



NORTH DAKOTA DEPARTMENT OF
PUBLIC INSTRUCTION
Child Nutrition and Food Distribution

USDA Foods in School Procedures Manual



HEALTHY CHOICES
AMERICAN GROWN

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USDA Foods in Schools:

- Purchases about 2 billion pounds of food from American farmers each year
- Provides high-quality, 100% American-grown food, to schools, child-care facilities, and institutions that participate in child nutrition programs, including the National School Lunch Program (NSLP), the Child and Adult Care Food Program (CACFP), and the Summer Food Service Program (SFSP)
- Meets food safety and nutrition standards for all foods purchased and provided to child nutrition program operators
- Adds versatile, budget-friendly options for schools and institutions to provide our Nation's children with appealing, healthy meals.

USDA Supports American Agriculture

USDA has a dual mission of providing healthy food to children and supporting American farmers. All USDA Foods products are grown, processed, and packaged in the United States or territories.

USDA Foods includes many high-quality fruits, vegetables, dairy products, whole grains, and protein foods, including lean meats. USDA Foods are available using these three methods:

- Direct Delivery
- Bulk for Processing
- USDA Department of Defense (DoD) Fresh Fruit and Vegetable Program

USDA Offers Nutrient-Dense Options in Each food Group

- **VEGETABLES:** Fresh, frozen, and canned options from all five vegetable subgroups: dark green, red/orange, beans/peas, starchy, and others. No salt added frozen vegetables, and either low-sodium or no salt added canned vegetables and beans.
- **FRUITS:** Fresh, frozen, canned, and dried options range from individual portions to bulk for processing. Canned fruits are either unsweetened or packed in extra light syrup.
- **MEATS/MEAT ALTERNATES:** A variety of nutrient-dense protein options include lean meats, poultry, fish, beans, cheese, nuts, and eggs.
- **WHOLE GRAINS:** A variety of whole-grain food options, including cereals, flour, pasta, rice, and tortillas

USDA Foods Entitlement

- USDA Foods is a federal program administered to Sponsors through the State Distributing Agency (SDA). Each school year (SY), State Distributing Agencies (SDAs) receive an allocation of entitlement dollars to request USDA Foods selected and purchased by USDA.
- Each Sponsors entitlement dollars are calculated by multiplying the number of lunches claimed in the previous school year (SY) by the established USDA per meal rate.
 - Example: School District Awesome served 68,550 school lunches in the school year 2021-2022.
 - $68,550 \text{ (total meals)} \times .3960 \text{ (current USDA per meal rate)} = \$27,145.80$
Entitlement dollars for SY 22-23
- The USDA per-meal rate is based on a formula defined in Section 6 of the Richard B. Russell National School Lunch Act (NSLA). It includes an annual adjustment that reflects the three-month average value of the Price Index of foods used in schools and institutions. It is updated each year in July. This entitlement is issued to states that communicate allocations, known as the Planned Assistance Level (PAL), to each RA according to the number of meals they claim. The yearly meal rate published by USDA can be found at: <https://www.fns.usda.gov/school-meals/rates-reimbursement>

The goal is for the Sponsor to spend 100% of their entitlement funds. The State is responsible for redistributing PAL from Sponsors who do not use it to Sponsors who can. Unused entitlement funds DO NOT roll over into the next school year.

Entitlement can be spent by participating in:

- Direct delivery (brown box)
- Direct Diversion/Processing
- DoD Fresh Fruit and Vegetable Program

Direct Delivery

USDA procures and ships finished products to the North Dakota Department of Public Instruction State-contracted warehouse to be distributed to Sponsors across the State. North Dakota is a demand-driven State and only orders what Sponsors request. Sponsors are surveyed through a annual and monthly surveys.

Direct Diversion/Processing

USDA Foods Processing allows State Distributing Agencies to contract with commercial food processors to convert raw bulk USDA Foods into more convenient, ready-to-use end products. USDA Foods Processing is governed by regulations contained in the Code of Federal Regulations at [Title 7, Part 250, Subpart C](#).

