

Crediting of USDA Foods Value
For Food Service Management Company (FSMC) Contracts,
Vended Meal Agreements and Joint Agreements

The following outlines the crediting process for FSMC contracts, Vended Meal Agreements, and Joint Agreements to ensure that the School Food Authority (SFA) contracting with such entities receives the full value of USDA Foods. The document is outlined by each type of contract/agreement.

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FSMC Contracts

Per section V., part E. of both the *FSMC Fixed Fee Prototype Contract* and the *Cost Reimbursable Prototype Contract*:

“ the FSMC must credit the SFA for the value of all USDA Foods received for use in the SFA’s meal service in the school year or fiscal year (including both entitlement and bonus foods), and including the value of USDA Foods contained in processed end products, in accordance with the contingencies in 7 CFR 250.51(a); The FSMC shall provide the method and frequency by which crediting will occur, and the means of documentation to be utilized to verify that the value of all USDA Foods has been credited.”

As indicated above, the FSMC may accomplish the credit to the SFA for the value of USDA Foods by various methods. However, the USDA Foods value credit is most commonly accomplished by one of the following two methods:

1. **Year-end credit** based on the Total Value Received [according to the Commodity Allocation Receipt Summary (CARS) Report listed in the *Wisconsin USDA Foods Ordering System*]. Instructions for accessing the CARS report can be found on page 34 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.
2. **Monthly credit** based on the Wisconsin USDA Foods applicable “Monthly Order” listed in the *Wisconsin USDA Foods Ordering System*. Instructions for accessing the “Monthly Order” can be found on pages 26-31 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.

Please see the below examples for details regarding the process for year-end credit and monthly credit for FSMC Contracts (Both Fixed Fee and Cost Reimbursable).

Year-End Credit for FSMC Contracts

1. June 1st or after, obtain a copy of the Commodity Allocation Receipt Summary (CARS) Report from the *Wisconsin USDA Foods Ordering System*. Instructions for accessing the CARS report can be found on page 34 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.
2. On the CARS report, the value listed at the bottom of the report under the “Program Totals” section and listed as the “Total Value Received: Entitlement, Bonus, DoD, UNPFV and Raw Product” is the total value of USDA Foods received.
3. Reimburse the SFA for the amount listed under “Total Value Received: Entitlement, Bonus, DoD, UNPFV and Raw Product.” This reimbursement must be payable directly to the SFA via check.

Monthly Credit for FSMC Contracts

1. Access the *Wisconsin USDA Foods Ordering System* to obtain a copy of the applicable “Monthly Order.” Instructions for accessing the “Monthly Orders” can be found on pages 26-31 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.
2. The USDA Foods per case values are available on the Department of Public Instruction (DPI)

- website at the following link: <http://dpi.wi.gov/school-nutrition/usda/financial>.
3. Calculate the total USDA Foods value received for this month. For each USDA Food listed on the “Monthly Order,” take the amount listed in the “Received Qty” column and multiple it by the corresponding value on the “Entitlement Unit Value Per Case” document.
 4. Using these calculations, sum the individual USDA Foods values to obtain the monthly grand total value.
 5. This monthly grand total value represents the USDA Foods credit payable to the SFA.
 6. This credit can be payable directly to the SFA via check or a credit on the monthly SFA invoice from the FSMC.

Example for Monthly Credit:

Step 1: = *Monthly Order Information (see #3 above)*
 \$53.92 = Entitlement Value/Case
 ___ x 7 = Amount listed in Received Qty Column
 \$377.44 = Total Value Received for 1 USDA Food on Monthly Order

Step 2: Repeat Step 1 for Each USDA Food Listed on Monthly Order

Step 3: Sum of the Individual USDA Foods Values (from Step 1 and Step 2 above)
 \$377.44 = Value Received for USDA Foods #1
 \$490.68 = Value Received for USDA Foods #2
 +\$66.96 = Value Received for USDA Foods #3
 \$935.08 = Total Value Received for the Monthly Order

Step 4: FSMC Must Provide Credit to SFA for \$935.08

FSMC Cost-Reimbursable Contracts: Crediting by Disclosure

In FSMC cost-reimbursable contracts **ONLY**, the FSMC may credit the SFA for the value of USDA Foods by disclosing the savings in food costs resulting from the receipt of USDA Foods. The FSMC may provide such “crediting by disclosure” by detailing the applicable information on its invoice. The invoice must reflect the total value of foods drawn down from inventory for the billing period and show a charge for all such foods, except the value of USDA Foods received for the period.

