USDA Foods in Schools Procedures Manual

NORTH DAKOTA DEPARTMENT OF PUBLIC INSTRUCTION

Contents

1. Program Overview

USDA Foods in Schools provides high-quality, 100 percent American-grown foods to eligible child nutrition programs. USDA purchases foods from American farmers and makes them available to schools and institutions participating in programs such as the National School Lunch Program (NSLP), Child and Adult Care Food Program (CACFP), and Summer Food Service Program (SFSP).

USDA Foods support two complementary goals: providing nutritious foods to children and supporting American agriculture. Products are grown, processed, and packaged in the United States or its territories and must meet USDA food safety and nutrition standards.

Food Available

- Vegetables: fresh, frozen, and canned options from all five vegetable subgroups, including low-sodium and no-salt-added choices.
- Fruits: fresh, frozen, canned, and dried options, including individual portions and bulk products for processing.
- Meats and meat alternates: lean meats, poultry, fish, beans, cheese, nuts, and eggs.
- Whole grains: cereals, flour, pasta, rice, tortillas, and other grain products.

2. USDA Foods Entitlement

USDA Foods is a federal entitlement program administered through the State Distributing Agency (SDA). Each school year, USDA allocates entitlement to the State based on the number of reimbursable lunches served in the prior year and the USDA Foods per-meal rate.

Example: If a sponsor served 68,550 lunches and the per-meal rate is $0.47, the estimated entitlement would be 68,550 x $0.47 = $32,218.50.

USDA publishes the per-meal rate annually. Beginning entitlement may be estimated for planning purposes and adjusted when final rates or meal counts become available.

The goal is for sponsors to use 100 percent of their entitlement. Entitlement is not cash and is not paid directly to a sponsor. The State is responsible for managing and redistributing unused entitlement so it can be used within the program year. Unused sponsor entitlement does not roll over to the next school year.

3. Options for Spending Entitlement

Direct Delivery (Brown Box)

USDA purchases finished products and ships them to the State-contracted warehouse for distribution to sponsors. North Dakota is demand-driven; sponsor demand is collected through the annual food survey.

Direct Diversion/Processing

USDA Foods Processing allows the State to divert bulk USDA Foods to approved commercial processors that convert the bulk food into convenient finished end products. Processing is governed by 7 CFR Part 250, Subpart C.

USDA DoD Fresh Fruit and Vegetable Program

USDA DoD Fresh allows sponsors to use USDA Foods entitlement to purchase American-grown fresh produce. Sponsors place orders in the Fresh Fruit and Vegetable Order/Receipt System (FFAVORS), and entitlement is drawn down as orders are delivered.

- Sponsors request a DoD Fresh allocation during the annual SCH renewal in NDFoods.
- Sponsors monitor balances and place orders directly in FFAVORS.
- Sponsors participating in DoD Fresh must complete the Alternate Value Pass-Through Systems Program Agreement.

4. State Match

USDA regulations require States to provide matching funds to support the USDA Foods program. North Dakota uses State match funds to offset warehousing and transportation costs for sponsors participating in NSLP and the USDA School Food Distribution Program (SCH).

Once State match funds are depleted, NDFoods generates an invoice for warehouse and transportation fee to the Sponsor.

5. Value Pass-Through Systems

Sponsors must receive the full value of USDA Foods used in processed end products. The method used to provide that value is called a value pass-through (VPT) system. North Dakota uses Fee-for-Service through the State and permits eligible sponsors to participate in Net Off Invoice (NOI).

Fee-for-Service

- Sponsors request processed products through NDFoods surveys.
- The State orders the finished products from the processor and has them shipped to the State-contracted warehouse.
- The warehouse delivers the products to the sponsor.
- After delivery, the State invoices the sponsor for the processing fee, which excludes the value of the USDA bulk food.
  - The processing fee is the amount charged by the processor to manufacture the finished product.
    - Example: USDA purchases and ships bulk chicken to the processor. The processor turns the chicken into a finished product such as a chicken nugget.

Net Off Invoice

- Under NOI, an approved processor sells a finished end product through a commercial distributor. The distributor invoices the sponsor at the commercial price minus the value of USDA Foods contained in the product. Sponsors participating in NOI must complete the Alternate Value Pass-Through Systems Program Agreement. Detailed NOI requirements appear in Section 12.

