SY 2014-2015**

This memorandum provides policy and guidance to Food Service Management Companies (FSMC) and Vended School Meal Companies (VSMC) regarding the proper usage and crediting of United States Department of Agriculture (USDA) Foods to the School Food Authority (SFA). This guidance also clarifies the requirement of any SFA to conduct annual reconciliation of these donated food values.

**Properly Crediting Donated Food Value**

It should be known that the FSMC or VSMC must manage and utilize all donated food including USDA Value Added Foods (aka brown box), USDA Foods processed end-products, and any Department of Defense (DoD) fresh produce in the contracted SFA's food service program. **The FSMC or VSMC must utilize no less than 95% of the SFA's overall entitlement.** If less than 95% is spent, the FSMC or VSMC must submit justification for its underutilization of this federal program to the SFA as part of their mandatory annual reconciliation of USDA Foods.

If the current selection of USDA Foods cannot be utilized in the food service program, either the SFA or FSMC/VSMC must work directly with the SFA's chosen consortium to trade or obtain a different selection of food items prior to delivery to the FSMC/VSMC or SFA. In regards to substituting foods, beef and pork products may not be substituted while other donated foods may be substituted if they are the same generic identity and must be equal or better quality. [7 CFR Part 250.51(d)]

Additionally, each FSMC or VSMC must credit or reimburse the SFA the current full value of all USDA Foods received for use in the SFA's meal service. In the event of a cost-reimbursable contract, the SFA will have received the credit if the exact distributor invoice charge has been reflected within the billing (i.e. crediting by disclosure) to the SFA. With a fixed-price contract, the FSMC or VSMC must credit the SFA the value of all USDA Foods including DoD Produce and bonus offerings through invoice reductions, refunds, discounts, or other means pre-approved by the Michigan Department of Education (MDE). However, all crediting must be clear and conducted no less than monthly. All FSMC and VSMC must maintain records of receipt, storage, utilization, and inventory on behalf of the SFA as well as documentation that the crediting occurred each month. [7 CFR Part 250.54(b)]

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Donated food values of USDA Value Added Foods (aka brown box or bonus) and Department of Defense (DoD) fresh produce can be found within the SFA's chosen consortium fair market value lists. For processed foods using the net-off-invoice (NOI) pass-through method, the donated food value can be found on either the corresponding distributor invoice or on the fair market value reports as mentioned above. The NOI discount represents the value of donated foods that are within that case of processed food. For processed items using the fee-for-service (FFS) pass-through method, where the price represents the processing fee and cost of ingredients incurred to create a finished product, the donated food values are *not* directly on the distributor invoice, but rather are found on the consortia fair market value reports. Attached is a chart to assist SFA's and their vendors in locating these values on the consortia websites.

The total annual values credited to the SFA must match the entitlement utilized to purchase these goods. This crediting is tracked on the SFA's Planned Assistance Level (PAL) report. If for any reason, the FSMC or VSMC has not credited the full amount at the end of the school year, an invoice credit for the remaining value must be given to the SFA. As always, the vended meal or food service management contract will dictate who is responsible for any delivery charges related to USDA Foods and DoD.

For your information and convenience, below are links to USDA policies and regulations that cover the topic of USDA Foods as it pertains to food service or vended meal contracts.

- [USDA Food Distribution National Policy Memorandum January 25, 2011](http://www.fns.usda.gov/sites/default/files/pmfd080rev_NSLP-SFSP-CACFP_DonatedFoodswithFSMCsJan2011.pdf)  
([http://www.fns.usda.gov/sites/default/files/pmfd080rev\\_NSLP-SFSP-CACFP\\_DonatedFoodswithFSMCsJan2011.pdf](http://www.fns.usda.gov/sites/default/files/pmfd080rev_NSLP-SFSP-CACFP_DonatedFoodswithFSMCsJan2011.pdf))
- [USDA General Regulations and Policies Food Distribution Part 250](http://www.fns.usda.gov/sites/default/files/2011_Part250.pdf)  
([http://www.fns.usda.gov/sites/default/files/2011\\_Part250.pdf](http://www.fns.usda.gov/sites/default/files/2011_Part250.pdf))

### **Annual Reconciliation of USDA Donated Food Values**

Per 7 CFR Part 250.54, whether or not a SFA contracts with a FSMC or VSMC, all SFA's must conduct an annual reconciliation of USDA Foods purchases to verify that all of the donated food values have been received during the school year. The SFA is encouraged to work directly with their consortium to obtain reports of their invoices and ensure that the total amount credited matches what is found on the SFA's final PAL report.

SFA's who are working with a FSMC or VSMC must also take the time to ensure the total value of foods purchased and value of donated foods receive align closely with the foods utilized in the food service program, and that at least 95% of the USDA Foods entitlement has been expended during the school year. If you have any further questions regarding USDA Foods, please feel free to contact the MDE Food Distribution Unit at: [mde-fmfd@michigan.gov](mailto:mde-fmfd@michigan.gov) or 517-373-8642.

cs:dt

Attachment

## Locating USDA Donated Food Values SY 2014-2015

	<b>Brown Box/Bonus</b>	<b>DoD</b>	<b>NOI Processed</b>	<b>Fee for Service Processed</b>
SPARC Contracted Distributor: Sysco	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/FMV: <a href="http://www.michigansparc.com">www.michigansparc.com</a>	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/FMV: <a href="http://www.michigansparc.com">www.michigansparc.com</a> (Note: DoD values updated regularly due to changing fair market value)	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/FMV: <a href="http://www.michigansparc.com">www.michigansparc.com</a> (Note: NOI donated food value can also be found directly on the SYSCO invoice)	SPARC Fair Market Value Report found on the SPARC website, under SPARC USDA, see column named NOI/FMV: <a href="http://www.michigansparc.com">www.michigansparc.com</a>
Great Lakes Consortium (GLC) Contracted Distributor: Gordon Food Service/HPS	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: <a href="http://glc.hpsusdafoods.org">http://glc.hpsusdafoods.org</a>	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: <a href="http://glc.hpsusdafoods.org">http://glc.hpsusdafoods.org</a> (Note: DoD values updated regularly due to changing fair market value)	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: <a href="http://glc.hpsusdafoods.org">http://glc.hpsusdafoods.org</a> (Note: NOI donated food value can also be found directly on the GFS invoice)	GLC Product List found on the GLC/HPS website, under Reports or within the product search area, see FMV/Case: <a href="http://glc.hpsusdafoods.org">http://glc.hpsusdafoods.org</a>
MOR Consortium Contracted Distributor: VanEerden	MOR Brown Box List found on the MOR website under product lists, see column named FMV: <a href="http://www.morcoop.com">www.morcoop.com</a>	MOR Brown Box List found on the MOR website under product lists, see column named FMV: <a href="http://www.morcoop.com">www.morcoop.com</a> (Note: DoD values updated regularly due to changing fair market value)	MOR/VanEerden Commodity Product List found on the MOR website under product lists, see column named PTV Commodity Case Value: <a href="http://www.morcoop.com">www.morcoop.com</a> (Note: NOI "drawdown" value can also be found directly on the VanEerden invoice and online ordering system)	MOR/VanEerden Commodity Product List found on the MOR website under product lists, see column named FFS Value: <a href="http://www.morcoop.com">www.morcoop.com</a>