but may be defined to include border areas in adjacent States. Under no circumstances can produce grown outside of the United States and its territories be considered eligible foods.

(b) The value of the Federal benefits received. The value of the Federal FMNP benefit received by each recipient, or by each family within a household in those States which elect to issue benefits on a household basis under § 248.6(c) may not be less than $10 per year nor more than $30 per year.

§ 248.9 Nutrition education.

(a) Goals. Nutrition education shall emphasize the relationship of proper nutrition to the total concept of good health, including the importance of consuming fresh fruits and vegetables.

(b) Requirement. The State agency shall integrate nutrition education into FMNP operations and may satisfy nutrition education requirements through coordination with other agencies within the State. Such other agencies may include the WIC Program which routinely offers nutrition education to participants and which may wish to use the opportunity of the FMNP to reinforce nutrition messages. State agencies wishing to coordinate nutrition education with WIC shall enter into a written cooperative agreement with WIC agencies to offer nutrition education relevant to the use and nutritional value of foods available to FMNP recipients. In cases where relevant WIC nutrition education sessions are used to meet this requirement, reimbursement to the WIC local agency shall not be permitted. In cases where FMNP recipients are not receiving relevant nutrition education from the WIC Program, the State agency shall arrange alternative methods for the provision of such nutrition education which is an allowable cost under the FMNP.

§ 248.10 Coupon and market management.

(a) General. This section sets forth State agency responsibilities regarding the authorization of farmers, farmers’ markets, and roadside stands. The State agency is responsible for the fiscal management of, and accountability for, FMNP-related activities for farmers, farmers’ markets and roadside stands. Each State agency may decide whether to authorize farmers individually, farmers’ markets, roadside stands, or all of the above. All contracts or agreements entered into by the State agency for the management or operation of farmers, farmers’ markets and roadside stands shall conform with the requirements of 7 CFR part 3016, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

(1) Only farmers, farmers’ markets and roadside stands authorized by the State agency may redeem FMNP coupons. Only farmers authorized by the State agency or that have a valid agreement with an authorized farmers’ market may redeem coupons.

(2) The State agency shall establish criteria for the authorization of individual farmers, farmers’ markets and roadside stands. Any authorized farmer, farmers’ market and roadside stand must agree to sell recipients only those foods identified as eligible by the State agency, in exchange for FMNP coupons. Individuals who exclusively sell produce grown by someone else, such as wholesale distributors, cannot be authorized to participate in the FMNP, except individuals employed by a farmer otherwise qualified under these regulations, or individuals hired by a nonprofit organization to sell produce at farmers’ markets or roadside stands on behalf of local farmers.

(3) The State agency shall ensure that an appropriate number of farmers, farmers’ markets and/or roadside stands are authorized for adequate recipient access in the area(s) proposed to be served and for effective management of the farmers, farmers’ markets and/or roadside stands by the State agency.
agency. The State agency may establish criteria to limit the number of authorized farmers, farmers’ markets and/or roadside stands.

(4) The State agency shall ensure that face-to-face training is conducted prior to start up of the first year of FMNP participation of a farmers’ market and individual farmer. The face-to-face training shall include at a minimum those items listed in paragraph (d) of this section.

(5) Authorized farmers shall display a sign stating that they are authorized to redeem FMNP coupons.

(6) Authorized farmers, farmers’ markets and roadside stands shall comply with the requirements of Title VI of the Civil Rights Act of 1964, title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Department of Agriculture regulations on non-discrimination (7 CFR parts 15, 15a and 15b), and FNS Instructions as outlined in §248.7.

(7) The State agency shall ensure that there is no conflict of interest between the State or local agency and any participating farmer, farmers’ market and roadside stand.

(b) Farmers’ market agreements. The State agency shall ensure that all participating farmers’ markets enter into written agreements with the State agency. The agreement shall be signed by a representative who has legal authority to obligate the farmer, farmers’ market and/or roadside stand. The agreement shall be signed by a representative who has legal authority to obligate the farmers/farmers’ market. Agreements shall include a description of sanctions for noncompliance with FMNP requirements and shall contain at a minimum, the following specifications, although the State agency may determine the exact wording to be used:

