

CHAPTER II FINANCIAL MANAGEMENT

SECTION 1 - GENERAL PROVISIONS

2100 ADMINISTRATIVE FUNDING

Within the limitation of funds available for the administration of the Food Distribution Program by the ITOs/State agencies, FNS will provide each ITO/State agency 80 percent of the approved administrative costs. ITOs/State agencies are required to contribute 20 percent of its total approved administrative costs unless an administrative match waiver is granted.

2101 Allowable Costs

Federal administrative funds provided for the administration of the Food Distribution Program can only be used for allowable costs that are also necessary and reasonable for the proper and efficient administration of the program. The allowable cost principles for use of SNAP administrative funds, outlined in Appendix A of 7 CFR part 277 (Exhibit Y, attached), are generally applicable to the Food Distribution Program.

2102 Matching Requirement

ITOs/State agencies must contribute 20 percent of the total approved administrative cost requirements of the Food Distribution Program, unless they have received an administrative match waiver on the basis of compelling justification (see paragraph 2103).

Cash or non-cash contributions, including third party in-kind contributions, and the value of services provided by volunteers are allowable to meet the matching administrative cost requirements.

Administrative cost standards and principles for use in determining applicable Food Distribution Program costs are shown in Exhibit H, attached.

Funds provided from another Federal source may be used to meet the ITO/State agency matching requirement, provided that such use is consistent with the purpose of those funds and complies with this subsection. To use funds from another Federal source, the ITO/State agency must submit documentation for approval to the FNS Regional Office which shows the source, value, and purpose of those funds. In accordance with 7 CFR parts 253 and 277, such contributions must:

- A. Be verifiable.
- B. Be necessary and reasonable to accomplish program objectives.
- C. Be allowable under 7 CFR part 277.
- D. Be included in the approved budget.

2103 Compelling Justification

Upon request from an ITO/State agency, an FNS Regional Office may approve a waiver reducing an ITO's/State agency's matching requirement below 20 percent. To request a waiver, the ITO/State agency must submit compelling justification for the waiver to the appropriate FNS Regional Office. Compelling justification should include more than an assertion that no other funds are available to operate the program. The justification should include supporting evidence and demonstrate to the satisfaction of FNS why the Federal share of funding must be more than 80 percent of approved costs.

Compelling justification is based on either financial inability to meet the match requirement or the match requirement imposing a substantial burden. The request for the match waiver must be submitted with the following:

- A. For a waiver based on financial inability, a summary statement and recent financial documents showing that the State agency is unable to meet the 20 percent matching requirement and that additional administrative funds are necessary for the effective operation of the program.

Supporting financial documents must represent the financial status of the ITO/State agency within the last 2 years, and are limited to the following in accordance with FNS Instruction 716-4 Rev 1, Administrative Budget Negotiation Guidance for the Food Distribution Program on Indian Reservations and the Food Distribution Program for Indian Households in Oklahoma:

1. Summary Statement. The summary statement must include more than an assertion that no other funds are available to the ITO/State agency to operate the program. The ITO/State agency must explain why the proposed budget amount is necessary for the effective operation of the program and why the Federal share of funding should be more than 80 percent. The summary statement should include the reasons why the 20 percent match cannot be met by the ITO/State agency and how the accompanying financial documents support this position. The summary statement must be prepared by and/or cleared through tribal or state financial management staff.
2. Supporting Financial Documents. The supporting financial documents should represent the financial status of the ITO/State agency within the last two years, so that the FNS Regional Office can accurately assess the current financial situation of the ITO/State agency. Acceptable supporting financial documentation includes, but is not limited to, the following:
 - a. A set of audited financial statements that includes all tribal/state enterprises;
 - b. If the ITO/State agency has an audit requirement under 2 CFR part 200, Subpart F – Audit Requirements, the most recent audit reporting package submitted under 2 CFR 200.512;
 - c. A financial statement from the entity responsible for negotiating the ICR on behalf of the ITO/State agency.

