As you know, the new Office of Management and Budget (OMB) Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations) raised the threshold for requiring an audit from $25,000 to $300,000 for fiscal years beginning on or after July 1, 1996. It was codified into a new 7 CFR 3052 on August 29, 1997 and is identical to the revised Circular A-133 which was transmitted to you by Financial Management on September 22, 1997.

With the higher threshold the State Agency (SA) may not impose an additional audit requirement on entities receiving less than $300,000 in accordance with 7 CFR 3052.200(d). SAs also cannot reimburse sponsors for the cost of audits conducted at the discretion of the sponsor which are not required in accordance with the provisions of the circular or this memorandum. It is important to note, however, that 7 CFR 3052.230 (b)(2) introduces a new concept for monitoring subrecipients which do not qualify for an A-133 single audit or program specific audit. This new concept uses limited scope audits.

Limited scope audits must be arranged and paid for by the pass-through entity, SA, using State Administrative Expense (SAE) Funds, Child and Adult Care Food Program 2 percent funds, or State Administrative Funds, as appropriate. Funding for limited scope audits only applies to agreed-upon procedures and engagements conducted in accordance with either the American Institute of Certified Public Accountants generally accepted auditing standards or attestation standards; i.e., "with respect to the items tested in all material respects nothing came to our attention that caused us to believe that subject organization had not complied."

Limited scope audits may only address one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting. A limited scope audit is narrower in scope than an A-133 single audit or program-specific audit, in which the auditors perform such procedures as will, in their professional judgment, support the expression of an opinion on financial statements and on programmatic compliance.

If you have any questions, please call our office at (303) 844-0355.

Ann C. De Groat
ANN C. DEGROAT
Regional Director
Child Nutrition Programs

AN EQUAL OPPORTUNITY EMPLOYER.
Subject: Crediting of Salsa in the Child Nutrition Programs (SP98-3)

To: Regional Director
   Special Nutrition Programs
   All Regions
   Assistant to Regional Administrator
   WRO

Nutrition Coordinator
Food and Nutrition Service
SWRO, SERO

Nutrition Director
MWRO, MPRO

Over the past year, the Food and Nutrition Service (FNS) has been asked by school food service professionals and the food industry to review the crediting policy for salsa. Please note that salsa always could and still can be used for meals planned under a nutrient based menu planning system, as long as the nutrient information for the product has been obtained. However, to this date all salsa, including the commodity product provided by the U.S. Department of Agriculture (USDA), has received no credit towards the vegetable/fruit component of Child Nutrition Program meals planned under a food based menu planning system. After reviewing this position, as discussed below, the Department has established a new policy to allow crediting of salsa following certain criteria.

Several years ago, when the crediting of salsa was first considered, the decision to not allow the product to receive credit in the school meals program was based on two general factors. First, salsa was considered to be used as a condiment, that is it was mainly used to enhance the flavor and appeal of a dish and was generally used in amounts smaller than one-eighth cup. These smaller garnish amounts were not counted towards the vegetable/fruit requirement because the amount was often not controlled and an accurate determination of their contribution to the meal could not be made. Second, salsa was a formulated product with no standard of identity, therefore, it could and often did contain non-vegetable components like modified food starch, gums and stabilizers. Furthermore, because the formulas for salsa were the proprietary information of the food manufacturers, there was no way for a school to determine the actual amount of vegetable the salsa contained.

In recent years, salsa has become widely accepted by children, and menu planners now use it more in the role of a vegetable side dish in amounts greater than one-eighth cup. At the same time, the Department has made a commitment to maintain flexibility in all menu planning options to help program participants serve lower fat, healthy meals. Because salsa is no longer being used primarily as a condiment and because there are numerous products available that contain only vegetable ingredients, the Department’s policy is now changed to allow credit for the use of salsa in a reimbursable meal. Salsa may receive credit under the following criteria. First, as with any vegetable/fruit component, the minimum amount that can be used to receive credit is one-eighth cup. Second, for products that contain all vegetable ingredients plus minor amounts of spices or flavorings, one hundred percent of the product may be used to meet the volume requirement. The USDA commodity salsa fits into this category. For products that contain non-vegetable components, like gums, starches or stabilizers, only that portion of the product that is a
vegetable ingredient may be counted towards the volume requirement. It is the responsibility of the purchaser to maintain documentation on the percentage of vegetable in a product. This will need to be supplied and documented by the manufacturer or can be written into a product specification that goes out for bid.

FNS will not approve or verify any manufacturer products or fact sheets, but will continue to be available to answer technical questions on products.

Patricia N. Daniels  
Director  
Nutrition and Technical Services Division

Stanley C. Garnett  
Director  
Child Nutrition Division