(i) The farmer, farmers’ market and roadside stand shall:
   (i) Provide such information as the State agency may require for its periodic reports to FNS;
   (ii) Assure that FMNP coupons are redeemed only for eligible foods;
   (iii) Provide eligible foods at the current price or less than the current price charged to other customers;
   (iv) Accept FMNP coupons within the dates of their validity and submit such coupons for payment within the allowable time period established by the State agency;
   (v) In accordance with a procedure established by the State agency, mark each transacted coupon with a farmer identifier. In those cases where the agreement is between the State agency and the farmer, each transacted FMNP coupon shall contain a farmer identifier and shall be batched for reimbursement under that identifier. In those cases where the agreement is between the State agency and the farmers’ market, each transacted FMNP coupon shall contain a farmer identifier and be batched for reimbursement under a farmers’ market identifier.
   (vi) Accept training on FMNP procedures and provide training to farmers and any employees with FMNP responsibilities on such procedures;
   (vii) Agree to be monitored for compliance with FMNP requirements, including both overt and covert monitoring;
   (viii) Be accountable for actions of farmers or employees in the provision of foods and related activities;
   (ix) Pay the State agency for any coupons transacted in violation of this agreement;
   (x) Offer FMNP recipients the same courtesies as other customers;
   (xi) Comply with the nondiscrimination provisions of USDA regulations as provided in §248.7; and
   (xii) Notify the State agency if any farmer, farmers’ market and/or roadside stand ceases operation prior to the end of the authorization period.

(2) The farmer, farmers’ market and roadside stand shall not:
   (i) Collect sales tax on FMNP coupon purchases;
   (ii) Seek restitution from FMNP recipients for coupons not paid by the State agency;
   (iii) Issue cash change for purchases that are in an amount less than the value of the FMNP coupon(s).

(3) Neither the State agency nor the farmer, farmers’ market nor a roadside stand has an obligation to renew the agreement. Either the State agency or
the farmer, farmers’ market or a roadside stand may terminate the agreement for cause after providing advance written notification.

(4) The State agency may deny payment to the farmer, farmers’ market or roadside stand for improperly redeemed FMNP coupons and may demand refunds for payments already made on improperly redeemed coupons.

(5) The State agency may disqualify a farmer, farmers’ market or roadside stand for FMNP abuse. The farmer, farmers’ market or roadside stand has the right to appeal a denial of an application to participate, a disqualification, or a FMNP sanction by the State agency. Expiration of a contract or agreement with a farmer, farmers’ market or roadside stand, and claims actions under §248.20, are not appealable.

(6) A farmer, farmers’ market or a roadside stand which commits fraud or engages in other illegal activity is liable to prosecution under applicable Federal, State or local laws.

(7) Agreements may not exceed 3 years.

(c) Farmer agreements for State agencies which do not authorize farmers. Those State agencies which authorize farmers’ markets but not individual farmers shall require authorized farmers’ markets to enter into a written agreement with each farmer within the market that is participating in FMNP. The State agency shall set forth the required terms for the agreement and provide a sample agreement which may be used.

(d) Annual training for farmers/farmers’ market managers. State agencies shall conduct annual training for farmers/farmers’ market managers participating in the FMNP. The State agency shall conduct a face-to-face training for all farmers and farmers’ market managers who have never previously participated in the program prior to their commencing participation in the FMNP. After a farmer/farmers’ market manager’s first year of FMNP operation, State agencies have discretion in determining the method used for annual training purposes. At a minimum, annual training shall include instruction emphasizing:

(1) Eligible food choices;

(2) Proper FMNP coupon redemption procedures, including deadlines for submission of coupons for payment;

(3) Equitable treatment of FMNP recipients, including the availability of produce to FMNP recipients that is of the same quality and cost as that sold to other customers;

(4) Civil rights compliance and guidelines;

(5) Guidelines for storing FMNP coupons safely; and

(6) Guidelines for cancelling FMNP coupons, such as punching holes or rubber stamping.

(e) Monitoring and review of farmers, farmers’ markets, roadside stands and local agencies. The State agency shall be responsible for the monitoring of farmers, farmers’ markets, roadside stands and local agencies within its jurisdiction. This shall include developing a system for identifying high risk farmers, farmers’ markets, and roadside stands and ensuring on-site monitoring, conducting further investigation, and sanctioning of such farmers, farmers’ markets, or roadside stands as appropriate.

(1) Where coupon reimbursement responsibilities are delegated to farmers’ market managers, farmers’ market associations, or nonprofit organizations, the State agency may establish bonding requirements for these entities. Costs of such bonding are not reimbursable administrative expenses.

(2) Each State agency shall rank participating farmers, farmers’ markets and roadside stands by risk factors, and shall conduct annual, on-site monitoring of at least 10 percent of farmers, 10 percent of farmers’ markets and 10 percent of roadside stands which shall include those farmers, farmers’ markets and roadside stands identified as being the highest risk. Mandatory high risk indicators are a proportionately high volume of FMNP coupons redeemed by a farmer as compared to other farmers within the farmers’ market and within the State, recipient complaints, and farmers and farmers’ markets in their first year of FMNP operation. States are encouraged to formally establish other high risk indicators for identifying potential problems. If additional high risk indicators are established, they shall be set forth
in the farmers' farmers' market agreement and in the State Plan. If application of the high-risk indicators results in fewer than 10 percent of farmers and farmers' markets as high-risk, the State agency shall randomly select additional farmers and farmers' markets to be monitored in order to meet the 10 percent minimum. The high-risk indicators listed above generally apply to a State agency already participating in the FMNP. A State agency participating in the FMNP for the first time shall, in lieu of applying the high-risk indicators, randomly select 10 percent of its participating farmers, 10 percent of its participating farmers' markets, and 10 percent of its participating roadside stands for monitoring visits.