6. Sponsor Responsibilities

- Complete the SCH program renewal and keep sponsor, site, contact, and role information current in NDFoods.
- Complete annual, monthly, and excess surveys by the posted deadlines.
- Monitor entitlement, DoD Fresh funds, customer orders, and invoices.
- Pay processed food invoices within 30 days. Sponsors with invoices 90 days past due may be restricted from receiving processed foods.
- Receive, count, inspect, and properly store USDA foods deliveries.

- Report shortages, damages, quality concerns.

7. Annual, Monthly, and Excess Surveys

The annual survey establishes planned demand for the upcoming school year. Monthly surveys confirm or reduce those planned quantities for a specific delivery month. Excess surveys provide an opportunity to request quantities released by other sponsors or excess inventory ordered by the State.

Annual Survey

- The annual survey is generally completed in February for the following school year.
- The survey is completed in NDFoods and is used by the State to plan USDA purchases and processed-food demand.
- Sponsors should request only quantities they can reasonably use during the school year and should consider storage capacity, menus, participation, and existing inventory.
- Annual survey quantities establish each sponsor's planned monthly quantities. Successful USDA purchases and product availability are not guaranteed.
- NOI demand is collected separately by processor before or in conjunction with the annual survey, as directed by NDDPI.

Monthly Survey

- Monthly surveys are the sponsor's opportunity to confirm quantities of upcoming USDA Foods deliveries.
- Items and quantities are pre-populated from the sponsor's annual survey plan.
- Sponsors may decrease a pre-populated quantity when they do not need the full amount. Sponsors cannot increase quantities above the annual survey for brown box items during the monthly survey.
- A decrease releases the quantity to the excess pool so another sponsor may request it.
- Sponsors must review and submit each monthly survey by the posted deadline, even when no changes are needed.
- After the survey closes, a customer order is created. The State reviews the orders. Orders generally close approximately two weeks before the delivery month.

Excess Survey

- The excess survey opens after the monthly survey and allows sponsors to use entitlement associated with products that the State was unable to purchase.
- A request is not a guarantee of allocation.
- The State reviews demand, available inventory, entitlement, and equitable distribution when finalizing excess allocations.

If a Monthly Survey Is Missed

- Contact NDDPI within one business day after the survey closes.
- When feasible, NDDPI may create an order using the quantities from the sponsor's annual survey.
- Requests received later than the one-business-day window may not be accommodated, particularly for processed products or products with limited availability.

Important: Sponsors remain responsible for monitoring survey dates and submitting surveys on time. The missed-survey process is an exception and does not guarantee that an order can be created.

When a Planned Product Is Delayed or Unavailable

A product may not appear on a monthly survey if it has not arrived at the warehouse or is otherwise unavailable. The quantity is not automatically moved to a later month.

- Review the next monthly survey for the product.
- After that survey closes, email NDDPI on the next business day to request that the delayed quantity be added to the next available delivery, when inventory and entitlement allow.

Example: If diced ham planned for August is unavailable and the next delivery opportunity is October, submit the October survey and email NDDPI the next business day after the October survey closes to request the additional case.

Survey-to-Order

Survey opens → Sponsor reviews and submits → Survey closes → NDDPI creates and reviews order → Customer order closes (two weeks prior to delivery month)

8. NDFoods Access and Annual SCH Renewal

Accessing NDFoods

- USDA Foods representatives should be established as NDFoods users in NDFoods.
- Sponsors can access surveys, customer orders, entitlement information, contacts, and processing invoices in NDFoods.

SCH Program Renewal

The authorized representative completes the SCH renewal annually in NDFoods, generally in January.

- Verify sponsor information and all email addresses and telephone numbers.
- Maintain at least two USDA Foods representatives and two invoice contacts when possible.
- Verify site designations. A server site serves meals; a server-and-delivery site serves meals and receives USDA Foods deliveries.
- Indicate DoD Fresh participation and the requested entitlement allocation,

9. Communications, Complaints, and Recalls

USDA Foods Communications

USDA Foods representatives are responsible for reading program communications, including survey notices, customer-order information, product updates, invoice notices, and recall information.

Reporting Product Complaints

Email NDDPI and include:

- School name and contact person; product name; and a description of the concern.
- Delivery date or month and quantity affected and remaining.
- Codes on the case or package.
- Photographs of the product, packaging, labels, and codes.