DoD Fresh Fruit and Vegetable Program

The USDA Department of Defense (DoD) Fresh Fruit and Vegetable Program (USDA DoD Fresh) allows schools to use USDA Foods entitlement dollars to buy fresh produce. USDA DoD Fresh operates through a partnership between the USDA and the DoD Defense Logistics Agency (DLA) and the State distributing agencies in each participating State. Either SDAs or their schools place orders directly through the Fresh

Fruit and Vegetable Order Receipt System (FFAVORS) for various available, American-grown fresh produce. Sponsors can request their SDA to allocate a portion of their planned assistance level for DoD Fresh purchases. The Sponsor planned assistance level is drawn down as produce orders are delivered.

Sponsors participating in the DoD Fresh program must complete the alternate value pass-through systems program agreement. A copy of this agreement is in the back of this procedure manual.

State Match

USDA regulations require States to match funding to assist schools with the USDA Food Program. Annually, North Dakota allocates approximately \$690,000 of State match funds to Sponsors participating in the National School Lunch Program (NLSP) and the USDA School Food Distribution Program (SCH). NDFoods tracks each Sponsor's State Match and uses it to pay for all warehouse and transportation expenses associated with the storage and delivery of USDA Foods. Once State Match funds are depleted, the system generates an invoice for warehouse and transportation fees to the Sponsor. Sponsors with remaining State match balances are paid out at the end of the school year.

Direct Diversion - Value Pass-Through (VPT) Systems

Federal law requires that Sponsors receive the full value of their USDA Foods. When processing, this value must be passed through to the Sponsor by the processor. The method used to credit the receiving agency is called the value pass-through (VPT). There are four primary forms of VPT methods, with variations in each. North Dakota participates in two of the four primary forms of VPT methods: Fee for Service (through the State) and Net off Invoice (NOI).

Fee for Service

The processor must sell the end product to the distributing agency (the State) as appropriate, at a fee for service (processing fee), which includes all costs to produce the end products, not including the value of the donated foods (USDA bulk Food item) in production.

- The Sponsors will request processed food through the monthly surveys in NDFoods. The State will place the orders with the manufacturer. The manufacturer will ship the product to the State contracted warehouse (Booth), and Booth will then ship the product to the school.
- Once the school receives the product, the State will bill the school for the processed fees.

Net off Invoice

Net Off Invoice is an approved value pass-through method for processing USDA Foods. The processor sells end products containing USDA Foods to a commercial distributor at the commercial price. Then the distributor sells the end products to the Sponsor at a discounted net price.

- The Sponsor's Responsibilities are outlined in the alternate value pass-through systems program agreement
- Sponsors participating in the NOI program must sign the alternate value pass-through systems program agreement listed at the back of this procedure manual. Once signed, turn the agreement into the State

Sponsor's Responsibilities

- Complete Monthly, Pre-Annual & Annual food Surveys
- Monitor Balances/Pay Invoices
- Complete the SCH program renewal
- Receive USDA Food Emails
- Report USDA Food Complaints
- Accessing data in NDFoods
- Receive monthly USDA Food Brown Box Deliveries
- Managing Recalls
- Inventory Management of USDA Foods

