

# RECOMMENDED RECIPIENT AGENCY GUIDELINES FEE FOR SERVICE AND NET OFF INVOICE

This document provides "how to" guidance for recipient agencies relating to allowable variations for Fee-For-Service and Net Off Invoice sales.

It is the responsibility of each recipient agency (RA) to check with the State Distributing Agency (DA) regarding state regulations for various approved processing options available in their state.

*Recipient Agency Responsibilities* – Procurement (if applicable) and management of commodity balances regardless of the processing option used.

1. Obtain confirmation in writing from DA that your commodity allotment/diversion has been filed with processors.
2. Ensure processor has provided a list of the case allocations to distributors, DA, and USDA upon request.
3. Use the beginning commodity balance (allocation at the beginning of each school year + roll over balance, if any, from previous year) to monitor commodity balances as the year progresses and deliveries are received.
4. Ensure that the distributor contracted to handle your commodities has a tracking system for the purpose of an audit trail to report sales to processors in a timely basis. (through procurement specifications)
5. Participate in the manufacturer's sales verification program to ensure that you are getting the full value of donated foods.

*It is strongly recommended that specific provisions and responsibilities be outlined in a formal bid document.*

## FEE FOR SERVICE THROUGH DISTRIBUTOR

### **Title of Product**

1. The DA holds title to the donated food after receipt from processor until the RA receives it under single state processing agreements. USDA holds the title for nationally approved processing agreements.
2. It is strongly recommended that the RA request that the distributor have an endorsement on the distributor's property insurance to cover product in their care and control.

### **Invoicing Methods**

1. RA is invoiced the fee for service directly by the processor with handling and delivery billed by the distributor.
2. RA is invoiced the fee for service and the delivery charges by the processor with each item listed individually.
3. Distributor bills RA at the total case cost under provision of FD-025 (March 29, 2004) (included).

### **Payment Methods**

1. Invoices for nonsubstitutable commodities are paid by the RA when the product is received at the designated delivery location (warehouse, commodity distribution warehouse, or commercial distributor).
2. Invoices for substitutable commodities are to be paid by the RA upon receipt of product.
3. If the distributor is charging the RA a total case price rather than detailing the charges on two lines, fee for service and handling/delivery charge, per USDA FD-025 (March 29, 2004), the RA needs to insure that the processor is providing additional information to the DA.
4. Show written assignment of billing responsibility to the distributor breaking out fee for service plus delivery/handling charge to equal the total case price. Product pricing and delivery/handling fees should be determined through a procurement process.

## FEE FOR SERVICE THROUGH DISTRIBUTOR (continued)

### **Record Keeping**

1. RA and distributor are required to retain proof of delivery.
2. The proof of receipt of commodity value lies with the RA. Invoices should be kept as proof of receipt and payment following applicable federal, state, or local regulation for record retention.
3. RA is responsible for verifying the accuracy of fee for service and delivery/handling charges.

*The Summary End Product Data Schedule (SEPDS) provides the correct draw down for each product. It shows the pounds of donated food per case, which is multiplied by the quantity of cases purchased to determine the draw down the processor needs to file with DA.*

## NET OFF INVOICE

### **Title of Product**

1. RA takes title of product once the distributor delivers product.

### **Invoicing and Payment**

1. Distributor invoices the RA the net price. The invoice must identify the gross case price and the value of donated food(s) per case.
2. The gross price must be negotiated or bid.
3. The RA ends up being billed at a price after the commodity discount is given.

### **Record Keeping**

1. RA should have a tracking system in place to compare and validate distributor and processor verification requests to verify sales. (DA is required to *randomly* sample RAs for verification.)

### **RA can expect the State Agency to...**

1. Provide a list of eligible processors to process in their state.

## NET OF INVOICE (continued)

2. Provide diversion information (number of pounds/cases) to RA and processor.
3. Upon request, provide SEPDS showing all products available, the types of commodities that can be processed, the commodity value per pound, the amount of donated food per finished case, and the value of the donated food per finished case.

### **RA can expect the Processor to...**

1. Upon request, provide the SEPDS.
2. Pass through value of commodity(s) contained in the finished product.
3. Provide commercial price for each product (through procurement process, if applicable).
4. Inform the distributor of the number of pounds/cases that will be put into the distributor's commodity tracking system on behalf of the RA.

### **RA can expect the Distributor to...**

1. Prepare invoices with the bid price for the food product listed on the first line and the value of the product, (provided by the processor), deducted on the second line thus giving the net case price.
2. Clarify how distributor will communicate sales/velocity reports to processor.
3. Maintain a program that meets audit requirements that tracks and deducts the commodity value of the product delivered to the RA and tracks the remaining allocation (entitlement).
4. Agree that no brand or item code substitution is allowed.
5. Agree that the distributor will slot all items the RA has requested for processing that meet distributor's volume requirements, keeping in mind that special order items must meet volume requirements and business practice guidelines. Distributors reserve the right to deny stocking commodity items for RAs that do not meet the volume requirements.

## NET OF INVOICE (continued)

### **Participation**

1. Processor must inform RA of authorized distributors to conduct NOI on their behalf.
2. RA should confirm with the DA that processor is approved for NOI.
3. RA should verify with the DA and the processor which end products are included in the processor's NOI program.
4. RA should consider the need for CN labeled products, product variety, and distributor's ability to stock requested items.