Do not dispose retain the product and packaging until NDDPI or the appropriate authority provides direction.

Managing Recalls

- Maintain written recall procedures and train appropriate staff.
- Immediately isolate and clearly label recalled product so it cannot be used.
- Inventory the affected product and return requested information to NDDPI within 48 hours or sooner when directed.
- Keep contact information current in the State Emergency Notification System (SENS).

10. Receiving USDA Foods Deliveries

Booth Delivery Services Responsibilities

- Notify the USDA Foods representative by email approximately one to three days before delivery.
- Deliver the USDA Foods listed on the customer order/manifest to the agreed kitchen, dry storage, cooler, or freezer receiving area. Drivers are not responsible for putting product away.
- Obtain the signature of an authorized sponsor representative and leave the sponsor's copy of the delivery documentation.
- Deliver during the established delivery window unless alternate arrangements are made with the sponsor.

Sponsor Receiving Responsibilities

- Compare the quantity, product type, and condition of the delivery with the customer order/manifest.
- Sign the required signature sheet and record shortages or damage before the driver leaves whenever possible.
- If a complete item-by-item count is not possible at delivery, complete at least a total case count and compare it with the delivery documentation.
- Report any shortage or discrepancy to NDDPI within 24 hours.
- Sponsors are not required to assist the driver with unloading.

11. Inventory Management

Sponsors must use proper, storage, and inventory practices so USDA Foods are used promptly and remain in optimal condition.

- Use first-in, first-out (FIFO) practices, while also prioritizing products with the earliest best-if-used-by, best-if-used-before, or use-by dates.
- Mark or record receipt dates when product dates are not available.
- Maintain temperatures and storage conditions appropriate for each product.
- A pack date or manufacturing date identifies when a product was packaged or produced; it is not the same as an expiration or safety date.
- Do not use out-of-condition food. Isolate it and contact NDDPI.

12. Net Off Invoice (NOI) Procedures

What Is NOI?

Net Off Invoice is an approved USDA Foods value pass-through method that allows eligible sponsors to receive the value of USDA Foods directly as a discount on a commercial distributor invoice.

USDA bulk foods are diverted to approved processors. The processor manufactures finished end products and sells them through approved commercial distributors. The distributor charges the sponsor the commercial price minus the USDA Foods value. The processor reimburses the distributor for the discount provided.

Commercial Price – USDA Foods Value = Net Price

Description	Amount
Commercial price	$52.00
Less USDA Foods value	($17.50)
Net price paid by sponsor	$34.50

NDDPI Responsibilities

- Purchase USDA Foods based on Sponsor demand and available funding.
- Pounds of USDA Foods allocated do not belong to the Sponsor until processed into finished product and delivered.
- Monitor procurement compliance for further processed foods, including solicitation documents, bid award documents, and contracts.
- Report allocations to processors for entry into K-12 Foodservice or Processor Link.
- Monitor balances to ensure timely utilization.
- Reallocate unused pounds Sponsors are not drawing down in a timely manner. Prior to any reallocation or sweep, NDDPI will communicate with the Sponsor to review unused or low usage balances. Sponsors can submit a utilization plan, if the state approves the plan, the state will allow additional time for the Sponsor to use the pounds. Plans will be evaluated on a case-by-case basis. Pounds will not be swept without prior communication with the Sponsor.
- Balances remaining as of May 31 will be swept into state account.
- Enter into State Participation Agreements (SPAs) with USDA-approved processors.
- Review monthly processor performance reports.

Sponsor Responsibilities

- Submit annual demand to NDDPI per the set annual date.
- Procure further processed products using compliant procurement methods pursuant to federal, State, and local regulations.
- Enter awarded distributor information into the K12 Foodservice and/or Processor Link prior to ordering.
- Monitor balances to ensure adequate pounds are available for USDA value discounts.
- Monitor pound balances and order only when adequate pounds are available.
- Monitor proper USDA value is being deducted from invoices
  - If improper discount is received, Sponsor must correct it with their awarded distributor.
- Complete all Net of Invoice (NOI) purchases by May 31. Transactions after May 31 may be billed at commercial pricing.
  - The May 31 deadline is subject to change at the discretion of the State Agency. The State Agency will make reasonable efforts to communicate any changes to the Sponsor as soon as practicable once the State Agency becomes aware of the need to adjustment.
  - If May 31 falls on a weekend or holiday, the pounds will be swept on the nearest business day.
  - Sponsors should place orders at least one week prior to the day to allow for sufficient time for delivery and billing. Transactions that happen after the sweep will be charged at commercial pricing.

