Administrative Review Manual

For monitoring of program requirements under the National School Lunch Program, School Breakfast Program, and other Federal school nutrition programs

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Introduction to the Administrative Review

The Richard B. Russell National School Lunch Act, as amended by the Healthy Hunger-Free Kids Act of 2010 (HHFKA), requires a unified accountability system designed to ensure that participating school food authorities (SFAs) comply with National School Lunch Program (NSLP) and School Breakfast Program (SBP) requirements. The Act also requires an accountability system that conducts Administrative Reviews to evaluate Program requirements for NSLP and SBP during a three-year cycle.

The Administrative Review described in this manual provides a comprehensive evaluation of school meals programs by State Agencies (SAs) of SFAs participating in the NSLP and SBP, and includes both Critical and General Areas of Review. The Food and Nutrition Service (FNS) has expanded the scope of review for both the Critical and General Areas to provide for a more robust review of program operations. This includes the implementation of the HHFKA program requirements and other Federal programs. FNS provides forms, instructions, and guidance to standardize the review process.

FNS intends this process to underscore the importance of ensuring all aspects of the Administrative Review process are meaningful and address program requirements. Given the complexity of the procurement process at the SFA level and the need for ongoing technical assistance in procurement, FNS will provide a separate procurement review instrument that SAs may use to monitor SFA compliance with Federal procurement regulations and policies. State agencies are encouraged to conduct procurement reviews during the same three-year review cycle as the Administrative Review although they are not required to conduct the review at the same time as the Administrative Review. This includes State agencies that received a waiver from the three-year Administrative Review cycle to an alternate 4-year or 5-year review cycle.

SAs should note that this manual uses the term “SFA” to refer to the governing body responsible for school food service operations, and the term “LEA” (local educational agency) to refer to the governing body responsible for activities related to, but not directly under, the school food service. In addition, the terms “school” and “site” are used interchangeably to mean a physical location where Program meals are offered to children.

When program responsibilities fall to entities outside of the school food service, the SA must assess how unit(s) of the LEA or entities other than the school food service implement their responsibilities, as applicable. The most notable of these areas are the certification and benefit issuance process (Section II), Resource Management (Section IV), Smart Snacks in School, and Local Wellness Policy (Section V).

Overview of the Administrative Review Manual

The Administrative Review Manual is comprised of the following sections:

- Section I: Pre-visit Procedures
- Section II: Meal Access and Reimbursement
- Section III: Meal Pattern and Nutritional Quality
- Section IV: Resource Management
- Section V: General Program Compliance
- Section VI: Other Federal Program Reviews
- Section VII: Post-Review Procedures
- Section VIII: Fiscal Action
- Section IX: Special Provision Options
- Section X: Resources
- Authorities
- Glossary of Terms

The regulations governing the Administrative Review (7 CFR 210.18) reference two Critical Areas of performance, Performance Standard 1 and Performance Standard 2, as well as a number of General Areas of Review. These references do not signify a higher priority of one area of review over another. While the regulations use the term "Critical Areas" to describe Performance Standards 1 and 2, compliance standards in the General Areas of Review are equally important. The regulations require fiscal action for the Critical Areas and provide the framework to allow SAs to take fiscal action or withhold payments for program noncompliance in the General Areas.

In this manual, Performance Standard 1 corresponds with Section II: *Meal Access and Reimbursement*, and Performance Standard 2 corresponds with Section III: *Meal Pattern and Nutritional Quality*. Section IV: *Resource Management*, Section V: *General Program Compliance*, and Section VI: *Other Federal Program Reviews* cover the General Areas of Review. Sections II through VI contain modules addressing the scope of review. Each module includes:

- Intent/Scope of Monitoring
- Review Procedures
    - Pre-visit Review Procedures
    - On-site Review Procedures
- Technical Assistance/Corrective Action
- Fiscal Action

Administrative Review Numbering System

This manual assigns each Administrative Review monitoring area a unique series of numbers (e.g., Certification and Benefit Issuance – 100s). The numbers are identified on all associated questions, forms, and related material to ensure continuity between the manual and review documents.

Number Series	Monitoring Area
Section II: Meal Access and Reimbursement (Critical Area – Performance Standard 1)	
100	Certification and Benefit Issuance
200	Verification
300	Meal Counting and Claiming
Section III: Meal Pattern and Nutritional Quality (Critical Area – Performance Standard 2)	
400	Meal Components and Quantities
500	Offer versus Serve
600	Dietary Specifications and Nutrient Analysis
Section IV: Resource Management (General Areas)	
700	Resource Management
Section V: General Program Compliance (General Areas)	
800	Civil Rights
900	SFA On-site Monitoring
1000	Local School Wellness Policy and School Meal Environment
1100	Smart Snacks in School
1200	Professional Standards
1300	Water
1400	Food Safety, Storage, and Buy American
1500	Reporting and Recordkeeping
1600	School Breakfast Program and Summer Food Service Program Outreach
Section VI: Other Federal Program Reviews (Critical and General Areas)	
1700	Afterschool Snacks
1800	Seamless Summer Option
1900	Fresh Fruit and Vegetable Program
2000	Special Milk Program
Section VII: Post-Review Procedures	
No related forms	
Section VIII: Fiscal Action	
Forms have separate numbering system	
Section IX: Special Provision Options	
2100	Special Provision Options

