



Food Distribution National Policy Memorandum

United States
Department of
Agriculture

Food and
Nutrition
Service

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Alexandria, VA
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DATE: FEB 27 2013

POLICY NO: FD-128: The Emergency Food Assistance Program (TEFAP)

SUBJECT: Determining Inventory Levels of USDA Foods for Use in TEFAP and Inventory Reporting Requirements

State agencies must exercise diligence to ensure that TEFAP food inventories are managed effectively, efficiently, and without waste. The purpose of this policy memorandum is to provide State agencies with the direction and guidance necessary in maintaining proper inventory levels of USDA Foods for TEFAP, including the estimation of monthly utilization rates for new or bonus USDA Foods for which there are no historical usage records.

Inventory Reporting Requirements

Consistent with 7 CFR 250.14(f)(1) and (2), FNS requires that inventories do not exceed a six-month supply of any USDA Foods without approval from FNS. Per 7 CFR 250.17(a), State agencies administering TEFAP are required to use Form FNS-155, Inventory Management Register, to report any food items in State and State-contracted warehouses that exceed six months of inventory.

Federal regulations require that TEFAP State agencies submit the FNS-155 semi-annually within 30 days after the last month of the reporting period. If the State agency determines that there are no product inventory levels that exceed a six-month supply, the State agency must confirm to the FNS Regional Office via submission of the FNS-155 that the inventory review was completed and no excesses were found. While completing the FNS-155, State agencies must also note any products that have been in the warehouse since the prior submission of the report. Any inventories that meet this criterion should be included on the FNS-155.

Determining Acceptable Inventory Levels

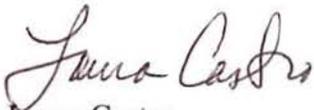
In determining months on-hand of each USDA Food, State agencies should base inventory calculations on historical usage in *typical* months. To determine the months on-hand of a food item, the State agency should take the accumulated inventory balance at the end of the report month, and divide that number by the average quantity of the food item distributed to recipient agencies during a typical month. For example, if a State agency determines that they have 1,000 units of a product on hand, and they typically distribute 250 units of the product in a month, then the State agency would have four months of the product in inventory.

When the use of historical TEFAP records is not feasible, as in the case of foods new to the program or certain bonus foods, State agencies should base estimates on the typical usage of similar foods. For example, a State opting to order whole-grain rotini

for the first time would develop inventory estimates by averaging the usage of other pasta products in a typical month (e.g., whole grain macaroni). State agencies that operate State-based programs that are similar to TEFAP may also opt to use the historical records from those programs to determine inventory levels for certain bonus foods or foods new to TEFAP. State agencies should keep in mind that certain TEFAP food products (e.g., shelled eggs and bonus fresh produce) have shelf lives that are shorter than six months and must manage their USDA Foods in a manner that allows them to be consumed while in optimal condition.

Corrective Actions

States with excessive inventories or inventories that have been in storage for greater than six months must take corrective actions to expeditiously reduce inventories to an appropriate level, and must include their plans to do so when submitting the FNS-155 to the FNS Regional Office. Further, the State agency should review FD-107: Storage and Inventory Management of USDA Donated Foods for detailed information on inventory management, including the “first-in-first-out” method and product dates. If the State agency believes that it has a compelling reason for having inventories in excess of a six months or food items on hand for longer than six months, the State agency must submit justification to the FNSRO for approval in accordance with 7 CFR 250.14(f).



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