However, language to allow “crediting by disclosure” is not included in the DPI *FSMC Cost-Reimbursable Prototype Contract*. Therefore, this crediting measure will need to be approved by the DPI prior to the signing of the *FSMC Cost-Reimbursable Contract*. Email Randy Jones, Contract Specialist, at randall.jones@dpi.wi.gov, for the approval to use “crediting by disclosure.”

Please see the below example for details regarding “crediting by disclosure” in FSMC cost-reimbursable contracts.

Step 1:
 \$2,000 USDA Foods beginning inventory
 +\$6,000 Commercial foods beginning inventory
 +\$5,000 USDA Foods received
 +\$28,000 Commercial purchases
 \$41,000 Total inventory for September

\$24,000 inventory used (\$20,000 commercial + \$4,000 USDA Foods)

\$17,000 ending inventory (\$14,000 in commercial and \$3,000 in USDA Foods)

Invoice reflects the following:

<i>Step 2:</i>	
\$24,000	Food costs
<u>-\$4,000</u>	USDA Foods credit (entitlement value)
\$20,000	Net amount due to the FSMC

Vended Meal Agreements

Per Attachment H, 4a. of the Prototype Vended Meal Agreement:

“the Vendor must credit the SFA for the value of all USDA Foods received for use in the SFA’s meal service in the school year or fiscal year (including both entitlement and bonus foods), including the value of USDA Foods contained in processed end products, in accordance with the contingencies in 7 CFR 250.51 (a).”

In addition, per 4c.:

“The Vendor shall provide the method and frequency by which crediting will occur, and the means of documentation to be utilized to verify that the value of all USDA Foods has been credited.”

As indicated above, the Vendor may accomplish the credit to the SFA for the value of USDA Foods by various methods. However, the USDA Foods value credit is most commonly accomplished by one of the following two methods:

1. **Year-end credit** based on the Total Value Received [according to the Commodity Allocation Receipt Summary (CARS) Report listed in the *Wisconsin USDA Foods Ordering System*]. Instructions for accessing the CARS report can be found on page 34 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.
2. **Monthly credit** based on the Wisconsin USDA Foods applicable “Monthly Order” listed in the *Wisconsin USDA Foods Ordering System*. Instructions for accessing the “Monthly Order” can be found on pages 26-31 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.

Please see the below examples for details regarding the process for year-end credit and monthly credit in Vended Meal Agreements.

Year-End Credit for Vended Meal Agreements

1. June 1st or after, obtain a copy of the Commodity Allocation Receipt Summary (CARS) Report from the *Wisconsin USDA Foods Ordering System*. Instructions for accessing the CARS report can be found on page 34 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.

2. On the CARS report, the value listed at the bottom of the report under the “Program Totals” section and listed as the “Total Value Received: Entitlement, Bonus, DoD, UNPFV and Raw Product” is the total value of USDA Foods received.
3. Reimburse the SFA for the amount listed under “Total Value Received: Entitlement, Bonus, DoD, UNPFV and Raw Product.” This reimbursement must be payable directly to the SFA via check.

Monthly Credit for Vended Meal Agreements

1. Access the *Wisconsin USDA Foods Ordering System* to obtain a copy of the applicable “Monthly Order.” Instructions for accessing the “Monthly Orders” can be found on pages 26-31 of the *Online Instructions-School Lunch Program* manual posted at the following link: <http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.
2. The USDA Foods per case values are available on the DPI website at the following link: <http://dpi.wi.gov/school-nutrition/usda/financial>.
3. Calculate the total USDA Foods value received for this month. For each USDA Food listed on the “Monthly Order,” take the amount listed in the “Received Qty” column and multiple it by the corresponding value on the “Entitlement Unit Value Per Case” document.
4. Using these calculations, sum the individual USDA Foods values to obtain the monthly grand total value.
5. This monthly grand total value represents the USDA Foods credit payable to the SFA.
6. This credit can be payable directly to the SFA via check or a credit on the monthly SFA invoice from the Vendor.