Overview of the Administrative Review Process

The Administrative Review is the SA assessment of the SFA's administration of the NSLP, SBP, and other school nutrition programs. The objectives of the Administrative Review are to:

- Determine whether the SFA meets program requirements
- Provide technical assistance
- Secure any needed corrective action
- Assess fiscal action and, when applicable, recover improperly paid funds

Review Frequency

SAs must conduct Administrative Reviews of all SFAs participating in the NSLP and/or SBP at least once during each three-year review cycle, provided that each SFA is reviewed at least once every four years. SAs have flexibility in scheduling reviews within the review cycle since FNS does not require a yearly minimum number of Administrative Reviews. For each SA, the first three-year review cycle was School year (SY) 2013-2014 through SY 2015-2016. The second three-year review cycle began SY 2016-2017 and will end with SY 2018-209. FNS may, on an individual SFA basis, approve written requests for one-year extensions to the three-year review cycle if FNS determines the three-year cycle requirement conflicts with efficient SA management of the Program. (7 CFR 210.18(c))

Any SFA entering the NSLP and/or SBP at any point during the three-year review cycle must be reviewed prior to the end of the review cycle. SAs are encouraged to conduct more frequent Administrative Reviews of large SFAs and any SFAs that may benefit from a more frequent interval.

Note: SAs are required to notify FNS of scheduled Administrative Reviews, upon FNS request. (7 CFR 210.18(d)(1))

Scope of Review

General

The scope of the Administrative Review focuses on two primary review components: Critical Areas of Review and General Areas of Review. The Critical Areas of Review are Performance Standard 1 and Performance Standard 2. Performance Standard 1 focuses on the certification and benefit issuance process and the accuracy of meal counting and claiming. Performance Standard 2 focuses on whether meals claimed for reimbursement meet meal pattern and nutritional quality requirements. The General Areas of Review are Resource Management and other areas of general program compliance. Resource Management addresses the maintenance of the nonprofit school food service account, paid lunch equity, revenue from non-program foods, and indirect costs. General program compliance includes Civil Rights, SFA On-site Monitoring, Local School Wellness Policy, Smart Snacks in School, Professional Standards, Water, Food Safety, Storage, and Buy American, Reporting and Recordkeeping, and SBP and SFSP Outreach.

The Administrative Review Process is designed to allow the SA to conduct specified aspects of the review off-site and other aspects on-site. SAs record information in the *Off-site Assessment Tool* by collecting information available at the SA level or from the SFA. The SA may work with the SFA to answer the questions when information is needed. The *Off-site Assessment Tool* allows the SA to gain a better understanding of SFA operations prior to the on-site review, thus providing for a more robust review while decreasing the SA's on-site review time. The SA's analysis of this information informs the scope of the on-site portion of the Administrative Review. While SAs are encouraged to conduct specified aspects of the review off-site, the SA may conduct any off-site portion of the review on-site, at their discretion (with the exception of the Resource Management off-site review).

The SA's on-site portion of the Administrative Review is intended to validate the information collected on the *Off-site Assessment Tool* and provide an opportunity for the SA to observe the operation of the school nutrition programs at the SFA and in selected schools. The SA documents its findings on the *On-site Assessment Tool*. Additional space has been provided on the *On-site*

Assessment Tool to record areas requiring technical assistance and/or corrective action identified from the *Off-site Assessment Tool.* SAs are not required to document off-site findings in this manner; however, FNS recommends that SAs utilize this space to record errors documented on the Off-Site Assessment Tool in order to facilitate the completion of the Administrative Review Report.

Pre-visit Procedures and the Off-site Assessment

The first step in the Administrative Review process is to contact the Food Service Director and the SFA's Superintendent (or equivalent in a non-public SFA) or authorized representative and send a confirmation/introductory letter. The letter must advise the SFA of the upcoming review.

Next the SA should complete the *Off-site Assessment Tool* prior to the on-site portion of the Administrative Review. The completion of the *Off-site Assessment Tool* will require collaboration with SFA staff and possibly other departments within the LEA. Some of the information collected on the *Off-site Assessment Tool* can be obtained by reviewing the SFA's annual update to the permanent agreement, through calls to the SFA or other means. The data collected must be current, i.e., collected during the year scheduled for review and reflective of the current school year unless otherwise specified in this manual.

The Resource Management portion of the *Off-site Assessment Tool* must be completed prior to the SA's on-site or off-site Resource Management review. The SA is encouraged to provide and collect information for the *Off-site Assessment Tool* from each SFA as far in advance of the SFA's Resource Management review as possible, but no later than four weeks in advance to learn if the SFA must receive a comprehensive review of any Resource Management area. This also helps to ensure that the SA is able to provide sufficient notice to the SFA of the Resource Management documentation that the SA will need to review either on or off-site. If the Resource Management Risk Indicator Tool is not completed at least four weeks in advance of the Administrative Review a Comprehensive Review of all four Resource Management areas will take place.

For more information on pre-visit procedures, see Section I: *Pre-visit Procedures*.

Site Selection Procedures

When selecting schools for the Administrative Review, the SA must use the procedures described in Section I: *Pre-visit Procedures* under "*Site Selection Procedures*". Site selection may occur prior to or on the day of review.

