



U.S. Department of Agriculture
Office of Inspector General
Western Region
Audit Report

Controls Over USDA Donated
Commodities

For the Year Ended June 30, 2004



Report No.
27601-11-SF
August 2004



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Western Region - Audit

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DATE: August 6, 2004

REPLY TO

ATTN OF: 27601-11-SF

SUBJECT: Controls Over USDA Donated Commodities

TO: Allen Ng
Regional Administrator
Western Region
Food and Nutrition Service

ATTN: Kathleen Burks
Director of Financial Management

This report presents the results of our review of the Food and Nutrition Service (FNS), Food Distribution Program (FDP) in California. During the period July 1, 2003, through December 31, 2003, FNS provided over \$63 million in commodities to the California Department of Education (CDE), for the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). The objective of our review was to evaluate FNS and CDE controls over the storage and use of USDA donated commodities. Nothing came to our attention during the audit that would indicate that the program was not operating as prescribed. No further action is required from your agency and we have closed our files on the subject audit.

BACKGROUND:

FNS administers the food distribution program through the CDE. FNS purchases food through appropriations from Congress, and through surplus removal and price support activities. These commodities are then distributed to State agencies for use by eligible local outlets. When directed by CDE, FNS distributes commodities to cooperatives that represent several school districts. State agencies are required to order and stock only the quantities of commodities that will be used in a timely manner by program recipients. Those managing commodity inventories at the State and local levels should generally practice a "first-in-first-out" (FIFO) system in that the product with the oldest pack date (i.e. the date of initial manufacture or processing) is used first.

Under Title 7 CFR 250.14(b), all State and local agencies are required to provide facilities for handling, storage, and distribution of USDA-donated commodities that: (1) are sanitary and free from rodent, bird, and insect infestation; (2) safeguard against theft, spoilage and other loss; (3) maintain foods at proper storage temperatures; and (4) store donated food off the floor to allow adequate ventilation. State agencies may contract with commercial storage facilities for storage

of USDA-donated commodities; however, these facilities must adhere to the standards outlined in Title 7 CFR 250.14 (d), which requires that contracts include: (1) assurance that storage facilities are in compliance with Title 7 CFR 250.14 (b); (2) evidence that donated food is clearly identified; and (3) assurance that an annual physical inventory will be conducted and reconciled with inventory records.

OBJECTIVE:

The objective of our review was to evaluate FNS and CDE controls over the storage and use of USDA-donated commodities. Specifically, we evaluated storage and handling practices related to the age and condition of commodities, inventory levels, storage temperatures, and whether the quality and wholesomeness of the USDA-donated commodities was adequately ensured.

SCOPE AND METHODOLOGY:

As part of a nationwide review, we selected for review the FDP operations in the State of California. Our scope was for the school year ending June 2004. The Audit Control Point was OIGs' Midwest Region in Chicago, Illinois. We performed fieldwork from January through April 2004 at the: FNS Regional Office in San Francisco, California; CDE's Nutrition Service Division in Sacramento, California, Sacramento State Warehouse in Sacramento, California; Pomona State Warehouse in Pomona, California, Fresno Unified School District in Fresno, California, Los Angeles Unified School District, and Super Co-Op in Los Angeles, California. For Super Co-Op, we reviewed Gold Star Foods, which stores commodities on behalf of the cooperative.

To accomplish our objectives, we (1) interviewed FNS Regional Office officials and reviewed applicable laws, regulations, policies and procedures to determine how FNS Regional Office administered the FDP; (2) interviewed CDE officials, reviewed program files, and reviewed procedures for distribution, storage, and handling of USDA-donated commodities; (3) interviewed school district and co-op officials, (4) obtained and analyzed warehouse shipping and receiving records; (5) conducted physical inventories of selected commodities and compared them with warehouse perpetual inventory records; (6) reviewed pest control reports, county health inspection reports, and warehouse temperature logs; and (7) analyzed whether warehouses were shipping commodities based on the FIFO system.

This audit was performed in accordance with generally accepted government auditing standards.

SUMMARY

During our review, nothing came to our attention to indicate that FNS Western Regional Office and CDE were not operating in accordance within prescribed laws and regulations. However, we identified two issues that may be of concern to your office.

At Gold Star Foods we identified 182 cases of turkey breast that were 1 to 16 months past the recommended use date (See Exhibit A). We also identified 71 cases of mozzarella cheese that were in storage for 25 to 32 months, with the product being at least 13 months past the recommended use date.

At three of the five warehouses we visited, we noted that freezer temperatures were 2° to 4° above the recommended temperature setting of 0°. Our review of the freezer temperature logs also noted that four of the five warehouses had frequently recorded minor temperature deviations above the recommended settings. Warehouse managers attributed the increased temperature to personnel constantly going in and out of the storage area.

Because FNS is not responsible for ensuring that schools use commodity in a timely manner and the temperature fluctuations are not significant to warrant corrective actions, we are not making any recommendations in this report.

We discussed the subject report with members of your staff on July 22, 2004. They agreed to elevate the subject report from discussion draft to final. Since we have no findings or recommendations to report, no further action is required by your agency. We will close our file on the subject audit with the issuance of this audit report.

We appreciate the assistance and cooperation of your staff during this review.

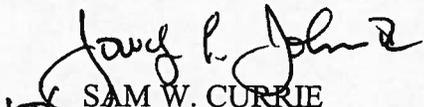

SAM W. CURRIE
Regional Inspector General
for Audit

Exhibit A – Commodities Stored at Gold Star Beyond the Recommended Use Date

Commodity	No. of Cases	A Stored at Warehouse	B Recommended Use Date	C Date of OIG Review	(C-B) Number of months past recommended use date	School Commodity Stored For
Mozzarella Cheese	59	July 25, 01	July 25, 02	Apr. 14, 04	20	South Whittier
Mozzarella Cheese	12	Mar. 13, 02	Mar.13, 03	Apr. 14, 04	13	Woodlake
TOTAL	71					
Turkey Breast	49	Aug. 12, 02	Dec. 12, 02	Apr. 14, 04	16	Azusa
Turkey Breast	25	Nov. 12, 02	Mar. 12, 02	Apr. 14, 04	13	Mt. Diablo
Turkey Breast	17	Feb. 25, 03	June 25, 03	Apr. 14, 04	10	Mt. Diablo
Turkey Breast	12	Feb. 28, 03	June 28, 03	Apr. 14, 04	10	Sanger
Turkey Breast	5	Sept. 15,03	Dec. 15, 03	Apr. 14, 04	3	Cucamonga
Turkey Breast	5	Sept. 15, 03	Dec. 15, 03	Apr. 14, 04	3	South Whittier
Turkey Breast	10	Sept. 15, 03	Dec. 15, 03	Apr. 14, 04	3	El Monte
Turkey Breast	5	Sept. 15, 03	Dec. 15, 03	Apr. 14, 04	3	Centralia
Turkey Breast	14	Sept.15, 03	Dec. 15, 03	Apr. 14, 04	3	Hayward
Turkey Breast	5	Sept.15, 03	Dec. 15, 03	Apr. 14, 04	3	Laguna
Turkey Breast	6	Sept.15, 03	Dec. 15, 03	Apr. 14, 04	3	Sanger
Turkey Breast	29	Nov. 13, 03	Mar 13, 04	Apr. 14, 04	1	Mt. Diablo
TOTAL	182					

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