Completing Surveys – Pre-Annual, Annual, Monthly, and Processing

- Pre-Annual (December/January)
 - The pre-annual survey will be available after USDA publishes their complete list of foods for the upcoming school year
 - The State will compile a survey of the entire USDA Food list – the survey allows schools to choose their food preference before the annual food survey is published
 - Once the pre-annual survey is completed, the State will take the highest-rated items by popularity to list on the annual food survey
- Annual Survey (Late February)
 - The annual survey assists the State in determining the demand for the USDA Foods
 - The State annualizes the results from the pre-annual survey to determine what USDA Foods to include in the annual food survey
 - The survey is completed in NDFoods
 - The items/case quantities that are requested on the annual survey are what you will receive for the upcoming school year if the purchases are successful – for example, the annual survey will be posted in February of 2022 for the school year 22-23
- Monthly Food Surveys (August – April)
 - The monthly surveys are your USDA Food orders
 - A survey schedule is provided by the State and is also listed on the [website](#)
 - Individuals assigned as the USDA Food Rep in NDFoods will receive an email notification when the monthly food survey is available
 - While completing the monthly survey, sponsors should use the amounts they had put on the annual survey
- Processing Food Survey
 - The processed food survey comes out annually (usually in early fall)
 - The survey asks for feedback on USDA's further processed foods offered through the State

Monitor Balances/Pay Invoices

- Once the Sponsor receives their delivery, the State will generate an invoice for the cost of the processed foods received
- Sponsors will receive an email notification that the invoice has been created – Sponsors have to log into NDFoods to access the invoice – then send payment via check to the State
- The payments are due to DPI within 30 days of the receipt of the invoice
- If a sponsor has a 90-day past due balance, the Sponsor will not be able to get processed foods

Complete the SCH program renewal

- Sponsors are required to complete the SCH renewal in NDFoods annually in January – The individuals assigned the role of authorized rep for SCH are responsible for the completion of the renewal
- When completing the SCH renewal, Sponsors will:
 - Update Sponsor details
 - Update Individuals details
 - Each Sponsor should have two USDA Food Reps assigned in NDFoods
 - The USDA Food Rep information must be accurate – The USDA Food Rep receives all correspondence from the State about USDA Foods
 - Each Sponsor should have two invoice contacts
 - Verify/update email addresses, phone numbers, etc.
 - Site Details
 - Verify that sites are server OR server and delivery
 - Server means that the site serves meals; the site DOES NOT accept the monthly USDA Food Deliveries. Server and delivery are the sites that accept deliveries and serve meals.
 - Participation in DoD Fresh Program (if applicable)
 - If you choose to participate in DoD Fresh, the Sponsor will put in the amount of entitlement funds that you would like to allocate to the program
 - NDFoods will have a suggested amount per delivery site – the Sponsor can edit this
 - A sponsor should have at least one DoD contact in NDFoods
 - Authorized Representatives completing the SCH renewal should verify with their food service director the amount of funds to be allocated

USDA Food Emails and USDA Food in Schools Update

- USDA Food reps are responsible for receiving emails regarding the USDA Food in school program. Information sent through emails will include, but is not limited to:
 - Survey notifications – the USDA Food rep will receive an email notification regarding food surveys available in NDFoods.
 - Information about customer orders
 - Recall information
 - Invoice Notifications
- USDA Foods reps should be reading the USDA School Food Updates. The updates are sent to USDA Food reps via email
 - The USDA school food updates can be counted toward professional development hours

Reporting USDA Food Complaints

- Sponsors should report any USDA Food complaints by email. The complaints should include the listed information:
 - Name of the school and the person submitting the complaint
 - Product name
 - Description of the problem
 - Date or month received
 - Pack date or best if used by date
 - Quantity of product affected & remaining product quantity
 - Any codes on the product or case
 - Pictures of damages or information on the package or case

Accessing Data in NDFoods

- USDA Food reps should be set up as a user in NDFoods. Individuals will need an ND login to access NDFoods.
- Sponsors can access food surveys, customer orders, and processing invoices in NDFoods

Receiving Monthly USDA Food Brown Box Deliveries

Delivery Responsibilities (Booth Delivery Service Staff):

- Booth Delivery Services is responsible for notifying schools of their upcoming delivery. Schools will be notified, via email, two to three days before their delivery day.
- Booth Delivery Services will deliver USDA Foods listed on the customer order copy of the manifest. The driver will put the foods in the kitchen area, dry storage, cooler storage, and freezer storage areas. Booth Delivery will work with each school individually to determine the best location to leave the USDA Foods. Please note that it is not the driver's responsibility to put the food away but deliver it to the agreed location.
- Booth Delivery Services will require that an authorized school representative signs the signed copy of the manifest.
- Delivery hours are between 7:30 a.m. and 4:00 p.m. unless otherwise arranged with and agreed to by the school. The driver will contact the school and request to make the necessary arrangements. The Booth delivery driver will leave the customer order copy with the school.