On-site Review Procedures

Entrance Conference

FNS encourages SAs to begin the on-site portion of the Administrative Review by conducting an entrance conference with the relevant SFA staff (e.g., Food Service Director, Business Manager, and Superintendent). At the conference, the SA should discuss the results of the *Off-site Assessment Tool*, explain what the SA covers during the on-site review, and inform the SFA of which schools it will review. While conducting an entrance conference is not a requirement in program regulations, a formal entrance conference helps establish the tone for the review — an important step, as the Administrative Review process is intended to provide technical assistance balanced with an assessment of program compliance.

Scope of the On-site Review

To fully evaluate the SFA's compliance with all program requirements, all modules of the *On-site Assessment Tool* must be completed. This includes an examination of:

- The SFA's free and reduced-price certification — from certification to benefit issuance — to ensure the SFA process complies with program requirements
- The meal service — to ensure the school(s) and SFA procedures yield accurate meal counts and Claims for Reimbursement, and to ensure the school's meal service complies with requirements
- The General Areas — to ensure all other program areas comply with program requirements

Exit Conference

At the conclusion of the on-site portion of the Administrative Review, the SA must conduct an exit conference to notify SFA staff of any program findings identified, the extent of the findings, and a preliminary assessment of the actions needed to correct the findings. The SA must address appropriate deadlines for completion of corrective action.

The exit conference is an opportunity to establish an agreed-upon Corrective Action Plan that identifies the needed corrective action and the timeframes for those actions. The Corrective Action Plan must identify:

- Administrative Review finding(s)
- The corrective action(s) required
- The timeframe(s) by which the corrective action(s) must be completed
- Any documentation the SA expects the SFA to provide to demonstrate corrective action was completed

The SA should make every effort to provide the SFA with a summary of the noted compliance areas to facilitate the immediate development of corrective action.

The SA may accept documented corrective action at the time of the Administrative Review or the documented corrective action may be submitted as described below.

Administrative Review Report/Corrective Action Plan

Once the on-site portion and, if applicable, an off-site Resource Management portion of the review is complete, the SA is responsible for incorporating all of the review results into an Administrative Review Report. The SA must provide the Administrative Review Report to:

- the SFA's Superintendent (or equivalent in a non-public SFA) or authorized representative; and
- the Food Service Director.

The report must include the review findings, a Corrective Action Plan that summarizes the agreed-upon corrective actions and associated timeframes for corrective action, and any potential fiscal action.

The report must also include:

- a statement indicating that the SFA may submit a written appeal of the denial of all or part of a Claim for Reimbursement or withholding of payment, and
- instructions on how to submit the written appeal, including any required timeframes of which the SFA should be aware and the name and address of the office to which the SFA must send the appeal.

The SA should issue the Administrative Review Report within 30 calendar days of the date the exit conference was conducted. In rare situations, when an SFA is found to be significantly out of compliance with multiple program areas and/or the SA or SFA runs into extenuating circumstances, the report may take up to 60 calendar days.

The SA is responsible for ensuring that information regarding Administrative Reviews is made easily accessible to all members of the public. SAs must publicly post a summary of the Administrative Review Report for each SFA on the SA's publicly available website. A summary of the report must be posted no later than 30 days after the SA provides the final Administrative Review Report to the SFA. The SA must also make a copy of the final Administrative Review Report available to the public upon request.

Technical Assistance/Corrective Action

FNS requires that the SA provide SFAs with any needed technical assistance. The SA **must** document thoroughly any technical assistance it provides to the SFA during the pre-visit phase as well as during the off-site and on-site portions (as applicable) of the Administrative Review. This includes,

but is not limited to, any resources, policy clarifications, and formal or informal training provided to the SFA and LEA.

The SFA must provide documentation of corrective action for any Administrative Review finding(s) identified by the SA in the Corrective Action Plan. As mentioned above, documented corrective action can be provided at the time of the Administrative Review; however, it must be postmarked or submitted to the SA no later than 30 calendar days from the deadline for completion of each required corrective action. In rare situations, the SA may approve extensions of timeframes if corrective actions are expected to take longer or require follow-up with the SFA for more information.

Upon receipt of the SFA's documented corrective action, the SA should determine whether the documentation is complete and resolves the finding(s) identified. Once the SA approves corrective action, it should send a closure letter to the SFA closing the review within 30 calendar days of receipt of the documented corrective action.

The exit conference, Corrective Action Plan, and documented corrective action are discussed further in Section VII, *Post-Review Procedures*.

FNS does not require SAs to conduct follow-up reviews. However, SAs should consider conducting a follow-up review if the SA determines further review/intervention is needed.

Timeframes Covered by the Review

The timeframe for the Administrative Review will encompass, at a minimum, the review period and day of review as defined in this manual.

Review Period

The review period is the most recent month for which a Claim for Reimbursement was submitted, provided that it covers at least ten (10) operating days. The Claim for Reimbursement is considered submitted once it has been mailed or provided to the SA.

Day of Review

The day of review is the day(s) on which the on-site review of the individual sites selected for review occurs.

Special Circumstances

- *Early in the School Year, Prior to Claim Submission*

  Subject to FNS approval, Administrative Reviews may be conducted early in the school year, prior to the submission of a Claim for Reimbursement. However, the review period must be the prior month of operation in the current school year and include at least ten (10) operating days.

