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**NATIONAL SCHOOL LUNCH PROGRAM (NSLP)**

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**State Project/Program: NATIONAL SCHOOL LUNCH PROGRAM (NSLP)**

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**United States Department of Agriculture (USDA)**

**Federal Authorization: 7 CFR Part 250**

**State Authorization:**

**North Carolina 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 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 2024 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 USDA’s Food Distribution Program is a multipurpose program designed to improve the nutritional quality of the diets of people who participate in the program. In addition, it supports agriculture through price support and surplus removal programs. The foods are made available to designated state distributing agencies for distribution to eligible outlets such as school food authorities. The North Carolina Department of Agriculture and Consumer Services – Food Distribution Division (NCDA&CS) is one of these distributing agencies that orders food from USDA and arranges for the receipt, storage, and distribution to school food authorities.

## **II. PROGRAM PROCEDURES**

The Food and Nutrition Service (FNS) of the US Department of Agriculture administers the Food Distribution program. FNS enters into agreements with State distributing agencies for the distribution of USDA foods. NCDA&CS then enters into agreements with NC public and private non-profit schools.

USDA provides foods to NCDA&CS, which in turn provides those USDA foods to recipient agencies as indicated above. Schools are eligible for a certain entitlement dollar level of USDA food assistance based on the number of lunches served during the prior year, times the mandated rate of assistance.

USDA foods that are offered to school food authorities based on their entitlement dollars are considered entitlement foods. Other foods may be offered to school food authorities for which there is no charge to the school food authority's entitlement. All foods are offered or made available on a use without waste basis and must be used within a six-month period. Foods are purchased by USDA based on several factors such as: market conditions, the amount, types, and cost of foods available. USDA provides NCDA&CS a dollar level of entitlement. This entitlement is determined by multiplying the number of reimbursable lunches served by the commodity assistance rate. Items are meats, fruits, dairy, oils, grains, and vegetables. These items are purchased by the Agricultural Marketing Service (AMS) of USDA. The school systems decide how much of these items they need, and NCDA&CS place their order to FNS based on those requirements. The per lunch entitlement is provided by Federal legislation. The computation for each school food authority is based upon the number of lunches served by each said agency. The number of lunches data is provided to NCDA&CS by the NC Department of Public Instruction, Child Nutrition Section.

USDA foods generally available for the National School Lunch Program include frozen and canned meat and poultry; canned, fresh, and frozen fruits; vegetables and juices; dairy products; cereals and grains; vegetable oil and shortening; and peanut products. The foods that USDA purchases may vary from time to time, depending on what food products are available.

NC 209 Reports are available on the NCDA&CS FDD website and available 24/7 to inform them of what items have been delivered and are to be delivered. Foods that are declared "Bonus or No Charge", regardless of their prior classification, will be requested by the recipient agencies. If the school food authority does not wish to receive the food allocated, the school food authority may exercise their right to refuse.

NCDA&CS allocates USDA foods to the school food authority, generates an invoice reflecting the USDA foods, pack-size, storage code, dollar value and time/date of delivery. One copy of the invoice is sent via email to the recipient agency. When delivery is made, it is the responsibility of the receiving agency to unload products, assuring that the number cases and pack-size matches the invoice, that the products are free from damage and in good condition.

The receiving agency representative should sign for the products received in good condition, with differences noted on the invoice. The receiving agency's invoice should match the driver's 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 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, school food authorities will experience losses of USDA foods which were received in good condition. Generally, such losses will be due to inventory adjustments or due to theft, damage, infestation, or spoilage. Losses of food, both purchased and USDA foods, are expensive and care should be taken to prevent them. When losses occur, it is the responsibility of the school food authority to demonstrate that reasonable efforts were made to safeguard foods.

## **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 2024 Compliance Supplement; however, the State Agency may have added the Type and this should be 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 2024 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	N	Y	N	N	N	Y	N	Y	Y	Y

### **A. Activities Allowed or Unallowed**

USDA foods may be utilized for school breakfast and school lunch. They are also allowed to be utilized for any purpose and event approved by the school board as long as; 1) any monies derived from the event are returned to the child nutrition section; and 2) the students are the benefit of the event. Home economics classes can utilize USDA foods if permission is granted by the Child Nutrition Director of each school system.

**B. Allowable Costs/Cost Principles**

Administrative cost and cost principals are set forth by the NC Department of Public Instruction. They oversee the administration of each child nutrition.

**C. Cash Management**

Not Applicable

**D. Reserve**

Not Applicable

**E. Eligibility**

Each school system receiving USDA food must be in the National School Lunch Program (NSLP) to be eligible for program participation.

**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 at local level

**J. Program Income**

Not Applicable

**K. Reserve**

Not Applicable

**L. Reporting**

All financial, participation, costs are reported to NCDPI.

**M. Subrecipient Monitoring**

School systems receiving USDA foods are reviewed by NCDPI.

**N. Special Tests and Provisions**

Not Applicable at local level