Example for Monthly Credit:

Step 1: = *Monthly Order Information (see #3 above)*
 \$35.25 = Entitlement Value/Case
 x 9 = Amount listed in Received Qty Column
 \$317.25 = Total Value Received for 1 USDA Food on Monthly Order

Step 2: *Repeat Step 1 for Each USDA Food Listed on Monthly Order*

Step 3: *Sum of the Individual USDA Foods Values (from Step 1 and Step 2 above)*
 \$317.25 = Value Received for USDA Foods #1
 \$580.75 = Value Received for USDA Foods #2
+\$70.96 = Value Received for USDA Foods #3
 \$968.96 = Total Value Received for the Monthly Order

Step 4: *Vendor Must Provide Credit to SFA for \$968.96*

Joint Agreements

Per 4. of the Addendum to the Joint Agreement:

“A Year-End/Agreement Ending reconciliation shall be conducted by the Purchaser to ensure and verify correct and proper credit has been received for the full value of all USDA Foods received by the Seller.”

This year end credit to the Purchaser for the value of USDA Foods received is most commonly accomplished by the following method:

1. **Year-end credit** based on the Total Value Received [according to the Commodity Allocation Receipt Summary (CARS) Report listed in the *Wisconsin USDA Foods Ordering System*]. Instructions for accessing the CARS report can be found on page 34 in the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.

Please see the below example for details regarding the process for year-end credit in Joint Agreements.

Year-End Credit for Joint Agreements

1. Seller provides price per meal to Purchaser including the use of USDA Foods.
2. June 1st or after, obtain a copy of the Commodity Allocation Receipt Summary (CARS) Report from the *Wisconsin USDA Foods Ordering System*. Instructions for accessing the CARS report can be found on page 34 of the *Online Instructions-School Lunch Program* manual posted at the following link:
<http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/commodityorderinst.doc>.
3. On the CARS report, the value listed at the bottom of the report under the “Program Totals” section and listed as the “Total Value Received: Entitlement, Bonus, DoD, UNPFV and Raw Product” is the total value of USDA Foods received.
4. Calculate the total USDA Foods credit already provided by the Seller via the per meal USDA Foods price break (see #1 above).
5. Compare the “Total Value Received” from the CARS report to the total USDA Foods credit already provided to determine the outstanding adjustment, if any.

Example 1 of Joint Agreement Year-End Credit:

Step 1:

\$250 = Total Value Received from CARS Report

Step 2:

\$2.00 = Price/Meal with no USDA Foods
~~-\$1.80~~ = Price/Meal with USDA Foods
 \$0.20 = Resulting USDA Foods Value/Meal

Step 3:

\$0.20 = USDA Foods Value/Meal
~~x 1000~~ = Total annual student meals purchased
 \$200 = USDA Foods Credit Already Provided by Seller

Step 4:

\$250 = Total Value Received from CARS Report
~~-\$200~~ = USDA Foods Credit Already Provided by Seller
 \$50 = Amount Seller Must **Credit** to Purchaser

Example 2 of Joint Agreement Year-End Adjustment:

Step 1:

\$180 = Total Value Received from CARS Report

Step 2:

\$2.00 = Price/Meal with no USDA Foods
~~-\$1.80~~ = Price/Meal with USDA Foods

\$0.20 = Resulting USDA Foods Value/Meal

Step 3:

\$0.20 = USDA Foods Value/Meal
x 1000 = Total annual student meals purchased
\$200 = USDA Foods Credit Already Provided by Seller

Step 4:

\$180 = Total Value Received from CARS Report
-\$200 = USDA Foods Credit Already Provided by Seller
-\$20 = Amount Seller Must ***Invoice*** to Purchaser