- *Multi-track Year-Round Schools*

  In multi-track year-round schools, SAs should make every effort to select the same track for both the review period and the day of review.

- *Nutrient Analysis Outside of the Review Period*

  In some cases, a nutrient analysis may need to be conducted for a week outside the review period. For example, a SFA may not have menu documentation for the weeks in the review period.

- *Resource Management*

  The Resource Management risk assessment and comprehensive review assess financial information from the most recently completed school year (Resource Management (RM) review period). In a case in which the prior school year being reviewed is not reflective of the

typical school year (e.g., a school opens in the middle of the school year or is closed for a portion of the year due to a disaster), the State agency may look at a different review period and should consult with its FNS Regional office. The review period should be consistent throughout the review of the Resource Management section.

Follow-up Reviews

While the Administrative Review process does not require follow-up reviews, FNS strongly encourages SAs to conduct a follow-up review when they find significant and/or repeated Critical or General Area violations. If the SA conducts a follow-up review, the follow-up should occur as soon as possible after the SFA provides documented corrective action, to validate the corrective action and ensure prompt and permanent corrective action is taken.

Forms, Tools, Worksheets

FNS has developed forms, tools, and worksheets to facilitate the Administrative Review. SAs are required to use the FNS-developed Administrative Review forms.

Should an SA decide to add State-specific questions to any of the forms, the SA must first obtain approval from its respective FNS Regional Office.

Section I: Pre-visit Procedures

Intent/Scope of Monitoring

Preparing for an Administrative Review is an integral part of the overall review process, whether selecting the correct number of schools to visit, examining Claims for Reimbursement, or scheduling a time for an entrance conference.

Being prepared prior to the on-site visit allows SAs to use the time on-site more efficiently. This section provides guidance and the procedures necessary for completing the pre-visit process.

Review Procedures

Pre-visit Review Procedures

The SA must review documentation available at the SA pertaining to the SFA receiving the Administrative Review. The SA should use available information to complete the *Off-site Assessment Tool*, including:

- SFA agreement
- Free and reduced-price policy statement
- Renewal applications
- Claims for Reimbursement
- Other miscellaneous reports (e.g., *Verification Collection Report*, (FNS-742)), annual SFA financial data collected by the SA, etc.)
- Review findings from prior years, Corrective Action Plans, and documented corrective action, as applicable
- Audits

Determine the school(s) that will receive an Administrative Review using the site selection procedures described under *Site Selection Procedures* (below). See the Resources Section for a prototype site selection tool.

Obtain the names of the Food Service Director and the SFA's Superintendent (or equivalent in a non-public SFA) or authorized representative, and send a confirmation/introductory letter notifying them of the upcoming Administrative Review. The letter may include a checklist of documentation that the SFA should prepare prior to the on-site visit.

Contact the SFA prior to the Administrative Review to:

- Establish the terminology used by the SFA and school personnel (e.g., names of forms used for local edit checks and claims consolidation)
- Become familiar with procedures through discussion with the SFA on systems in place for meal counting, recording, and reporting; claims consolidation; application processing; verification; and benefit issuance. Obtain any information needed to complete the *Off-site Assessment Tool*. FNS recommends that SAs begin the process of completing the *Off-site Assessment Tool* at least 4-6 weeks prior to the on-site visit.

Site Selection Procedures

NSLP Site Selection Procedures

To determine the minimum number of schools subject to review, the SA must obtain data from the SFA for all participating schools. This data must include:

- the school name
- type of school (elementary, combination, or secondary)
- which LEA the school is a part of if multiple LEAs make up the SFA
- the number of serving days
- the number of students eligible for free meals in NSLP
- the number of free meals claimed for a month in NSLP

While it is recommended that the selection occur prior to the first day of the on-site portion of the review, SAs may complete site selection after the entrance conference. SAs may use the

Administrative Review Site Selection Worksheet Template found with the Administrative Review Forms and Tools. This template is not required.

To determine the minimum number of schools to review for NSLP, use the table below. For purposes of this manual, the term "reviewed schools" refers to the schools selected for review based on these site selection procedures.

Number of Schools in the SFA	Minimum Number of Schools to Review for NSLP	Number of Schools in the SFA	Minimum Number of Schools to Review for NSLP
1 to 5	1	41 to 60	6
6 to 10	2	61 to 80	8
11 to 20	3	81 to 100	10
21 to 40	4	101 or More	12*
* 12 plus 5 percent of the number of schools over 100. Fractions must be rounded to the nearest whole number using standard rounding procedures (i.e. if less than 5 round down, if 5 or more round up).			

All schools with a free average daily participation (ADP) of 100 or more and a free participation factor of 100 percent or more must be reviewed, with the exception of Residential Child Care Institutions (RCCI) (without day students). For SFAs that consist of more than one LEA, the SA must review at least one school from each LEA.

Selection of additional schools to meet the minimum number of schools to review must be based on the following criteria:

- Elementary schools with a free ADP of 100 or more and a free participation factor of 97 percent or more
- Combination schools with a free ADP of 100 or more and a free participation factor of 87 percent or more

  Secondary schools with a free ADP of 100 or more and a free participation factor of 77 percent or more

The following school information is needed to conduct school selection:

- names and types of all schools in the SFA participating in the NSLP;
- which LEA the school is a part of if multiple LEAs make up the SFA;
- number of serving days for each school for the month selected;
- highest number of free eligible for the month selected for each school; and
- number of free lunches claimed for the month selected.

