

JAN 15 2010

SUBJECT: The Emergency Food Assistance Program (TEFAP) Reporting Requirements under the American Recovery and Reinvestment Act of 2009 (ARRA)

TO: Regional Directors
Special Nutrition Programs
NERO, SERO, MARO, MWRO, MPRO, SWRO
Regional Director
Field Operations
WRO

Introduction

On January 6, 2010, we held a webinar to train Regional personnel to conduct reviews of data submitted by TEFAP Reporting Entities (Entities) pursuant to Section 1512 of the American Recovery and Reinvestment Act of 2009 (ARRA). "Entities" can be TEFAP State agencies that submit ARRA information, other State agencies that report ARRA information on behalf of TEFAP State agencies, and sub-recipients that were delegated reporting responsibilities under ARRA. During the webinar, Regional personnel posed several questions regarding the reporting and/or review of ARRA data. Below, you will find those questions and our answers to them. Please disseminate this memorandum to your Entities upon receipt.

Within the TEFAP ARRA context, does the term "infrastructure" include building modifications?

Yes. In the TEFAP context, the term "infrastructure" includes the construction, alteration, maintenance, and/or repair of buildings.

When and/or how should ARRA information regarding sub-grants to sub-recipients be reported separately instead of an aggregate basis?

There are three types of situations where Entities will have to decide whether to report sub-recipient data separately or on an aggregate basis. Those three situations are discussed below:

1. If a sub-recipient previously received a TEFAP ARRA administrative sub-grant equal to or greater than \$25,000, the Entity was required to (A) include information regarding that sub-recipient's use of the funds in the Prime Recipient Report and (B) submit a separate (i.e., non-aggregated) Sub-Recipient Report. If that sub-grant is increased in a subsequent quarter (i.e., if the sub-recipient receives additional TEFAP ARRA funds), the Entity must update (A) relevant information in its Prime Recipient Report (i.e., fields such as *Award Description*, *Quarterly Activities/Project Description*, *Number of Jobs*, *Description of Jobs Created*, as appropriate) and (B) relevant information in the Sub-Recipient Report

(i.e., fields such as *Amount of Sub Award*, *Total Sub Award Funds Disbursed*, as appropriate).

EXAMPLE: A food bank received \$50,000 in TEFAP ARRA administrative funds in March of 2009, which it used to purchase a forklift and hire staff. Accordingly, the Entity submitted a separate Sub-Recipient Report for that sub-recipient. In October of 2009, the food bank received an additional \$10,000 in TEFAP ARRA administrative funds, which it used to purchase computer equipment. As it relates to the sub-recipient, the Entity must update (A) the *Award Description* and *Quarterly Activities/Project Description* fields in its Prime Recipient Report to reflect the purchase of the computer equipment and (B) increase the *Amount of Sub Award* field to \$60,000, to reflect the additional funding, and (if appropriate) modify the *Total Sub Award Funds Disbursed* field, to reflect any and all funds that had been disbursed by December 31, 2009, in the Sub-Recipient report.

2. In contrast, if a sub-recipient previously received a TEFAP ARRA administrative sub-grant smaller than \$25,000, the Entity had the option to report information regarding that sub-grant in aggregate form in the *Total Number of Sub Awards less than \$25,000/award* and *Total Amount of Sub Awards less than \$25,000/award* fields in its Prime Recipient Report, rather than submit a separate Sub-Recipient report. If the Entity used that option, and the sub-grant was increased in a subsequent quarter, but those additional funds did not exceed \$25,000, the Entity may continue to report information regarding that sub-grant in aggregate form (i.e., in the *Total Number of Sub Awards less than \$25,000/award* and *Total Amount of Sub Awards less than \$25,000/award* fields in the Prime Recipient Report).