Processor Responsibilities

- Convert USDA bulk foods into approved finished end products.
- Maintain USDA-approved processing agreements, inventory records, and supporting documentation.
- Report sales and inventory activity and reimburse distributors for NOI discounts provided.

Distributor Responsibilities

- Deliver contracted products and apply the correct USDA Foods value discount to sponsor invoices.

- Report sales activity to processors and maintain required inventory and sales records.
- Maintain agreements with processors as required by USDA Foods processing regulations.

13. NOI Annual Timeline

Timeframe	Activity
February	NDDPI requests annual demand projections; sponsors submit projected demand by processor by the stated deadline.
March-July	NDDPI purchases USDA bulk foods; USDA awards contracts; bulk foods are scheduled for delivery to processors.
By August 1	Sponsors notify NDDPI if the awarded distributor changed and verify distributor information in ProcessorLink and K-12 Foodservice.
August-May	Sponsors order from the awarded distributor, monitor pound balances, and review invoices for the correct USDA Foods value.
May 31	NDDPI sweeps unused pounds to the State account. If May 31 falls on a weekend or holiday, the sweep may occur on the nearest business day. NDDPI will communicate changes when practicable.

14. Procurement Requirements for NOI

Sponsors are responsible for procuring NOI products and related distributor services in accordance with applicable federal, State, and local requirements. Sponsors must maintain complete records and provide them to NDDPI upon request or during program monitoring.

Solicitations and contracts involving processed USDA Foods should clearly identify:

- The finished end products and approved processor/product codes included in the procurement.
- The price charged for the finished end product.
- The value pass-through method, specifically Net Off Invoice.
- The USDA Foods value contained in each finished end product.
- Delivery location of the finished end product.
- The requirement to provide the full USDA Foods value and correct invoice discrepancies.
- Contract term, renewal provisions, and all other material terms required by the selected procurement method.

Records: Maintain the solicitation, public notice or quotes, bids or proposals, evaluation, award, executed contract, amendments, invoices, and documentation of corrective action for the applicable retention period.

Civil Rights Statement

In accordance with federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its agencies, offices, employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the state or local agency that administers the program or contact USDA through the Telecommunications Relay Service at 711 (voice and TTY). Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027 (PDF), found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call 866-632-9992. Submit your completed form or letter to USDA by:

1. mail:
   U.S. Department of Agriculture
   Office of the Assistant Secretary for Civil Rights
   1400 Independence Avenue, SW, Mail Stop 9410
   Washington, D.C. 20250-9410;

2. fax:
   202-690-7442; or

3. email:
   Program.Intake@usda.gov.

This institution is an equal opportunity provider.

ALTERNATE VALUE PASS-THROUGH SYSTEMS PROGRAM AGREEMENT

Eligible Sponsor Agreement
NORTH DAKOTA DEPARTMENT OF PUBLIC INSTRUCTION
CHILD NUTRITION AND FOOD DISTRIBUTION PROGRAMS
Revised (5/2026)

This agreement is with the Sponsor

Name of Sponsor:		
Address:		
City	State	Zip Code

Hereinafter referred to as the **Sponsor**

This Agreement applies to participation in Alternate Value Pass-Through Systems (AVPTS), including the Department of Defense Fresh Fruit and Vegetable Program (DoD FFVP), Fee for Service through a Distributor (FFSD)and, Net off Invoicing (NOI).

Sponsors participating in these programs shall operate in accordance with 7 CFR Part 210, 7 CFR Part 250, USDA Food and Nutrition Service (FNS) policy, and applicable federal and state procurement requirements.

GENERAL PROGRAM ADMINISTRATION

1.Entitlement

Entitlement is earned based on the federal per-meal assistance rate multiplied by eligible meal counts. Entitlement represents federal purchasing authority, not a cash balance. Entitlement is subject to availability of USDA Foods and federal procurement outcomes.