Calculate the Free Participation

Calculate the free average daily participation (ADP) by dividing the number free claimed by the number of serving days. Round the ADP to the nearest whole number, using standard rounding procedures (i.e. if less than 5 round down, if 5 or more round up).

Calculate the percent free participation by dividing the free ADP by the highest number of free eligible. Round to three (3) decimal places and multiply the result by 100.

Note: It is recommended that the information used in school selection be obtained for the month of October; however, any month for which a Claim for Reimbursement has been filed and which best represents each school's participation by free eligibles may be used. Record the month used for the school selection.

When the number of schools selected using the criteria described above does not meet the required number of schools to review or a school from each LEA is not selected, the SA must select additional schools using SA criteria. The SA must document the reason(s) for selecting the schools for review. SA criteria may include, in no prescribed order:

- Low participation schools
- High participation schools
- Schools that have less than 100 free ADP but greater than 100 percent free participation
- Recommendations from a food service director
- Findings from the on-site visits or the claims review process
- Any school in which the daily meal counts appear questionable

- Identical or very similar claiming patterns (e.g., identical breakfast/lunch meal counts for each day of the week)
- Large changes in the free meal counts (e.g., a significant increase/decrease in the amount of free meals reported without reason)
- Schools with a new manager
- Manager or school never reviewed by SA
- New or unusual accountability system
- Proportional mix of the different counting systems employed by the SFA
- Schools with a significant number of Office of Inspector General Hotline and/or parent complaints
- Schools with alternate points of service
- Schools with a mix of age/grade groups (e.g., K-12 schools)
- Schools participating in Fresh Fruit and Vegetable Program, Afterschool Snacks, Seamless Summer Option, and Special Milk Program

Other Site Selection Criteria

SBP Site Selection Procedures

SAs must review the SBP at 50 percent of the schools that were selected for a NSLP review, with a minimum of one (1) school receiving an SBP review. SBP review sites are based on the number of schools selected for NSLP review operating the SBP. If 10 NSLP schools are selected for review and all 10 operate SBP, then 5 SBP schools are required to be reviewed. If SBP is only in operation in 5 schools, then 3 would be required (round up). As long as a minimum of 1 school operates SBP from the schools selected for review, no additional action is needed.

However, if none of the schools selected for review operates SBP then the SA has the discretion to replace one of the non-SBP schools with a school that does operate SBP or select an additional SBP school. If an additional school is selected, only SBP need be reviewed; no reviews of additional programs are required.

Note: If the school selected for the targeted menu review (as described in Section III: *Meal Pattern and Nutritional Quality*, Module, *Dietary Specifications and Nutrient Analysis*) operates the SBP, the SA must also include that school as one of the schools selected for a SBP review. Using the *Meal Compliance Risk Assessment Tool*, the SA must select the highest scoring site that participates in both NSLP and SBP.

Special Provision Option with Standard Meal Counting and Claiming SFAs

When conducting site selection for SFAs with a combination of sites operating one or more Special Provision Options along with standard meal counting and claiming sites and all the sites selected for review are Special Provision Options the SA must replace at least one Special Provision Option site with a standard meal counting and claiming site. When conducting site selection for SFAs with a combination of sites operating one or more special provision options along with standard meal counting and claiming sites and only one site is required to be reviewed, SAs must select the standard meal counting and claiming site to conduct the Administrative Review. An abbreviated review will still be required to be conducted at each type of Special Provision Option sites. See abbreviated review procedures listed in Section IX Special Provision Options.

Certification for Performance-based Reimbursement During an Administrative Review

SAs may use Administrative Review activities to certify SFAs to receive the performance-based reimbursement. SAs must select schools for review that represent all the menu types offered in the SFA. Refer to *Addendum: Certifying a School Food Authority for Performance-Based Reimbursement During an Administrative Review*.

Other Site Selection Procedures

Review requirements for Resource Management and other Federal Programs vary. A more detailed site selection procedure for these areas is found in the corresponding modules under Section IV: *Resource Management* and Section VI: *Other Federal Program Reviews*.

Section II: Meal Access and Reimbursement

Modules contained within this Section include:

- Certification and Benefit Issuance (including eligibility determinations and the issuance of benefits)
- Verification
- Meal Counting and Claiming

Module: Certification and Benefit Issuance

Intent/Scope of Monitoring

Performance Standard 1

All free, reduced-price, and paid meals claimed for reimbursement are served only to children eligible for free, reduced-price, and paid meals, respectively, and are counted, recorded, consolidated and reported through a system that consistently yields correct claims.

This Module covers the entire certification and benefit issuance process. This activity typically occurs at the SFA (district) level, but may also occur at the school level or a combination of the two.

The certification and benefit issuance process covers the SFA's certification of a student's eligibility for free or reduced-price meals and the link to the SFA's meal counting and claiming system. The SA's examination of certification and benefit issuance is essential to ensure eligible children receive meals to which they are entitled, and that Claims for Reimbursement are valid.