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- B. For a waiver based on substantial burden, a signed letter from the leadership of the State agency or, in the case of an Indian Tribal Organization, from the leadership of the Tribal agency that oversees the Food Distribution Program, describing why meeting the 20 percent matching requirement would impose a substantial burden on the State agency, and why additional administrative funds are necessary for the effective operation of the program, along with supporting documentation, as needed.

The FNS Regional Office may not reduce any benefits or services to State agencies that are granted a waiver.

2104 Inventory Protection Requirements

In accordance with 7 CFR Part 250.12(d), ITOs and State agencies that have direct agreements with FNS to store and distribute USDA Foods, must obtain insurance to protect the value of their USDA Food inventories. ITOs and State agencies must also ensure that local recipient agencies and commercial storage facilities with which they have direct agreements obtain insurance to protect the value of their donated food inventories as well. Reasonable insurance premiums, as required by Part 250.12(d), may be paid for with program administrative funds. The amount of insurance must be at least equal to the ITO's/State agency's average monthly value of month-end donated food inventories in the previous fiscal year. Please see [Policy Memorandum FD-139](#), "Clarification on Inventory Protection Requirements," for more information.

SECTION 2 - FUNDING AND BUDGET PROCEDURES**2200 FUNDING****2210 APPLICATION FOR FUNDS**

ITOs and State agencies requesting administrative funds must submit a completed Standard Form (SF) 424, Application for Federal Assistance (see Exhibit I, attached), to the appropriate FNS Regional Office at least three months prior to October 1 of each Federal fiscal year. All ITOs/State agencies must include their Data Universal Numbering System (DUNS) number as well as their Internal Revenue Service Employee Identification Number (EIN) on the SF 424. ITOs/State agencies that do not have a DUNS number can obtain one by contacting Dun and Bradstreet by telephone at 1-866-705-5711 or on the Internet at <http://fedgov.dnb.com/webform>.

The application must include budget information that reflects the ITO's/State agency's best estimate of the amount of funding to be spent in the administration of the Food Distribution Program during the upcoming Federal fiscal year. The application must provide a breakdown of funds requested for each cost category and identify matching funds and the time period for which funds are needed. Funds can not be made available to the ITO or State agency until the application is approved by FNS. Applications for available administrative funds will be ranked for funding by FNS in the following priority: (1) applications from ITOs/State agencies that want to continue to operate a Food Distribution Program; (2) applications from ITOs/State agencies (in the order received) that FNS determines are immediately capable of effectively and efficiently administering the program; and (3) applications from other ITOs/State agencies (in the order received).

2220 BUDGET PROCEDURES

The appropriate FNS Regional Office may request additional information from the ITO/State agency to support or explain the estimated amounts shown for each cost category in the application. FNS will evaluate the budget in relation to the ITO's/State agency's plan of operation and other factors that are relevant to FNS' determination as to whether the estimated costs are reasonable and justified. The ITO/State agency will receive written notification from FNS regarding approval or disapproval of any or all of the itemized costs, the amount of funds to be made available, and the period of time the funds are available.

Grantees and subgrantees are permitted to rebudget between direct cost line items in their approved budgets to meet unanticipated requirements, provided that the cumulative transfers of funds among direct cost categories are less than ten percent of the current total approved budget. Changes in excess of ten percent must be approved by FNS.

SECTION 3 - METHODS OF PAYMENT**2300 GENERAL**

FNS will provide funds by means of a letter of credit (LOC). Payments are made through the Automated Standards Application for Payments (ASAP) system operated by the Department of the Treasury Bureau of the Fiscal Service (BFS). ASAP is an on-line web-based system that enables an ITO/State agency to request funds and to obtain such information as its LOC authorization level and the status of requests for funds. FNS establishes an ITO's/State agency's authority to draw funds through ASAP by making appropriate entries in the ITO's/State agency's ASAP account via the Integrated Program Accounting System (IPAS). An ITO/State agency must request payments only at such times and in such amounts as are necessary to pay claims and bills on hand (see paragraph 2323).

2310 ESTABLISHING THE LETTER OF CREDIT

When an ITO/State agency commences program operations, FNS will notify the BFS. The BFS will then contact the ITO/State agency to request the necessary documentation; assign the ITO/State agency a recipient/requestor organization identification number; provide logon access to the ASAP web-based system, etc. Access to ASAP will be via the web or voice response. Once these tasks have been completed, the applicable FNS Regional Office will establish the ITO's/State agency's ASAP account and assign it an account identification number.

