Food Distribution National Policy Memorandum

United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

DATE: February 4, 2010

POLICY NO.: FD-102: State Processing

SUBJECT: Waiver and Replacement of Current Regulatory Thresholds for Independent CPA Audits of Multi-State Processors

Currently, in accordance with 250.18(b), multi-State processors must obtain, and submit to the Food and Nutrition Service (FNS), an independent CPA audit of processing activities no less than every three years, depending on the value of donated food received for processing. We proposed to increase the current thresholds for determining the required frequency of such audits in the proposed rule, "Revisions and Clarifications in Requirements for the Processing of Donated Foods", which was published in the Federal Register on August 24, 2006.

In advance of the publication of a final rule, this policy memorandum waives and replaces the current audit thresholds for multi-State processors with those detailed in the proposed rule, in accordance with the FNS's authority to waive regulatory provisions in 250.30(t). Accordingly, multi-State processors must obtain an independent CPA audit:

1. Annually, if receiving, on average, more than $5,000,000 in donated food for processing per year;
2. Every two years, if receiving, on average, between $1,000,000 and $5,000,000 in donated food for processing per year; and
3. Every three years, if receiving, on average, less than $1,000,000 in donated food for processing per year.

For commodity processing, a "year" is defined as a school year that begins each July 1 and ends on the following June 30. In determining the total value of the donated food received in the school year, the processor must multiply the total number of pounds of each donated food received during the school year by the value of such food in the November 15th commodity file in effect for that school year. The processor's total donated food inventory value is the sum of the, value of each individual donated food received in the school year.

The increased audit thresholds established in this policy memorandum are effective for the school year 2009-2010 audit cycle. All multi-State processor CPA audits are due to FNS no later than December 31 following the close of the school year in which an audit is required.

For further information regarding this policy memorandum, please contact Sherry Thackeray at (703) 305 – 2652, Dave Brothers at (703) 305 –2668, or email NPA@fns.usda.gov.

Cathie McCullough
Director
Food Distribution Division