Certification and benefit issuance is a Critical Area of the Administrative Review and falls under Performance Standard 1. For further information on the certification process, refer to the *Eligibility Manual for School Meals.*

Review Procedures

Pre-visit Review Procedures

The *Off-site Assessment Tool* should be completed prior to the on-site portion of the review to inform the SA about the SFA's certification and benefit issuance procedures.

Off-site Assessment Tool

The *Off-site Assessment Tool* includes a series of questions related to certification and benefit issuance. Questions 100-121 address the SFA's procedures regarding: eligibility determinations based on household applications, eligibility determinations specific to direct certification, and benefit issuance.

Supporting Documentation

Benefit issuance documents, including rosters or master lists; lists to distribute tickets, tokens, or student identification cards; and any other medium that is used by the school to identify the eligibility categories of students.

Analysis of Off-site Assessment Tool and Supporting Documentation

The SA must review the information in the *Off-site Assessment Tool* and supporting documentation to evaluate the SFA's risk for noncompliance with certification and benefit issuance requirements. This includes ensuring that the information provided mirrors the SFA's current free and reduced-price policy statement.

Note: The scope of monitoring may require the SA to assess how unit(s) of the LEA, other than the school food service, implement their certification and benefit issuance responsibilities, as applicable.

If the SA determines the information contained in the *Off-site Assessment Tool* adequately summarizes the SFA's certification and benefit issuance process, the SA may conduct portions of the review off-site. For example, if the SFA can provide supporting materials, the SA may choose to examine the accuracy of the certification document (e.g., application, direct certification, or other categorical eligibility determinations) and the transfer of benefits to the point-of-service benefit issuance document(s) off-site. The SA should not remove original supporting documents from the SFA; however, photocopies are permissible.

In the steps below, any items not completed off-site must be completed during the on-site portion of the Administrative Review.

Step 1: Obtaining the Benefit Issuance Document

The SA must obtain the benefit issuance document(s) for each school under the jurisdiction of the SFA, not just the selected schools for the Administrative Review. The list of students may be from any day during the review period or the first day of the on-site review (if the SA elects to conduct this portion on-site). If the SFA utilizes an electronic certification and benefit issuance system, the SA should also notify the SFA that the SA will need access to all applications and certification documents for all schools within the SFA during the Administrative Review.

The benefit issuance document must:

- Contain the name and benefit status for all free and reduced-price eligible students in the SFA
- Be generated from the point of service system used in each of the schools. For schools that use different points of service at breakfast and lunch, it is NOT necessary to send duplicative lists (from both meal services). Point-of-service benefit issuance documents are those documents directly used in the meal count system to deliver the benefits to children (e.g., rosters, master lists).
- Not have duplicate names on the list – each eligible student should only be listed one time.

  Note: This does not alleviate SA responsibility for assessing the SFA's procedures for managing transfers and mid-year changes in eligibility status.

To facilitate completing the Administrative Review forms, the benefit issuance document (or other documentation) should:

- Include the following:
  - school name;

- method of certification (application, direct certification, other);
- signature or initial of determining official and date of certification; and
- total number of eligible students in the SFA.

- Not group students by benefit status. The student names may be listed in any order (e.g., alphabetically, by building, by ID number), but it is preferable that they are **not** grouped by benefit status.

The determining official must sign (or initial) and date each application, or sign (or initial) and date a cover sheet attached to a batch of applications. Recording this information will depend on the LEA's application method:

- The FNS prototype application may be modified to collect this information, or it can be recorded in the margins on a separate piece of paper attached to the application.
- A notation for the date of approval can be made to an electronic file.
- A computer system can capture the original date of approval, the basis for the determination (what household size and income was used), and update the status of applications to account for transfers, withdrawals, terminations, and other changes.

If one benefit issuance document is maintained at the SFA with the names of students eligible for free or reduced-price benefits, and a second benefit issuance document is used at the point-of-service to check names of students receiving meals, the SA must use the point-of-service benefit issuance document. In instances in which the benefit issuance document(s) is maintained separately for different groups of students (e.g., kindergarten students are listed on a classroom roster and the remaining grades are listed on a master list maintained by the cashier), both the classroom and master lists must be used.

The benefit issuance document(s) may be from the day of review or a day during the review period.

Step 2: Selecting Student Certifications for Review

From the point-of-service benefit issuance document(s), the SA must select the names of free and reduced-price students for review. The SA may elect to review either:

- All free and reduced-price students on the point-of-service benefit issuance documents for all schools in the SFA; or
- A statistically valid sample of all free and reduced-price students on the point-of-service benefit issuance document for all schools in the SFA.

Note: Denied applications are reviewed in Step 5 of the On-site Review Procedures below.

If the SA chooses to review a statistically valid sample of students, the SA must follow the methodology outlined below in *Statistically Valid Sampling*. Under this methodology, SAs select a statistically valid sample of students certified for free and reduced-price meals from the point-of-service benefit issuance documents for all schools in the SFA. FNS encourages the SA to use a statistically valid sample as it will result in reviewing fewer students' certification and benefit issuance documents, and, if properly selected, the review will yield results representative of the certification and benefit issuance activity in the SFA.

Statistically Valid Sampling

Statistical sampling provides valid results only when the universe sampled is large and the sample is obtained using valid procedures. For this reason, SAs may not use statistical sampling in SFAs with 100 or fewer students certified for free or reduced-price meal benefits. In these situations, the SA must review every student's certification and benefit issuance documentation within the SFA.