2. Entitlement Estimates and Procurement Variability

Entitlement values, projected USDA Foods availability, and case cost/food values provided during planning, survey, or ordering periods are estimates based on projected market pricing and anticipated federal procurement activity. Final product costs and purchasing determinations are established by USDA at the time of federal procurement and may increase or decrease due to market conditions, vendor responses, product availability, or other federal purchasing factors.

The State Agency reserves the right to make necessary program adjustments. Such adjustments may include, but are not limited to:

- Shifting pounds between Sponsors
- Modifying product quantities
- Reallocating entitlement balances
- Canceling or adjusting truckloads
- Conducting sweep activities

If certain products are unavailable, not procured by USDA, or cannot be purchased as planned, the State agency will make reasonable efforts to offer alternative USDA Foods options to allow Sponsors to utilize available entitlement.

All adjustments will be made in accordance with federal regulations, inventory management, and statewide equity.

3. Inventory Management and Sweeps

The State Agency is responsible for ensuring timely utilization of USDA Foods. USDA monitors state-level inventory and processor-held inventory. To maintain compliance and inventory turnover, the State Agency may conduct sweep activities. Sweep activities may include returning unused pounds to the State account and reallocating such pounds based on demand.

DOD FRESH FRUIT AND VEGETABLE PROGRAM (DOD FFVP)

State Agency Responsibilities

1. Each school year, NDDPI will allocate entitlement dollars for DoD FFVP based on Sponsor request during renewal.
2. NDDPI is responsible for all unused allocations. Any balance(s) as of the last day of school are returned to USDA as unspent funds.
3. Sponsors with repeated patterns of significant unspent funds may be removed from the program.
4. NDDPI may reallocate unused entitlement to other Sponsors. The State will notify the affected Sponsor of the reallocation.

Sponsor Responsibilities

1. Submit requested DoD entitlement during renewal.
2. Monitor entitlement balances in FFAVORS.
3. Utilize entitlement balance by the end of the school year.

NET OFF INVOICING (NOI)

State Agency Responsibilities

1. NDDPI will purchase USDA Foods based on Sponsor demand and available funding.
2. Pounds of USDA Foods allocated do not belong to the Sponsor until processed into finished product and delivered.
3. NDDPI will monitor procurement compliance for further processed foods, including:
    a. Solicitation documentation
    b. Bid award documentation
    c. Contracts
4. NDDPI will report allocations to processors for entry into K-12 Foodservice or Processor Link.
5. NDDPI will monitor balances to ensure timely utilization.
6. NDDPI may reallocate unused pounds Sponsors are not drawing down in a timely manner. Prior to any reallocation or sweep, NDDPI will communicate with the Sponsor to review unused or low usage balances. Sponsors can submit a utilization plan, if the state approves the plan, the state will allow additional time for the Sponsor to use the pounds. Plan will be evaluated on a case-by-case basis. Pounds will not be swept without prior communication with the Sponsor

7. All Balances remaining as of May 31 will be swept into account.
8. DPI will enter into State Participation Agreements with USDA-approved processors annually.
9. DPI will review monthly processor performance reports.

Sponsor Responsibilities

1. Submit annual demand to NDDPI per the set annual due date.
2. Procure further processed products using compliant procurement methods pursuant to federal regulations.
3. Enter awarded distributor information into K-12 Foodservice and/or Processor Link prior to ordering.
4. Monitor balances to ensure adequate pounds are available for USDA value discounts.
5. Monitor proper USDA value is being deducted from invoices
    a. If improper discount is received, Sponsor must correct it with their awarded distributor.
6. Complete all Net of Invoice (NOI) purchases by May 31. Transactions after May 31 may be billed at commercial pricing.
    a. The May 31 deadline is subject to change at the discretion of the State Agency. The State Agency will make reasonable efforts to communicate any changes to the Sponsor as soon as practicable once the State becomes aware of the need for an adjustment.
    b. If May 31 falls on a weekend or holiday, the pounds will be swept on the nearest business day.
    c. Sponsors should place orders at least one week prior to the sweep day to allow for sufficient time for delivery and billing. Transactions that happen after the sweep with be charged at commercial pricing.

SIGNATURE

By signing below, the Sponsor acknowledges understanding and agreement with the terms outlined above.

Sponsor Representative: ___________________________
Title: ____
Date: ____