

**Supply Chain Assistance Funds: Follow-up QAs from State Agency
Webinars
January 5th and 12th, 2022**

Food Service Management Companies

- 1. Can SFAs use SCA funds if they utilize contracts to procure vended meals and/or the services of a Food Service Management Company, and are there any specific recordkeeping requirements that must be observed?**

In situations where an SFA has a FSMC, or a vended meal contract, the SFA may use SCA funds toward the payment of invoices associated with those agreements. However, it is incumbent on the SFA to insure that such payments, over the period in which the award is used, include charges for minimally processed domestic foods at least equal to the amount of SCA funds used to pay the invoices.

SFAs will need to work with their FSMC/vendor to ensure that appropriate expenditures are being made and documented for foods meeting the requirements as specified in the terms and conditions of the award. In practice, SFAs are not required to collect documentation from their FSMC in advance of payment; however, there is an expectation that documentation will be available upon demand. Documentation should include invoices for minimally processed domestic foods purchase in support of the contract that are at least equal to SCA funds paid to the FSMC/vendor. In addition, SFAs retain the ability to purchase allowable food items outside of their food service management contract, as long as the contract permits such.

Fresh Fruit and Vegetable Program

- 2. Can these funds be used to support the FFVP Program?**

No. The SFA must limit the purchase and use of domestic food products to support only the NSLP/SBP meal service. Please refer to QA #8 of policy memo SP-03 2022 (<https://www.fns.usda.gov/cn/allocation-supply-chain-assistance-funds>) for further details.

- 3. Can these funds be used to provide an FFVP like snack to students in middle schools and high schools?**

No. SCA funds may only be used to support the service of NSLP/SBP meals and NSLP Afterschool Snacks. Costs associated with additional snack services falling outside the scope of the school meal programs are not allowable.

Formula Calculations

- 4. Is the base allocation \$5,000 per site within each SFA, or \$5,000 per SFA regardless of the number of sites?**

Each SFA will be allocated a base payment of \$5,000, regardless of the number of sites they serve.

- 5. If a State agency elects to target funds to SFAs with at least 25% free and reduced price (F&RP) student enrollment, what base year that must be used for F&RP data, and are there options if recent data are not available?**

FNS recognizes that free and reduced price data availability will vary between States. For those States that electing to target funds to SFAs with at least 25% free and reduced price student enrollment, there are multiple options. These include:

1. Free and reduced price certification data from SY 2019-2020 data;
2. Free and reduced price certification data from a more recent school year, if available; or
3. Direct certification data from SY 2021-2022, used to calculate a proxy F&RP rate based on the Community Eligibility Provision identified student percentage (ISP) calculation if F&RP data is not available.

Please refer to QA #16 of policy memo SP-03 2022 for further details.

- 6. Can SCA funds be initially allocated in two or more distributions, for example one in school year 2021-2022 and the balance in school year 2022-2023?**

No. SCA funds are intended to provide immediate financial relief to SFAs, and all funds available must be allocated and offered in the initial round. However, unclaimed funds may be offered to SFAs at a later date via reallocation (see 'Reallocation' QA section in policy memo SP-03 2022).

- 7. If a new NSLP/SBP SFA becomes active during the period of performance, but after the initial funding allocation, are they eligible to receive reallocated SCA funds?**

Yes. If a State has one or more SFAs that were not participating in the NSLP and/or SBP when the initial allocation was completed, they may be eligible for funds through the State's reallocation process.

- 8. Is there a prescribed rounding method, or prescribed number of decimal places that must be used when completing payment calculations?**

There is no specific requirement, though State agencies are encouraged to calculate up to four (4) decimal places beyond whole number amounts to best ensure precision and/or

accuracy. Standard rounding rules should apply (i.e. 1-4 round down, 5-9 round up) when rounding off the last digit of a calculated number.

- 9. Does the enrollment calculation include all students or only those with access to NSLP and/or SBP? For example, if an SFA has a high school that does not participate in the programs but its elementary and middle schools do, should the high school students still be included?**

The scope of the enrollment calculation is limited to schools participating in the NSLP and/or SBP. The State should not include student populations from non-participating schools, as those schools would not be eligible to receive Supply Chain Assistance in any form.