Recipient Responsibilities (School Staff):

- The school's authorized representative will check the quantity, type, and condition of all receipted products against the customer order copy of the manifest provided by Booth Delivery staff.
- When unloading is complete, the recipient must sign a copy of the signature sheet. The authorized representative will be responsible for noting any quantity or damaged foods discrepancy on the signature sheet. At a minimum, the recipient must conduct a total case count of the product delivered and match the physical count with the case count listed on the customer order copy or signature sheet.
- Schools are not required to assist drivers in unloading the truck.

Managing Recalls

Sponsors should be prepared, have recall procedures, and train staff on the recall procedures. Sponsors should take inventory of the recalled product and report the information to the State agency. Once the Sponsor is notified about a recall, the product(s) should be isolated and labeled so that the product is not used. The Sponsor should return the inventory information to the State within 48 hours or less and as soon as possible. The State will compile the data and report it to the appropriate entity.

Sponsors should have up-to-date contact information in the State Emergency Notification System (SENS). The USDA State Emergency Notification System (SENS) is a tool that allows State agencies to rapidly communicate critical food recall information to sponsors so they can remove contaminated food from distribution.

Inventory Management – Food Storage, Distribution & Product Dating

Proper ordering, inventory management, and storage practices are necessary to ensure that USDA Foods are distributed promptly and in optimal condition. Factors include the length of time and temperature at which food is held during storage and distribution, the characteristics of the food, and the type of packaging that will affect how long a product will remain at optimum quality. USDA school food inventory levels should not exceed 6 – months on hand.

Distributing and recipient agencies should use a first-in-first-out (FIFO) inventory management system by marking food cases or other containers with the date of receipt at the storage facility. However, distributing and recipient agencies should also note food product dates provided by the manufacturer. Products marked with the earliest end date (e.g., "best-if-used-by," "best-if-used-before," etc.) should be distributed first, even if those items were received after a similar item in inventory. Distributing and recipient agencies must manage their inventories to ensure that recipients have an opportunity to consume donated foods before product end dates have passed. For further guidance on the receipt and storage of donated foods, please refer to FNS Instruction 709-5, Revision 2, "Shipment and Receipt of USDA Foods," and regulatory requirements at 7 CFR 250.12 and 7 CFR 250.14.

Some products may not have dates printed on them. In such instances, distributing and recipient agencies should maintain records of when products are received and exercise effective inventory management and proper storage practices to ensure wholesomeness.

Product date term meanings:

- Product End Dates
 - A "**best-if-used-by**" or "**best-if-used-before**" date indicates when a product will be of the best flavor or quality. A "**use-by**" date is the last date the manufacturer recommends using the product at peak quality. A "**sell-by**" date is also a product quality indicator and is the date by which the manufacturer recommends that a store sell the food product for inventory management purposes
- Pack Codes, Date of Pack, and Manufacturing Dates
 - A "**pack code**," "**date of pack**," or "**manufacturing date**" is a series of letters and/or numbers that indicates when the product was packaged, processed, or manufactured. For example, some donated foods, such as canned items, may contain manufacturing dates that indicate when the products were manufactured. Certain donated fruits and vegetables, such as canned or frozen peaches, pears, green beans, and corn, may contain pack codes or a date of pack instead. Foods with pack codes or a pack date are

packed shortly after harvest and may be delivered throughout the following year or until the next harvest season. Thus, distributing and recipient agencies may receive products packed or manufactured in the previous year (e.g., a product packed in September 2017 may be delivered in July 2018).

