



COMMODITY SUPPLEMENTAL FOOD PROGRAM
POLICY AND PROCEDURE MANUAL

SUBJECT:	Inventory Controls, Reports, Losses and Claims	Chapter:	5
		Section:	5.5
REFERENCES:	7 CFR parts 247.28, 247.29, 250.14 and the instructions for form FNS 153.	Page:	1 of 2
		Revised:	04-2014

PURPOSE: To outline inventory controls, associated reporting requirements, and handling of losses and claims for the Commodity Supplemental Food Program.

POLICY: Local agency staff members are responsible for maintaining a system that will account for all foods received and distributed, in accordance with Program regulations and for submitting required reports.

PROCEDURES:

- A. The State provides an electronic spreadsheet of the FNS 153, Monthly Report of the CSFP and Quarterly Financial Status Report, Attachment 5.4, to each local agency. The State maintains a master spreadsheet for each local agency and forwards updates periodically. The FNS 153 carries over the ending inventory from the previous month to provide the beginning inventory for the report month. Local agencies must enter food receipts, distributions or issuances and all other commodity activity for the report month.
- B. Local agencies must conduct a per unit month-end physical inventory of all commodity foods on hand including the content of undistributed food packages located in the warehouse and at distribution sites. For a sample inventory form, see Attachment 5.6 Physical Inventory Form. The State provides an Excel workbook designed to assist local agencies with tracking the items issued each month and with including the content of assembled boxes in the physical inventory, see Attachment 5.7 Issues and Physical Inventory Workbook. The workbook includes instructions and linked tabs. Amounts can be transferred directly from this tool to the FNS 153.
- C. Local agencies shall compare the agency-wide per unit physical inventory with the ending inventory calculated on the FNS 153 (see A. above). The ending inventory calculated on the FNS 153 must equal the physical inventory amounts.
 - 1. If the physical inventory differs from the ending inventory reflected in column 15 (when the FNS 153 is completed through column 13 per A above), the local agency must show positive or negative adjustments in column 14 to cause the calculated ending inventory to agree with the actual physical inventory amounts.
 - 2. A written explanation is required if adjustments reflected in column 14 are valued at more than \$100.00.
- D. The FNS 153 must be submitted to the State by the 15th day of the following month. Refer also to section 8.3 and Attachment 8.3.



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- E. The local agency must report food losses due to damage, spoilage or infestation in column 12(C) of the FNS 153 and maintain appropriate documentation explaining the cause of such food losses. In the event there are losses valued at more than \$100.00, state approval is required before the food can be destroyed and the local agency must submit explanation of the food loss with the FNS 153. Food losses that exceed \$2,500 in value or are due to violation of State or Federal law shall be reported to the State Agency immediately.
- F. If neglect, carelessness, and/or willful mishandling cause damage to or loss of USDA donated food or if USDA donated foods are used or distributed improperly, local agencies, warehouse personnel and other persons are subject to a claim determination and the corresponding repayment responsibility.
- G. The State Agency will monitor known food losses (column 12(C) of the FNS 153) and unknown adjustments (column 14 (A) and (B) of the FNS 153) on a monthly basis. Appropriate action will be taken if the origin of the loss is known. Obvious distribution errors within a food group may be used to offset each other on a monthly basis as the FNS 153s are processed. Adjustments less than \$2,500 will be tracked throughout the calendar year. At the end of the calendar year, the State Agency will take the following steps:
1. Disregard the loss of any one food item if the quantity lost is less than 1% of the total quantity of that item distributed during the year and the commodity was not stored at a commercial storage facility.
 2. Disregard the loss, if the value is less than \$100 for a particular food item.
 3. Apply offsetting on the basis of commodity value. The commodities involved in the offset process are not required to be of like or similar kind.
 4. Proceed with claim action for any remaining net loss(es).
- H. Local agencies shall require that distribution sites report all CSFP commodity losses. The food bank must pursue claim action when the loss of any one individual commodity food item exceeds a value of \$100 or, regardless of value, any loss where there is evidence of violation of State or federal law. The local agency shall immediately notify the State Agency if a distribution site loss exceeds \$2,500 or is due to violation of law. Claim decisions in excess of \$2,500 require the prior approval of USDA.