



Supply Chain Assistance Funds: Guidance and Allowable Uses

Supply Chain Assistance (SCA) funds have been allocated by the U.S. Department of Agriculture and will be distributed to eligible School Food Authorities. The first round of SCA funds was distributed in spring of 2022, and the second and third rounds in the fall of 2022. This document is intended to provide more information to sponsors on allowable uses, recordkeeping, and grant coding requirements.

Allowable Uses

SCA funds must be used exclusively for the purchase of domestic food products that are unprocessed or minimally processed. Foods in minimally processed states (i.e., whole, cut, pureed) and/or forms (i.e., fresh, frozen, canned, dried) are allowable. Examples of commonly purchased items that are allowable include:

- Fluid milk and other dairy such as cheese and yogurt; including flavored products
- Fruits and vegetables (including 100% juices)
- Grain products such as pastas and rice (must be whole grain-rich unless you have a current approved whole grain waiver)
- Meats (whole, pieces, or food items such as raw ground meat)
- Beans or legumes
- Incidental costs (such as those related to shipping and handling or packaging) that are part of the normal purchase price charged by a vendor for any given food product are an allowable use of SCA funds

SCA funds cannot be used for any labor, administrative, or supply expenses. Additionally, significantly processed or prepared foods are not allowable. For example, whole grain flour, crushed tomatoes, and shredded cheese would all be allowable purchases; but a pre-made pizza would not be allowable. Other commonly purchased items that are not allowable purchases with these funds include:

- Baked goods such as breads, muffins, or crackers
- Ready-to-eat cold cereals
- Prepackaged sandwiches or meals
- Other prepared and/or pre-cooked items such as chicken nuggets, that come ready-to-eat or that require no further preparation beyond heating
- Non-domestic food products - the Buy American exception does not apply to foods purchased with SCA funds, so all food items purchased must be domestic

SCA funds may only be used to purchase food for the National School Lunch and School Breakfast Programs, including the Seamless Summer Option. Sponsors may not use SCA funds to purchase food items for other child nutrition programs such as the Special Milk Program, Fresh Fruit and Vegetable Program, Child and Adult Care Food Program or the Summer Food Service Program. Additionally, SCA funds should be separately from any other grants or funding streams (i.e., the Local Foods Purchasing Program).

Sponsors are reminded that, as with all federal funds, they are required to follow federal procurement regulations found in 2 CFR 200, which includes the option to utilize emergency non-competitive procurements



Fund Distribution, Grant Coding, and Timeline

Once a sponsor completes the online attestation statement, payment for the SCA funds will be sent in the spring of 2022, and the second and third rounds in the fall of 2022. For public school districts, these funds should be deposited in the sponsor's Nonprofit Food Service Account (NPFSA), and [tracked](#) with the unique grant/project code 6555, with source code 4000 and CFDA number 10.555. Ensure that internal policies are being followed with regards to booking of the revenue and accounts receivable.

SCA funds deposited to the NPFSA do not need to be separated from other monies within the account and are not tracked separately from an accounting standpoint. However, the sponsor will need to have documentation showing that domestic, unprocessed/minimally processed food products were purchased in amounts that are at least equal to funds received. Therefore, if a SFA receives \$7,000 in SCA funds, the SFA would need to have receipts showing that at least \$7,000 worth of allowable products were purchased.

SCA funds are intended to be used as soon as possible to address supply chain issues. These funds do not expire.

SCA funds received should be included in your Schedule of Expenditures of Federal Awards (SEFA) reporting.

All SFAs are required to maintain purchasing and other records for review and audit purposes. This documentation must reflect that purchases made by SFAs are consistent with the purpose of the SCA funding, i.e., in amounts that are at least equal to funds received. SFAs must retain regular records pertaining to its school food service as required by 7 CFR 210.9(b)(17). This may include invoices, receipts, and other documents provided when the SFA executes purchases with these funds. SFAs are not required to proactively provide documentation to CDE School Nutrition regarding those food purchases.

Please see [USDA's SCA funds resources](#) for more information.

Frequently Asked Questions

1. When can my SFA start using SCA funds?

SCA funds may not be used to cover the cost of past expenditures and may only be used for current/future expenses. This may include new obligations, or bills on prior unpaid obligations that come due following the SFA's receipt of SCA funds. An example of the latter would be an SFA that signed a purchasing contract for milk before the start of the school year that is paid for monthly. If SCA funds are received by the SFA on March 1, 2022, the SFA could pay invoices for milk that are due on or after that date.

2. What are the coding requirements for these funds?

Revenue should be coded with the unique grant/project code 6555, with source code 4000 and CFDA number 10.555. Expenses do not need to be coded for these funds.



3. How should expenses be tracked? What may be required in a future administrative review?

Expenses do not need to be tracked to these funds. Essentially, what USDA would like is that, if a sponsor received \$1,000 in supply chain funds, they could also show invoices for allowable food items totaling that same amount. You may be asked to show invoices for allowable items that were purchased after the receipt of the SCA funds in an administrative review. Any easy way to think about this is milk, fruit, and vegetables are all allowable costs, and invoices for those products could be used to document allowable usage of the funds.

4. Should SCA funds be included in SEFA reporting, Single Audit, or third-party audits?

Yes, SCA funds should be included in SEFA reporting and the funds are assigned to a CDFA/ALN number. They should also be included for Single Audit purposes and are assigned to the same CFDA/ALN number as NSLP. Third party audits may review expenses for this grant as determined by the auditor.

5. Do SCA funds expire? Can SCA funds be rolled over to future years?

SCA funds are intended to be used as soon as possible to address supply chain issues. While these funds do not expire, and sponsors can roll over a portion of or their full funding allocation to next school year if that is their preference. If funds are deferred to next fiscal year, please indicate as deferred revenue.

6. Can I use SCA funds if my SFA contracts with a FSMC or meal vendor?

Sponsors can use these funds to pay a portion of their invoices from their FSMC/meal vendor as long as the funds are going to allowable uses. Please see additional guidance from USDA on this scenario below:

SFAs will need to work with their FSMC/vendor to ensure that appropriate expenditures are being made and documented for foods meeting the requirements as specified in the terms and conditions of the award. In practice, SFAs are not required to collect documentation from their FSMC in advance of payment; however, there is an expectation that documentation will be available upon demand. Documentation should include invoices for minimally processed domestic foods purchase in support of the contract that are at least equal to SCA funds paid to the FSMC/vendor. In addition, SFAs retain the ability to purchase allowable food items outside of their food service management contract, as long as the contract permits such.

If you have questions or need more information, contact Jenny Herman at herman_j@cde.state.co.us or 720-812-3119.