

DATE: June 2019

TO: School Food Authority Administrators and Food Service Directors

FROM: Christine Emerson, Director
School Nutrition Programs

SUBJECT: School Food Service Inventory Guidance

This memorandum provides guidance for school districts participating in the U.S. Department of Agriculture (USDA) National School Lunch Program administered by the Office of Public Instruction (OPI) School Nutrition Programs. The guidance is established to meet the requirements of 7 CFR Part 250.14 Storage and inventory management at the recipient agency level; and Part 250.59 Storage, control, and use of donated foods.

Independent auditors working with Montana school districts frequently make recommendations that a perpetual food inventory is necessary as an internal control. The auditors consider that without this internal control, there would be a weakness in the system that could result in food inventories disappearing through pilferage or other means.

The OPI School Nutrition Programs does not require participating districts to conduct a perpetual inventory. The USDA Administrative Review tool that is used by the OPI School Nutrition Programs to monitor compliance with federal regulations includes one question about food inventory in the Food Safety, Storage, and Buy American Section:

1409. Determine whether observations on the day of the review indicate any on-site or off-site storage violations. If YES, explain in the Comments section. Proper storage practices include, but are not limited to: temperature is appropriate for the applicable equipment (e.g., freezer, refrigerator, milk cooler); food is stored 6 inches off the floor; the food storage facility is clean and neat; canned goods are free from bulges, leaks, and dents; chemicals are clearly labeled and stored away from food and food-related supplies; open bags of food are stored in containers with tight fitting lids; the FIFO (First In, First Out) method of inventory management is used; and no obvious evidence of pests is present.

The OPI School Nutrition Programs agrees that school districts should have an inventory system in place for food safety, menu planning, procurement, financial management, and other reasons. For small and medium size districts, a perpetual inventory is time consuming and not cost effective. Instead, a monthly physical inventory of food storage areas or while placing food orders is recommended. The following guide may be used to establish an inventory system that meets the needs of individual school districts.

The National Food Service Management Institute Inventory Management and Tracking Reference Guide

<http://www.esc1.net/cms/lib/TX21000366/Centricity/Domain/97/Reference%20Guide.pdf>

provides these definitions:

- Perpetual Inventory: Continuous recording of all receipts and issues of products in storage providing a balance of each item at all times.
- Physical Inventory: Periodic actual count of products in storage areas.

The USDA federal regulations 7 CFR Part 250 DONATION OF FOODS FOR USE IN THE UNITED STATES, ITS TERRITORIES AND POSSESSIONS AND AREAS UNDER ITS JURISDICTION

[https://www.ecfr.gov/cgi-bin/text-](https://www.ecfr.gov/cgi-bin/text-idx?SID=d8eebdfa9e95307b857c3268154bf5fe&mc=true&node=pt7.4.250&rgn=div5#se7.4.250)

[idx?SID=d8eebdfa9e95307b857c3268154bf5fe&mc=true&node=pt7.4.250&rgn=div5#se7.4.250](https://www.ecfr.gov/cgi-bin/text-idx?SID=d8eebdfa9e95307b857c3268154bf5fe&mc=true&node=pt7.4.250&rgn=div5#se7.4.250)

114 provides this definition:

- *Single inventory management*: means the commingling in storage of donated foods and foods from other sources, and the maintenance of a single inventory record of such commingled foods.

250.14 Storage and inventory management at the recipient agency level.

(a) *Safe storage and control*. Recipient agencies must provide facilities for the storage and control of donated foods that protect against theft, spoilage, damage, or other loss. Accordingly, such storage facilities must maintain donated foods in sanitary conditions, at the proper temperature and humidity, and with adequate air circulation. Recipient agencies must ensure that storage facilities comply with all Federal, State, or local requirements relative to food safety and health and procedures for responding to a food recall, as applicable, and obtain all required health inspections.

(c) *Inventory management—child nutrition programs and charitable institutions*. Recipient agencies in child nutrition programs, and those receiving donated foods as charitable institutions, in accordance with 250.67, are not required to store donated foods in a manner that distinguishes them from purchased foods or other foods, or to maintain a separate inventory record of donated foods—*i.e.*, they may utilize single inventory management, as defined in 250.2. For such recipient agencies, donated foods are subject to the same safeguards and effective management practices as other foods. Accordingly, recipient agencies in child nutrition programs and those receiving donated foods as charitable institutions (regardless of the inventory management system utilized), are not required to separately monitor and report donated food use, distribution, or loss to the distributing agency, unless there is evidence indicating that donated food loss has occurred as a result of theft or fraud.