EXAMPLE: A food bank received \$23,000 in TEFAP ARRA administrative funds in March of 2009. Because this sub-grant was smaller than \$25,000, the Entity chose to report it in aggregate form, and entered "1" in the *Total Number of Sub Awards less than \$25,000/award* and "\$23,000" in the *Total Amount of Sub Awards less than \$25,000/award* fields of its Prime Recipient Report. In October of 2009, the food bank received an additional \$24,000 in TEFAP ARRA administrative funds. Because the additional funds do not exceed \$25,000, the Entity could continue to report information regarding the sub-grant in aggregate form. To do so, it would need to modify the information in the *Total Number of Sub Awards less than \$25,000/award* and *Total Amount of Sub Awards less than \$25,000/award* fields in the Prime Recipient Report to "2" and "\$47,000" (i.e., \$23,000 + \$24,000 = \$47,000), respectively.

3. If a sub-recipient previously received a TEFAP ARRA administrative sub-grant smaller than \$25,000, and the Entity reported in aggregate form, but the sub-grant was increased in a subsequent quarter by an amount exceeding \$25,000, then the Entity must submit a separate (i.e. non-aggregate) Sub-Recipient Report for those additional funds.

EXAMPLE: A food bank received \$24,000 in TEFAP ARRA administrative funds in March of 2009. Because this sub-grant was smaller than \$25,000, the Entity chose to report it in aggregate form, and entered "1" in the ***Total Number of Sub Awards less than \$25,000/award*** and "\$24,000" in the ***Total Amount of Sub Awards less than \$25,000/award*** fields of its Prime Recipient Report. In October of 2009, the food bank received an additional \$26,000 in TEFAP ARRA administrative funds. Because the additional funds exceed \$25,000, the Entity (A) does not need to modify the information previously submitted in the ***Total Number of Sub Awards less than \$25,000/award*** and the ***Total Amount of Sub Awards less than \$25,000/award*** fields of the Prime Recipient Report, (B) must make appropriate edits in other Prime Recipient Report fields, to reflect the usage of those funds (i.e. fields such as ***Award Description, Quarterly Activities/Project Description, Number of Jobs, Description of Jobs Created***, as appropriate), and (C) must submit a separate Sub-Recipient Report, to reflect the fact that the sub-recipient received an amount exceeding \$25,000 in a particular quarter.

**Could you provide additional clarification
(including examples) regarding reports of jobs created and/or retained?**

As we indicated during the call, the Office of Management and Budget (OMB) recently issued memorandum M-10-08, which addresses the issue of reporting jobs created and/or retained, and we continue to encourage Entities and Regional personnel to review that document here: http://www.whitehouse.gov/omb/assets/memoranda_2010/m10-08.pdf. Nevertheless, have included certain relevant excerpts from M-10-08 below:

"...[T]his updated guidance changes the job estimate calculation such that the recipient will now report job estimate totals by dividing the hours worked in the reporting quarter (i.e., the most recent quarter) by the hours in a full-time schedule in that quarter. Recipients will no longer be required to sum across multiple quarters of data as part of the formula...."

"...A second important change is in the definition of a job created or retained. Previous guidance required recipients to make a subjective judgment on whether a given job would have existed were it not for the Recovery Act. The updated guidance eliminates this subjective assessment"

and defines jobs created or retained as those funded in the quarter by the Recovery Act. Jobs funded with non-Recovery Act funds will not be counted unless they will be reimbursed (See Section 5.9). Jobs funded partially with Recovery Act funds will only be counted based on the proportion funded by the Recovery Act (See Section 5.5)."

Below, we have also included the guidance regarding jobs created and/or retained that was recently posted on the FederalReporting.gov homepage:

- **New Guidance on how to Report on Jobs**

- Recipients will report job estimates on a quarterly basis.
- How to calculate jobs created or saved:
 - Determine the total number of hours worked by an employee in a Recovery Act job for the quarter. Divide the Total Hours by the quarterly hours in a full-time schedule.
 - If a full-time schedule is 40 hours a week, multiply 40 hours x 52 weeks = 2,080 Total Hours per year.
 - Divide 2,080 Total Hours by 4 to equal 520 quarterly hours.

Example:

- If two full-time employees each worked 520 hours (1,040 hours) for the quarter and another half-time employee worked 260 hours, the Total Hours for the three employees is 1300 ($520 + 520 + 260 = 1300$).
- Divide 1300 by 520 to equal 2.5 jobs created or saved.