(3) The following shall be documented for all on-site farmers, farmers' markets, and roadside stands monitoring visits. At a minimum, documentation must include the names of the farmer, farmers' market or roadside stand and the reviewer; date of review; nature of problem(s) detected or the observation that the farmer, farmers' market or roadside stand appears to be in compliance with FMNP requirements; a record of interviews with recipients, market managers and/or farmers; and the signature of the reviewer. The State agency shall do so after a reasonable delay when necessary to protect the identity of the reviewer(s) or the integrity of the investigation. After the farmer/farmers' market has been informed of any deficiencies detected by the monitoring visit, and instances where the farmer/farmers' market will be permitted to continue participation, the farmer/farmers' market shall provide plans as to how the deficiencies will be corrected.

(4) At least every 2 years, the State agency shall review all local agencies within its jurisdiction. WIC State agency reviews of WIC local agencies, which include reviews of FMNP practices, may contribute to meeting the requirement that all local agencies be reviewed once every 2 years.

(f) Control of FMNP coupons. (1) The State agency shall control and provide accountability for the receipt and issuance of FMNP coupons.

(2) The State agency shall ensure that there is secure transportation and storage of unissued FMNP coupons.

(3) The State agency shall design and implement a system of review of FMNP coupons to detect errors. At a minimum, the errors the system must detect are a missing recipient signature, a missing farmer and/or market identification, and redemption by a farmer outside of the valid date. The State agency shall implement procedures to reduce the number of errors in transactions, where possible.

(g) Payment to farmers/farmers' markets. The State agency shall ensure that farmers' farmers' markets are promptly paid for food costs.

(h) Reconciliation of FMNP coupons. The State agency shall identify the disposition of all FMNP coupons as validly redeemed, lost or stolen, expired, or not matching issuance records. Validly redeemed FMNP coupons are those that are issued to a valid recipient and redeemed by an authorized farmers' farmers' market within valid dates. FMNP coupons that were redeemed but cannot be traced to a valid recipient or authorized farmer/farmers' market shall be subject to claims action in accordance with §248.20. (1) If the State agency elects to replace lost, stolen or damaged FMNP coupons, it must describe its system for doing so in the State Plan.

(2) The State agency shall use uniform FMNP coupons within its jurisdiction.

(3) FMNP coupons must include, at a minimum, the following information:

(i) The last date by which the recipient may use the coupon. This date shall be no later than November 30 of each year.

(ii) A date by which the farmer or farmers' market must submit the coupon for payment. When establishing this date, State agencies shall take into consideration the date financial statements are due to the FNS, and allow time for the corresponding coupon reconciliation that must be done by the State agency prior to submission of financial statements. Currently, financial statements are due to FNS by January 30.

(iii) A unique and sequential serial number.
§ 248.11 Financial management system.

(a) Disclosure of expenditures. The State agency shall maintain a financial management system which provides accurate, current and complete disclosure of the financial status of the FMNP. This shall include an accounting for all property and other assets and all FMNP funds received and expended each fiscal year.

(b) Internal controls. The State agency shall maintain effective controls over and accountability for all FMNP funds. The State agency must have effective internal controls to ensure that expenditures financed with FMNP funds are authorized and properly chargeable to the FMNP.

(c) Record of expenditures. The State agency shall maintain records which adequately identify the source and use of funds expended for FMNP activities. These records shall contain, but are not limited to, information pertaining to authorization, receipt of funds, obligations, unobligated balances, assets, liabilities, outlays, and income.

(d) Payment of costs. The State agency shall implement procedures which ensure prompt and accurate payment of allowable costs, and ensure the allowability and allocability of costs in accordance with the cost principles and standard provisions of this part, 7 CFR part 3016, and FNS guidelines and Instructions.

(e) Identification of obligated funds. The State agency shall implement procedures which accurately identify obligated FMNP funds at the time the obligations are made.

(f) Resolution of audit findings. The State agency shall implement procedures which ensure timely and appropriate resolution of claims and other

unlawful activities is liable to prosecution under applicable Federal, State or local laws. State agency policies shall ensure that a farmer that is disqualified from the FMNP at one market or roadside stand shall not participate in the FMNP at any other farmers' market or roadside stand in the State's jurisdiction during the disqualification period.

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