The Sample Size Chart found in the following pages provides two sets of confidence levels. The first set of numbers provides the sample size needed for a confidence level of 95 percent. The second set of numbers provides the sample size needed for a 99 percent confidence level.

The sample producing a 99 percent confidence level must be used if:

- the SFA uses a manual certification and benefit issuance system,
- the SFA uses a combination of a manual and electronic certification and benefit issuance system, or
- the SA identified potential areas of systemic errors of noncompliance based on the SFA's responses to the benefit issuance portion of the *Off-site Assessment Tool* (e.g., the system is using the wrong income eligibility guidelines).

If the SFA entirely utilizes an electronic benefit issuance and certification system and the SA did not identify any potential areas of systemic errors of noncompliance based on the SFA's responses to the benefit issuance portion of the *Off-site Assessment Tool*, the SA may select a sample based on either a 99 percent or 95 percent confidence level of accuracy.

- An **electronic** certification and benefit issuance system means that the certification of benefits (i.e., household application or direct certification) and the transfer of a student's benefits to the point-of-service document(s) are completed through a computerized system. For example, the household applications are certified through a web-based or scanned approval system and all direct certification matches are completed by the SFA with a computer match. An electronic system is limited to virtually no manual data entry by the SFA. However, updates to benefits may be made manually in the electronic system. Certification documents (i.e., household application or direct certification) and benefit issuance document(s) are kept electronically.

- A **manual** certification and benefit issuance system means that the certification of benefits (i.e., household application or direct certification) and the transfer of a student's benefits to the point-of-service document(s) are completed manually by the SFA. For example, the SFA completes the certification of benefits by manually approving the household application or direct certification matches and enters the data into their system manually. Written records of the certification documents (i.e., household application or direct certification) and benefit issuance document(s) are kept on file.

- A **combination** certification and benefit issuance system means some aspect of the SFA's certification of benefits (i.e., household application or direct certification) or the transfer of a student's benefits to the point-of-service document(s) is not entirely completed electronically or manually. For example, the SFA accepts household applications via an electronic system but also accepts paper applications that must be certified manually or, as another example, the SFA enters the information submitted by the household on a paper application into the SFA's electronic system for certification.

Sample Size Chart					
Total # of students certified for free or reduced-price benefits	SAMPLE SIZE 95%	99%	Total # of students certified for free or reduced-price benefits	SAMPLE SIZE 95%	99%
1-100	All	All	1251-1500	300	450
101-250	60%	75%	1501-1750	310	475
251-500	50%	60%	1751-2000	320	490
501-750	40%	50%	2001-3000	335	525
751-1000	270	380	3001-4000	350	560
1001-1250	290	420	4001-5000	355	580
			5000+	360	590

SAs may select the sample using statistical sampling software. Sampling software is practical when SFAs have the capability of importing the names of students from the point of service benefit issuance document to the SA in a format specified by the SA.

Using Sampling Software

If the SA elects to use sampling software, the SA format should reflect the following parameters:

- One consolidated list of all students eligible for free and reduced-price meals at all schools within the SFA;

- Student names may be provided in any order (e.g., alphabetically, by student number, or by school), but there can be no duplication of students on the list for any reason;
- School name should be a field next to the student name within the spreadsheet (to help identify/locate certification documentation for the selected students);
- No headers separating schools or benefit category (no headings at all other than first line).

Manually Selecting the Sample

FNS has developed a *Statistical Sample Generator* that allows the SA to input the total number of students certified for free or reduced-price benefits. The Generator will automatically calculate the sample size, the sample interval, and the random starting point for each of two sets of confidence levels (95% and 99%).

SAs may calculate the sample size, the sample interval, and the random starting point manually following the instructions below. Using the Sample Size Chart (above) and the following procedures:

A. Total # of students certified for benefits (*Universe*)	**B. Sample Size** (*from table above*)	**C. Sample Interval** (*A / B*)	**D. Random Starting Point** (*First Student*)

A. Enter the total number of students approved for free or reduced-price meal benefits from the point-of-service benefit issuance document in Column A. This is the combined total for all free and reduced-price eligible students at all schools within the SFA.

B. Use the instructions and Sample Size Chart (above) to determine the sample size that must be obtained and record in Column B.

C. Divide A by B to determine the sampling interval (C). For determining your sampling interval, round all fractions down to the nearest whole number (e.g., 3.99 = 3), except when less than 1,

then round up to 1. This procedure does not follow standard rounding procedures and is used to ensure that the appropriate number of students will be selected.

D. Denote the random starting point the SA will use when beginning the selection of students from the point-of-service benefit issuance document(s).

A manual approach to identifying a random starting point follows:

1. Write down, on pieces of paper, the numbers in the sample interval (Column C above), beginning with the number one (1)
2. Put the pieces of paper in a container and mix the container
3. Select one piece of paper; the number on the paper represents the random starting point. Record the selected number in Column D of the chart above
4. Use the sample interval from Column C above and select subsequent students (e.g., if the start point (or Column D) is five (5) and the interval (or Column C) is ten (10), then begin with the 5th student from the point-of-service benefit issuance document for free and reduced-price eligibility students and select subsequent students at intervals of ten (10): (e.g., 5, 15, 25, 35…). Once all of the students have been selected, compare the number of students selected to the appropriate sample size using the Sample Size Chart (above or Column B) to ensure the required number of students was selected in the sample.