- Packing or manufacturing dates should not be interpreted the same as best-if-used-by or best-if-used before dates. While they may help determine the age of a product, these codes do not necessarily provide valuable information on product wholesomeness or nutritional value
- Out-of-Condition Foods
 - **"Out-of-condition"** foods are foods that are no longer fit for human consumption due to spoilage, contamination, infestation, adulteration, or damage, per 7 CFR 250.2. Out-of-condition donated foods should not be consumed nor distributed regardless of product dates or when the foods were received. If there are no visible defects, but there is a question about the wholesomeness of donated foods, the distributing or recipient agency must have the foods inspected by State or local health authorities, as necessary, to ensure the donated foods are still safe. As directed in 7 CFR 250.15, the distributing or recipient agency must follow food recall and complaints procedures, as applicable, and ensure that out-of-condition donated foods are removed, destroyed, or otherwise disposed of, under FNS instruction and State or local requirements about food safety and health.

In accordance with federal civil rights law and US Department of Agriculture (USDA) civil rights regulations and policies, this institution is prohibited from discriminating on the basis of race, color, national origin, sex (including gender identity and sexual orientation), disability, age, or reprisal or retaliation for prior civil rights activity. Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language), should contact the responsible State or local agency that administers the program or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. To file a program discrimination complaint, a Complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form which can be obtained online at: <https://www.usda.gov/sites/default/files/documents/USDA-OASCR%20P-Complaint-Form-0508-0002-508-11-28-17Fax2Mail.pdf>, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

1. mail:
US Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, DC 20250-9410; or
2. fax:
(833) 256-1665 or (202) 690-7442; or
3. email:
program.intake@usda.gov

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ALTERNATE VALUE PASS-THROUGH SYSTEMS PROGRAM AGREEMENT

Eligible Sponsor Agreement

NORTH DAKOTA DEPARTMENT OF PUBLIC INSTRUCTION

CHILD NUTRITION AND FOOD DISTRIBUTION PROGRAMS

Revised (6/2022)

This agreement is with the Sponsor:

Name of Sponsor:		
Address:		
City	State	Zip Code

North Dakota school districts utilizing the Department of Defense Fresh Fruit and Vegetable Program (DOD FFVP), Net-off Invoicing (NOI) must adhere to the following guidelines. Suppose at any time, during the program year; a school district does not adhere to the guidelines presented in this agreement. In that case, DPI reserves the right to discontinue participation of the Sponsor in any of the Alternate Value Pass-Through Systems approved by the State of North Dakota.

DOD Fresh Fruit and Vegetable Program (DOD FFVP)

State Responsibilities

1. DPI will allocate entitlement dollars for the DOD FFVP per the sponsor's requested amount each school year.
2. DPI is responsible for all unused funds in the DOD FFVP. Any balance(s) as of the last day of school is returned to USDA as unspent funds.
 - a. Sponsors participating will be evaluated at the end of each school year to determine whether or not funds were spent promptly. Repeat occurrences of unspent funding will result in removing a sponsor from the program.
3. For sponsors with significant balances, little activity, and no activity, the State will reallocate unused entitlement funds to the other sponsors. The State will notify the affected sponsor (s) regarding the re-allocation and will re-distribute accumulated funds to the interested sponsor (s).

Sponsor Responsibilities

1. The sponsor must submit their requested DOD entitlement amount to DPI during the SCH renewal.
2. Monitor the amount of DOD FFVP entitlement in FFAVORS Web to ensure adequate balances are available for purchases and promptly used entitlement.
3. All DOD FFVP purchases must be complete by the end of the school year.