- 10. Is student enrollment the only data element that may be used for the calculation of payments to SFAs?**

Yes. Except as noted in Q. #11 below, payments to SFAs must be calculated based on enrollment data reflective of October 2021, as outlined in policy memo SP-03 2022.

- 11. If a new SFA became active later than October 2021, what data should be used to determine that SFA's share of statewide student enrollment?**

The State agency may use newer enrollment data if the SFA was not operating and/or does not have enrollment data reflective of October 2021.

Allowable Costs

- 12. Do State agencies have the discretion to use a stricter definition of "minimally processed" than what is described in policy memo SP-03 2022?**

Yes. States may require that SFAs adhere to a more restrictive, state-established definition of "minimally processed" as long as Federal Procurement requirements are maintained and FNS's requirements to purchase unprocessed or minimally processed products is still met.

- 13. Are flavored milks and yogurts considered to be minimally processed (i.e. allowable to be purchased with SCA funds)?**

Yes. These products are eligible for purchase with SCA funds.

- 14. Regulations at 7 CFR 210.21(d)(2)(A) allow for exemption from the Buy American requirement for SFAs in non-contiguous states and territories. Does this exemption apply to SFA's use of SCA funds?**

No. The Buy American exemptions in Program regulations do not apply to procurements using SCA funds. SFAs in noncontiguous states and territories must use their SCA funds to purchase domestic unprocessed or minimally processed foods.

Centralized Local Purchases

15. How may a State agency use up to 10 percent of its SCA funds to procure local foods for SFAs?

A State choosing to set aside up to 10 percent of its SCA funds for centralized procurement on behalf of SFAs may procure local foods in accordance with the terms and conditions of the SCA funding. USDA recognizes, consistent with 2 CFR 200.317, States have the discretion to determine the proper State procurement protocols to follow, including defining local.

16. May States use emergency procurement protocols to achieve to their purchasing goals?

The current supply chain disruptions, in conjunction with the ongoing public health emergency brought on by the Pandemic, may justify States employing relevant emergency procurement options in response to supply chain disruptions. However, States need to follow their own procurement requirements in this regard.

17. Will in-State processing agreements be needed if States use their 10 percent option of the SCA funds to process the local food?

SCA funds may only be used for purchases of unprocessed or minimally processed domestic food products for use in school meal programs. The SCA funds should not be used to process these foods. If local foods procured centrally require further processing, the State agency may determine the appropriate processing arrangement and must identify other funding sources to complete such activities.

18. When must States decide if they will take up the option to use up to 10 percent of their SCA funds for State centralized local purchasing?

States must elect to withhold up to 10 percent of funds for State-level procurement of local foods before the initial allocation of SCA funding to SFAs. However, if States do not use all of their withheld funds for local procurement, they may distribute any remaining funds to SFAs in their reallocation process.

19. What ability do schools have to direct funds to local food purchases?

Schools are not required to purchase local foods with SCA funds, but are encouraged to do so to the extent practicable.

Compliance/Recordkeeping

20. Are State agencies required to separately track the expenditure of SCA funds provided to SFAs?

No, State agencies are not required to separately track the use of SCA funds provided to SFAs. However, SFAs are required to maintain documentation supporting food purchases that are allowable for SCA purposes and equal to the amount received, consistent with the regular program recordkeeping requirements.

21. What kinds of purchasing and other related records should be retained for review and audit purposes? For example, invoices may not indicate country of origin.

In addition to receipts and invoices, SFAs should retain documentation surrounding the request to purchase unprocessed or minimally processed domestic products or contracts that include this requirement in them. FNS understands that invoices or receipts don't always include the domestic origin, so similarly to measures taken to meet Buy American requirements, having other supporting documentation is sufficient.

22. Are SFAs still eligible for payments if their net cash resources exceed a three month operating balance as described in 7 CFR 210.19(a)(1)?

The requirements of 7 CFR 210,19(a)(1) to maintain no more than a three month operating balance in the nonprofit foodservice account does not impact an SFA's eligibility for and/or receipt of SCA funds. State agencies are advised to continue providing appropriate technical assistance to SFAs that exceed their three month operating balance to ensure full use of Federal funds.