Lastly, by request, we are providing additional examples regarding jobs created and/or retained below:

1. **FNS Jobs Example:** In October of 2009, a food bank hired six employees. From October 1 through December 31, 2009, those employees worked a total of 1,500 hours, and were paid solely with ARRA funds. In the State where the food bank operates, a full-time weekly schedule is 40 hours per week, which means a full-time quarterly schedule is 520 hours (i.e., 40 hours per week * 52 week per year = 2,080 hours per year. $2,080 \text{ hours per year} / 4 \text{ quarters} = 520 \text{ hours full-time quarterly schedule}$). Thus, the food bank should indicate that it created and/or retained 2.88 jobs (i.e., $1500 \text{ work hours} / 520 \text{ hours} = 2.88 \text{ full-time equivalents [FTEs]}$ created and/or retained with ARRA funds).
2. **FNS Jobs Example:** In November of 2009, a food bank hired three employees. From October 1 through December 31, 2009, those employees worked a total of 1,000 hours, but only 35% of their salaries were paid with ARRA funds. In the

State where the food bank operates, a full-time quarterly schedule is 520 hours. Thus, the food bank should indicate that it created or retained 0.67 FTEs (i.e., $1,000 \text{ work hours} / 520 \text{ hours} = 1.92307 \text{ total FTEs}$. $1.92307 \text{ total FTEs} * 0.35$ [because only 35% of the salaries were paid with ARRA funds] = 0.67 FTEs created and/or retained with ARRA funds).

Could you clarify if/when States and local agencies must obtain approval prior to purchasing equipment?

A grantee or sub-grantee (grantees are typically TEFAP State agencies and sub-grantees are typically local agencies such as food banks) that intends to purchase equipment and charge the cost to its TEFAP grant or sub-grant must obtain prior approval to do so from its awarding agency. For TEFAP State agencies, the awarding agency is FNS (i.e., Regional personnel would need to approve or disapprove such purchases); for sub-grantees, it is generally the State agency. Section 15.b of Appendix B to 2 CFR Part 225 (OMB Circular A-87) applies this requirement to State agencies and sub-grantees that are government agencies (county agencies, etc.); Section 15.b of Appendix B to 2 CFR Part 230 (OMB Circular A-122) applies it to not-for-profit organizations (such as food banks).

The passages cited above couch this prior approval requirement in terms of "capital expenditures." Equipment is considered a "capital asset" when its per-unit cost is \$5,000 or more and the duration of its useful life is one year or longer; and an expenditure to acquire a capital asset is a "capital expenditure." If a particular State or sub-grantee uses a capitalization threshold lower than \$5,000 per unit when defining "equipment" for purposes of financial statement preparation, then that lower threshold would also apply to that agency for purposes of this prior approval requirement.


The terms used in this discussion are defined at the following sources:

"Awarding agency" is defined for State agencies and sub-grantees that are government agencies at 7 CFR section 3016.3 and 2 CFR Part 225 (A-87), Appendix A, section B.3; and for not-for-profit organizations at 7 CFR section 3019.2(o) and 2 CFR Part 230 (A-122), Appendix B, section 15.a.(2).

"Capital expenditure" is defined at 2 CFR Part 225 (A-87), Appendix B, section 15.a.(1) for State agencies and sub-grantees that are government agencies; and at 2 CFR Part 230 (A-122), Appendix B, section 15.a.(1) for not-for-profit organizations.

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"Equipment" is defined for States and sub-grantees that are government agencies at 7 CFR section 3016.3 and at 2 CFR Part 225 (A-87), Appendix B, section 15.a.(2); and for not-for-profit organizations at 7 CFR section 3019.2(l) and at 2 CFR Part 230 (A-122), Appendix B, section 15.a.(2).

A handwritten signature in black ink, reading "Cathie McCullough". The signature is written in a cursive, flowing style.

Cathie McCullough
Director
Food Distribution Division