



Commodity Management

US Foods became a key participant in commodity management at the inception of the USDA's NOI pilot program. Due to our advanced technology and our commitment to improving K12 processing programs for donated foods, we quickly became the industry leader in NOI commodity tracking and distribution. Our Commodity Management Program is currently housed in both our Port Orange, Florida Area Hub, as well as the National Service Center in Tempe, Arizona.

US Foods Regional School Department is very proud of its over 115 years of experience and knowledge regarding USDA Commodity Foods, both processed and brown box. The management team has two members of the original NOI pilot distribution program on staff. Craig Keppen, who not only had the responsibility of the overall management of the pilot, but Martha Ilasenko as well, who was instrumental in the successful launch of the program in Florida. In addition, Craig spent over two years as the President of a company whose products contained multiple commodity components and could draw down as many as four banks. He also dealt extensively with USDA audits and the SEPDS processes. This experience from the manufacturer's perspective has added valuable insight on how to maximize the use of commodity products. Martha was at the center of US Foods implementation of the NOI pilot program and her knowledge and experience has been utilized by other US Foods Divisions to assist in developing their markets.

US Foods fully understand their responsibilities for managing and reporting USDA Commodity products. All USDA products are handled and stored in accordance with all Federal and State regulations. To assist in maintaining the integrity of your products, we have systems in place that automatically compare new receipt dates with on hand inventory dates to ensure FIFO rules are followed. To help ensure that US Foods is aware of any changes or developments within the commodity processing industry, we are a proud member of ACDA. US Foods understands the value of USDA Commodity products to your business and the importance of having accurate and timely tracking processes and reports available to you. US Foods is dedicated to providing you with all industry approved Commodity programs available. US Foods has the current capability of tracking 99 separate commodity processing vendors per RA. We presently track 39 for an RA. In addition, our proprietary system is tracking 1,003 individual commodity banks for approximately 110 Florida/Georgia RA's. US Foods also has the unique capability of being able to provide multiple discounts on a single item. For example, if a district has funds available to draw down three separate ingredients for pizza; flour, cheese, and tomato sauce; US Foods can reduce the banks simultaneously and display all three discounts on separate lines of the customer invoice. US Foods' industry leading performance in the management of processed commodities has been recognized by Fidelis Information Systems (ProcessorLink), as well as various commodity manufacturing partners.





- ✓ **Net off Invoice:** US Foods is set-up nationally with numerous companies to provide Commodity Net Off Invoice Programs. US Foods is currently exchanging data with nationally recognized commodity tracking websites K12 and Fidelis Processor Link. US Foods also works with a variety of vendors who have independent verification processes and we administer those programs as well. All transactions meet the USDA guideline requirements.
- ✓ **Fee for Service & Modified Fee for Service:** US Foods is structured to receive, store and deliver products from manufacturers that are approved for Commodity Fee for Service and Modified Fee for Service programs as required by the USDA guidelines. Reporting is accomplished in the same manner as for NOI products.

Total estimated dollar value of USDA commodity foods distributed to school districts during the 2017 – 2018 SY.

Direct Diversion Commodity (NOI/FFS/MFFS) Reported through K12 and Processorlink:
\$86,752,319
1,984,994 cases

Additional cases tracked manually due to the processors chosen by Districts not participating in the above websites. (Nardones, etc.)

US Foods understand the importance of the USDA material code in managing all commodities. As such, these codes are utilized to ensure correct items are ordered. Our regulatory compliant procedures for processing orders through website reconciliation are described below:

- ✓ Direct Diversion Commodity allocations are made known to US Foods through the websites of the companies approved to process Commodity Net off Invoice programs. The total is then entered into US Foods proprietary commodity system and verified for accuracy against the websites' totals. Daily USDA Commodity Activity notifications are provided by the websites to US Foods. These notifications highlight new or deactivated school district assignments, allocation, carryover, transfers, and shipment by the manufacturers to allow us to reconcile our internal balances.
- ✓ Pass Through Values (PTV) posted on the websites are entered into the US Foods proprietary commodity system and verified against vendor contracts for accuracy. Depending on the composition of the item, it is loaded as either Independent, which is an item that can draw down on any ingredient bank available, or Dependent which requires specific, multiple ingredient banks contained within that product to receive the drawdown.



- ✓ Next, each eligible customer number is attached to the master RA number, which is provided by the State. This allows proper utilization of allocated commodity funds to eligible RA's.
- ✓ The commodity bank is now entered into the US Foods proprietary commodity system under the appropriate RA number. If there are replacement banks available to produce an item, then US Foods must prioritize the drawdown sequence.
- ✓ The input and verification of the allowance and charge code is tied to the correct customers and US Foods item codes. This procedure allows the final pass through values to be provided.
- ✓ Fee for Service and Modified Fee for Service items are managed by US Foods in the same manner as NOI items. The only exception that applies to these products is that they are marked as 'Proprietary' and can only be purchased by authorized RA's.
- ✓ US Foods conducts Daily NOI audits to balance banks. Transaction verifications are done with websites. Shipped dollars vs. reported dollars are also reviewed for accuracy. US Foods provides velocity reports to RA's and discrepancies are investigated. Case audits are completed as necessary to determine shipped vs. reported.
- ✓ Weekly audit verifies customer discount was billed accordingly to vendor. Any discrepancies between vendor billing and customer discounts are identified and debits and credits are issued to the RA or vendor as appropriate.
- ✓ To assist the RA's in managing their allocation balances, US Foods provides weekly reports that provide item identification, balance tracking, and average weekly usage and percentage of allocation utilized.
- ✓ As a final value-added service to all stakeholders, US Foods suspends Direct Diversion Commodity activity during the month of July to allow annual reconciliation of bank balances and input of new allocations and PTV's.
- ✓ US Foods leads the industry in NOI and Modified Fee for Service programs. US Foods, unlike many of its competitors, can track multiple commodities within a particular product. US Foods proprietary commodity management system allows for the management of as many as 24 commodity PTV discounts for a single item. Currently, we manage items with as many as 5 PTV discounts per item.

The vendor - distributor Net Off Invoice agreement and the RA – distributor agreement finalize this process.