



DOH-CACFP: Number 225 (12/24)
Supersedes Number 140 (04/10)

TO: Sponsoring Organizations of Day Care Centers

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SUBJECT: Value of USDA Donated Foods for Audits

I. Purpose and Scope

The purpose of this policy memorandum is to clarify the options available to CACFP Sponsoring Organizations in assigning value to USDA donated foods for audit purposes. This information should be used to determine:

- If an audit must be obtained for a given fiscal year; and
- Whether the Sponsoring Organization that receives donated foods qualifies as a major program that auditors must test for programmatic compliance.

II. Background Information

Audit requirements for government agencies and nonprofit organizations that receive Federal awards or grants are included in 2 CFR part 200 and are codified in Departmental Regulations in 2 CFR 400. In accordance with Subpart F of 2 CFR 200 (2 CFR 200.501), government agencies and nonprofit organizations that expend \$1,000,000 or more in Federal grants in a given fiscal year must obtain an audit for that year. In determining whether \$1,000,000 in Federal grants were expended, a Sponsoring Organization must consider the value of USDA donated foods as part of such grants. There are two steps in accomplishing this:

Step 1: Determining the **quantity** of each USDA donated food “expended”.

- A Sponsoring Organization that receives donated foods in accordance with § 250.67, must consider all USDA donated foods received in a fiscal year as expended.

Step 2: Assigning value to the quantity of each USDA donated food “expended”.

In accordance with Section 2 CFR 200.502(g), Federal non-cash assistance, such as USDA donated foods, must be valued at either fair market value (FMV) at the time of receipt, or at the value determined by the Federal agency. Accordingly, for audit purposes, a Sponsoring

Organization may use either the FMV of donated foods at the time of their receipt or one of the following donated food valuation methods included in 7 CFR 250.58(e):

1. The cost-per-pound of USDA donated food prices, posted annually on USDA's Food Distribution web page: <https://www.fns.usda.gov/usda-foods/usda-foods-expected-be-available>
2. The most recently published cost-per-pound price in the USDA donated foods catalog, found in the FNS electronic USDA donated foods ordering system, Web-Based Supply Chain Management (WBSCM); or
3. The rolling average of the USDA prices (average cost per pound), based on each state distributing agency's USDA donated foods sales orders in WBSCM. To calculate the rolling average, all prices that a particular material has been sold at for the current fiscal year are averaged together to get an average cost per pound for the material.

Each Sponsoring Organization must choose a method of valuing donated foods for audit purposes. In most cases, it will be easier for a Sponsoring Organization to use one of the options listed in 7 CFR 250.58(e), rather than having to determine the FMV at the time of their receipt. However, in some cases it may be easier to use the FMV. For example, a food bank may provide the FMV of foods (including donated foods) it provides to other food banks or food pantries for distribution, in order to assist them in their audit activities. The use of the FMV for all foods received by food banks or food pantries would provide a consistent measure of accounting for such organizations in conducting audit activities. Once a Sponsoring Organization has selected a method of assigning value to donated foods, it must use that method consistently in all of its audit activities and must maintain a record of the method used.

III. Summary of Changes

The guidance provided in this policy memorandum applies only to the value of donated foods to be used for audit purposes, and not to the value that must be used for other purposes. For example, in determining and pursuing claims for donated food losses, distributing and recipient agencies must determine the value of lost donated foods in accordance with FNS Instruction 410-1.