

# Required Crediting and use of USDA Donated Foods in FSMC Contracts

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**Regulatory Authority:** 7 CFR 210.16(a)(6); 7 CFR 250.51(a)(d); 7CFR 250.54, [FD-080-2011](#)

**Response Required:** No

**Attention:** Superintendents, Child Nutrition Directors, Business Managers, Food Service Management Company contacts

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## Required Crediting and Use of United States Department of Agriculture (USDA) Donated Foods in Food Service Management Company (FSMC) Contracts

Any school district that employs an FSMC to operate its nonprofit Child Nutrition Programs (CNP) will ensure that all federally donated foods received by the district's CNP and made available to the FSMC will accrue only to the benefit of the nonprofit school food service and are fully utilized within the program.

In both fixed-price and cost-reimbursable contracts, the FSMC must credit the nonprofit CNP for the value of all donated foods received for use in a school year or fiscal year (including both entitlement and bonus foods). Crediting for the value of donated foods contained in processed end products is included in this requirement if the CNP has entered into processing agreements with vendors.

Districts may allow crediting through invoice reductions, refunds, discounts, or other acceptable, agreed upon means. All forms of crediting must provide clear documentation of the value received from the donated foods by separate line-item entries on invoices. FSMCs must use the value of donated foods as determined by the distributing agency. USDA requires items to be listed individually and appear on the invoice rather than just providing backup documentation to verify a total of credited items. Items are credited when received, not when they are used. Donated foods are considered received when they arrive at the district, or a storage facility used by the district.

## **Disclosure vs Credit**

In cost reimbursable contracts, USDA donated foods are credited through disclosure of the value of donated foods received. Each month, the FSMC will provide a list the donated foods received and disclose the value of the received foods on the first page of the monthly invoice to the district. In fixed rate contracts, crediting is accomplished through invoice reduction. Donated foods are listed as a line item on the first page of the monthly invoice along with their determined values, and the total is deducted from the invoice total.

Districts are to assure that all donated foods received are credited to the program and are reflective of the type of contract between the district and the FSMC. District records must include:

1. Documentation of the donated foods received and provided to the FSMC for use in the CNPs.
2. Documentation that the FSMC has credited the CNP for the value of donated foods received.
3. Provide actual value used to credit the donated foods.

FSMCs must have the following records related to donated foods:

1. Documentation of donated foods and processed end products received from the district for use in the CNP.
2. Documentation all received donated foods have been credited to the district in the current fiscal year.
3. Documentation that processed end products were procured on behalf of the CNP as applicable.

As recipients of USDA donated foods, districts must conduct a reconciliation at least annually and upon termination of the contract with the FSMC to assure the FSMC has credited the SFA for the value of donated foods, including processed end products, received in the district for the school year or fiscal year.

The USDA and Child Nutrition State Agency staff may conduct reviews of FSMC operations to ensure regulatory compliance with the use and crediting of donated foods.

If you have questions concerning the crediting of USDA donated food, contact the Child Nutrition Unit at 501-324-9502.