2320 REQUESTING PAYMENT BY LETTER OF CREDIT

An ITO/State agency requests payment by accessing the ASAP payment request function and entering the necessary data. The ITO/State agency may elect either of two payment methods: FEDWIRE, which provides same day payment, or Automated Clearing House (ACH), which provides payment the next business day. The ASAP payment request function allows the State agency to direct the payment to its depository financial institution (DFI).

2321 Individual and Summary Payment Requests

The ITO/State agency may request a separate payment under each FNS program it administers (an individual payment), or it may request a summary payment covering multiple programs or other account categories. Individual payments may be requested by either FEDWIRE or ACH; summary requests may be requested only by ACH. All funds covered by a summary request must settle to the same DFI and bank account on the same settlement date.

2322 Management Control Over Payment Requests

When an ITO/State agency posts a payment request, the ASAP system validates the keyed information. This entails checking it for format, conformance to balance requirements, etc. If the system detects errors, the ITO/State agency will receive an error message and must edit the field(s) in error. If the system detects no errors, it will accept the posting. The ITO's/State agency's request can not be processed until it has been successfully posted.

2323 Payments by FNS to ITOs/State Agencies

- A. FNS is required by Federal regulations to employ methods and procedures for payments to ITOs/State agencies that minimize the time elapsing between the transfer of funds and the payout of funds by the ITO/State agency for Food Distribution Program purposes (see Department of the Treasury regulations at 31 CFR Part 205, and OMB Guidance at 2 CFR Part 200.305(b) is provided at Exhibit Z).
- B. FNS may make advance payments if the ITO/State agency maintains, or demonstrates the willingness and ability to maintain, procedures to minimize the time elapsing between the transfer of funds and its disbursement of the funds (see 2 CFR Part 200.305(b)).

2324 Payments by ITOs/State Agencies to Local Agencies

ITOs/State agencies must follow the requirements of paragraph 2323A in the transfer of administrative funds to local agencies. The ITO/State agency may make advance payments to local agencies if it receives assurances from the local agency that it employs procedures to minimize the time elapsing between the transfer of funds and the disbursement of funds by the local agency. This means that the local agency has incurred the costs, received the bill, approved it for payment, and anticipates immediate disbursement upon receipt of funds from the ITO/State agency.

SECTION 4 - FINANCIAL MANAGEMENT SYSTEM

2400 RESPONSIBILITY FOR MAINTENANCE OF RECORDS

The ITO/State agency must keep such accounts and records as may be necessary to enable FNS to determine whether there has been compliance with applicable Federal regulations (e.g., 2 CFR Part 200; 7 CFR Parts 253 and 254; etc.). This requirement embraces all accounts and records pertaining to administrative funds, whether maintained by an ITO/State agency or local agency, such as books of original entry, source documents supporting accounting transactions, the general ledger and subsidiary ledgers, personnel and payroll records, and canceled checks and related documents and records. The importance of adequate time and attendance accounting for full-time, part-time, and intermittent employees is emphasized. (See 2 CFR Parts 200.302 and 200.333)

2410 EQUIPMENT AND VEHICLE RECORDS

ITOs/State agencies are responsible for maintaining inventory control records of equipment and vehicles (i.e., tangible, nonexpendable personal property) purchased partially or entirely with funds provided by FNS.

2411 Definition of Equipment

The ITO/State agency may use its own definition of equipment; however, that definition must include all equipment that:

- A. Has an acquisition cost of \$5,000 or more (per unit), or a lower threshold established by the ITO/State agency for purposes of financial statement preparation; and
- B. Has a useful life of more than one year.

(See 2 CFR Part 200.33).

Tangible personal property that does not meet the definition above is considered to be **expendable personal property or supplies** (see 2 CFR Part 200.94).