Net off Invoicing (NOI)

State Agency Responsibilities

1. DPI will purchase USDA bulk food per the sponsor's requested amount each school year. Pounds of USDA bulk food allocated do not belong to the sponsor until those pounds have been processed into a finished product and delivered to the sponsor.
2. DPI will report the sponsor's allocations of USDA food pounds to each processor to be entered into either K12 Food Service or Processor Link by June 30.
3. DPI will monitor pound balances to ensure pounds are drawn down promptly.
 - a. DPI will allocate additional pounds of USDA food for NOI items only after receiving a written (email) request from the sponsor and if pounds and entitlement are available.
 - b. Establishes and enforces policies that ensure inventory levels at RA's and processors – conform with limits set in USDA regulation.
 - c. State will sweep all remaining pounds at the sponsor level into the State account on May 31.
4. If the Sponsor is not drawing down promptly, the State may allocate pounds to another sponsor.
 - a. DPI is responsible for all unused balances of USDA foods at a processor at any given time.
5. DPI will enter into a State Participation Agreements with USDA- approved processors at the beginning of each program year.
6. DPI receives and reviews the processor's monthly performance reports
 - a. Monitors all inventory – per USDA regulation, inventory cannot exceed six months on hand
7. DPI will monitor the procurement of items purchased using NOI. DPI will review the sponsors procurement documents, including but not limited to:
 - a. Solicitation documentation (RFP, IFB, etc.)
 - b. Bid award
 - c. Contracts

Sponsor Responsibilities

1. Sponsors must submit their demand of bulk product per manufacturer to DPI by the due date set by DPI.
2. Sponsors must procure the food items using the appropriate procurement method.
 - a. The sponsor must notify DPI of the awarded distributor and the distributors warehouse facility no later than August 1.
 - b. The sponsor must submit their awarded items to DPI by July 1.
3. The Sponsor must enter the awarded distributor(s) and location into the K12 Food Service and Processor Link websites before placing any orders for NOI items for the school year.
4. Once USDA food pounds have been delivered to a specific processor, the pounds cannot be moved to a different processor without prior approval from DPI.
5. Sponsors are responsible for monitoring the number of pounds in K-12 Food Service and Processor Link to ensure adequate balances are available to purchase items to receive the USDA value discount.
 - a. Once balances are zero, no transfers will be made from the State account. The sponsor must purchase the commercial product at the full commercial price. Under circumstances, pounds (if available) can be transferred from the state account to the sponsors with DPI approval. In writing (email), the sponsor must notify DPI if additional pounds are needed.
6. Sponsors are responsible for conducting sales verification to ensure that they receive USDA foods' value for all NOI items.
7. Sponsors must notify DPI of any issues with a distributor not correctly crediting for USDA foods when pounds are available in K12 and Processor Link.
8. All purchases must be completed by May 31. Any transactions that come through after May 31 will be billed to the sponsor at commercial pricing.

Sponsor Signature	Date
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2. fax:
(833) 256-1665 or (202) 690-7442; or
3. email:
program.intake@usda.gov

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DIRECT DIVERSION TIMELINE

October/November

- DPI meets with Advisory Council
 - Discuss State contracts renewals
 - Discuss processed food survey results & new food interest
 - DPI and council create food specifications

November/December

- CNFD and Fiscal create State solicitation
- The State solicitation will be posted on the ND State Procurement website (approximately 21 days)

December/January

- Tasting Testing

January/February

- Award State Contracts
- Sponsors that participate in the Net off Invoice (NOI) program provide their demand of bulk products per manufacturer to DPI (one week before the annual survey is posted)

March through August

- Sponsors that participate in NOI must notify DPI of the awarded distributor and the distributor's warehouse facility no later than August 1
- Sponsors that procure their NOI must submit their awarded items to DPI before placing any orders no later than August 1
- Sponsors must enter the awarded distributor(s) and location into the K12 Food Service and Processor Link websites before placing any orders for NOI items for the school year

August through May

- Sponsors monitor monthly inventory at processors
 - Monitor the number of pounds in K-12 Food Service and Processor Link to ensure adequate balances are available to purchase items to receive the USDA value discount
 - Conduct sales verification to ensure that they receive the USDA food value for NOI items
- The State will sweep any unused pounds at the Sponsor level into the State account on May 31
 - Sponsors should be placing orders at least one week before sweep to, allow for adequate time for distributors to deliver and bill items