

10.565 COMMODITY SUPPLEMENTAL FOOD PROGRAM

State Project/Program: COMMODITY SUPPLEMENTAL FOOD PROGRAM

U.S. Department of Agriculture

Federal Authorization: 7 DFR Part 247

N.C. Department of Agriculture and 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 an 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 should be used in conjunction with the OMB 2019 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 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. In North Carolina, Halifax County and Northampton County were thus identified. The NC Department of Agriculture and Consumer Services (NCDA&CS) administers CSFP, and has entered into an agreement with Halifax County to provide for the distribution of USDA foods to eligible persons residing in Halifax; however, Northampton dropped out of the program in 2015. This agreement also provides funding for the administration of the program. The program is designed to give expectant mothers, breastfeeding mothers, and children, as well as the elderly, a well-balanced diet. Program regulations can be found at 7 CFR 247

II. PROGRAM PROCEDURES

The Food Distribution Division of the NCDA&CS administers CSFP in North Carolina. Halifax, and Madison County maintains and operates a warehouse for storage and distribution of USDA foods. Northampton County receives CSFP, but their food is stored at the Albemarle Food Bank. Foods are ordered monthly from the regional office of USDA. The order is based on the number of active cases

identified by the Halifax, Madison and Northampton County CSFP office. 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 most number of people.

All USDA foods for CSFP are initially delivered to the Food Distribution warehouse in Butner, 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, 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 Halifax, Madison and Northampton County, These Counties 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 County retains copies of the shipping invoice.

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 each County is found to have not been at fault in the loss, there is no claim. If, however, each County is found to be negligent, a claim for the value of the food must be pursued by NCDA&CS.

III. COMPLIANCE REQUIREMENTS

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 County 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. Occasionally the county makes delivery of USDA foods using their van, so operating costs of the van are allowable. Staff members teach participants how to prepare the

COMMODITY SUPPLEMENTAL FOOD PROGRAM

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 County operates strictly on a cost reimbursement basis for administrative costs.

D. Reserve

E. Eligibility

The North Carolina Office of Aging, Halifax County, Second Harvest Food Bank of the Albemarle and Beacon of Hope Madison County, determines eligibility of recipients. To be eligible to receive USDA foods, the applicant must be elderly. Income level is the second criteria. The poverty guidelines are published by USDA and NCDA 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. Any resident of these Counties 60 years or older who meets 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

Not applicable.

J. Program Income

Not applicable.

K. Reserve

L. Reporting

Each County must submit a Request for Reimbursement for each month. They must also complete the USDA CSFP inventory worksheet, FNS 153, which details the foods distributed during the month, and the balance of each food at the end of the month. This report also provides information on loss of USDA foods for the month

M. Subrecipient Monitoring

Not applicable

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 County 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 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.