2412 Maintenance of Records

Equipment and vehicle records maintained by the ITO/State agency must show for each vehicle or piece of equipment purchased (see 2 CFR Part 200.313(d)):

- A. A description of the equipment/vehicle;
- B. Acquisition date and cost;
- C. Source of the equipment/vehicle;
- D. Source(s) of funding to purchase the equipment/vehicle (including the Federal award identification number (FAIN));
- E. Who holds title to the equipment/vehicle;

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- F. Percentage of FNS funds used for acquisition;
- G. Manufacturer's serial number or other identification number;
- H. Location, use, and condition of the equipment/vehicle;
- I. Ultimate disposition data including sales price or method used to determine current fair market value, if applicable; and
- J. Trade-in value, if applicable.

Each item must remain on the equipment and vehicle record until sold, completely depreciated and rendered unserviceable, or otherwise disposed of. Records for equipment and vehicles acquired in whole or part with FNS funds must be retained for 3 years after final disposition. Microfilm copies, computer backup disks, and tapes may be substituted for original records.

2413 Disposition of Equipment and Vehicles

When equipment and vehicles acquired in whole or part with FNS funds are no longer needed for use in the Food Distribution Program, they must be handled as follows, in accordance with 2 CFR Part 200.313(e):

- A. Equipment and vehicles with a fair market value of less than \$5,000 may be retained, sold, or otherwise disposed of by the ITO/State agency without obligation to FNS;
- B. Equipment and vehicles with a fair market value in excess of \$5,000 may be retained or sold by the ITO/State agency. If the equipment is sold, the ITO/State agency must reimburse FNS for its share of the proceeds (i.e., the amount of proceeds multiplied by FNS' percentage of participation in the cost of the equipment). In such a case, the ITO or State agency may deduct and retain from the Federal share the lesser of \$500 or 10 percent of the proceeds for its selling and handling expenses. If the equipment is retained but not used for another federally funded program, the ITO/State agency must reimburse FNS for its share of the fair market value of the equipment. The reimbursement amount must be remitted to FNS, which must pay it over to the U.S. Treasury in accordance with the Miscellaneous Receipts Act (31 USC 3302(b)).

2420 ACCOUNTING FOR FUNDS

Each ITO/State agency that accepts administrative funds must establish and maintain an effective system of fiscal control and accounting. Expenditures of FNS funds are restricted to allowable costs. Invoices, receipts, or similar documentation must be readily available to support such expenditures. This requirement also applies to local agencies. The ITO/State agency must keep records of all funds channeled into the Food Distribution Program whether from Federal, State, local, or other sources, so that the total cost of each program can be ascertained. Such accounting procedures must facilitate rapid preparation of reports required by FNS and accurately reflect the receipt, expenditures, and current balance of funds provided by FNS.

Accounting procedures must provide for segregation of costs identifiable to the Food Distribution Program from all other costs. If any other programs (e.g., the Commodity Supplemental Food Program) are operated simultaneously with the Food Distribution Program

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and are using the same facilities, equipment, or personnel, the costs attributable to the other programs must be identified separately and supported by appropriate cost allocation records.

The ITO/State agency may follow its established financial procedures so long as they provide the means through which full disclosure of financial transactions is achieved and can be verified.

2430 RETURN, REJECTION, AND REALLOCATION OF FUNDS

FNS may require an ITO/State agency to return unobligated funds, or it may reduce the amount of administrative funds awarded to the ITO/State agency when:

- A. The Food Distribution Program is not administered by the ITO/State agency in accordance with the Plan of Operation approved by FNS or applicable regulations;
- B. The amount of funds provided by FNS is in excess of actual need, based on expenditure reports and current projections of program needs; or
- C. Funding is reduced or not available.

At the close of each fiscal year, the ITO/State agency must return any unobligated funds to FNS within 90 days of September 30, the end of the fiscal year. Obligations incurred must be liquidated within 90 days after the end of the funding period, unless an extension has been granted by the FNS.

If an ITO/State agency terminates its participation in the Food Distribution Program for any reason, the administrative funds that are needed by the ITO/State agency to cover phase out expenses may be retained for the remainder of the fiscal year. The ITO/State agency must maintain proper documentation to show that such funds are used for allowable, necessary, and reasonable program expenses.