Step 3: Obtaining Certification Documents

Once the names of the students subject to review have been identified, the SA must obtain the following documents from the SFA for each student under review:

- The certification document (i.e., household application or direct certification) to determine whether or not the document was correctly certified; and
- Any verification conducted for the selected student, if applicable, including whether or not the verification was properly conducted.

The SA will use this documentation to complete the On-site Review Procedures described in Step 2 below.

On-site Review Procedures

The on-site portion of the Administrative Review consists of the SA conducting interviews with SFA staff, reviewing certification and verification documents, and determining whether the SFA is in compliance with all certification and benefit issuance requirements.

On-site Assessment Tool

The *On-site Assessment* Tool includes questions pertinent to this Module; see Questions 124-142 (Certification and Benefit Issuance).

On-site Procedures

The SA must follow the steps below:

Step 1: Validating the SFA's Procedures using the Off-site Assessment Tool

The SA must determine whether the information in the *Off-site Assessment Tool* is current and accurately represents the SFA's practices for issuing benefits. The SA must also determine whether the SFA-provided information is satisfactory and reflects current practice.

To assess the SFA's **procedures for processing applications**, the SA must ensure the SFA is in compliance with 7 CFR 245.6(a). Areas of review include, but are not limited to, the following areas: the use of proper income conversion factors and income guidelines; the carryover of prior year eligibility; compliance with required timeframes for household notification(s); and compliance with the independent review of applications, if applicable.

To assess the SFA's **procedures for direct certification**, the SA must ensure the SFA is in compliance with 7 CFR 245.6(b). Areas of review include, but are not limited to, the following areas: whether

the direct certification list came from the appropriate agency and contained all required elements; and whether direct certification was performed the appropriate number of times.

Additional information on household applications and direct certification is found in the *Eligibility Manual for School Meals.*

Step 2: Validating Student Certifications

Household Applications

For each student selected for review, the SA must examine the following:

- The eligibility determination (by reviewing the free and reduced-price application), or other categorical eligibility determinations to ensure the SFA certification was completed properly.
- If annual income is reported on the household application, that the SFA has contacted the household to ensure the reporting of annual income is consistent with the *Special Situations* listed in the Eligibility for School Meals Manual.
- Documentation to establish whether households were notified of benefit eligibility, in accordance with regulatory timeframes.
- Any verification activity related to the selected student to ensure the verification was properly conducted and any changes in the eligibility status were properly made.

  Note: The SA should make note of any student verified since this student verification may count towards the sample of verified applications required under the Module: *Verification*.

- Documentation to establish whether households were notified of changes in eligibility status due to verification within required timeframes.

All errors relating to the students selected for review are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet,* Form SFA-1. Any other students listed on an erroneous household application should be listed on the SFA-2, *Other Eligibility Certification and Benefit Issuance Errors Worksheet*. These errors include:

- *Errors Due to Missing Information on Free and Reduced-Price Applications* — Missing:
  - Signature of an adult household member
  - Last four digits of a required social security number (Note: Applications that indicate "none" for the adult household member are not considered an error)
  - Names of all household members, including children who are requesting benefits
  - SNAP, TANF, or FDPIR case number for each child, as applicable.

    Note: Effective School Year (SY) 2015-2016, applications must still request that applicants write a zero when there is no income to report, but failure of an applicant to indicate no income will no longer be considered missing information on free and reduced-price applications.

    Applications must include a clear and easy to understand instruction that communicates to applicants that *any income field left blank is a positive indication of no income* and certifies that there is no income to report. As such, applications with blank income fields should be processed by the school district as complete as long as required information is provided on the application. However, should local officials have known or available information that the household has intentionally misreported its income, they must verify any such application for cause.

- *Errors Due to Verification* — the SFA incorrectly changed eligibility status as a result of verification.

Direct Certifications

For each student reviewed, the SA must ensure the student is on the direct certification list. Direct certification errors are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-1.

Step 3: Recording Eligibility Status

For each student reviewed and found to be in error, the SA must record the student's correct eligibility status. The correct eligibility status is recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-1. In addition, the SA will record both the SFA count of reviewed students and the SA count of reviewed students on the SFA-1.

Note: Reviewed students are students selected for review. An example: the SA selected a sample of 450 student certifications for review. The SFA's determinations for those 450 students were 377 free and 73 reduced-price eligible. The SA's validated determinations of the sample of students were 371 free and 72 reduced-price eligible. These are the numbers that should be entered on the SFA-1, and *Fiscal Action Workbook.*

Step 4: Validating the Benefit Issuance Document

For each student selected for review, the SA must validate the point-of-service benefit issuance document to ensure the student's eligibility was properly transferred and updated, if needed, to the document.

- *Errors Resulting from Benefit Issuance* — Applications that contain all required information, but have been approved for the wrong benefit level on the benefit issuance document, are benefit issuance errors. For example:
    - Student incorrectly listed on the benefit issuance document; or
    - Student on the benefit issuance document without a current application or direct certification documentation on file.

- Benefit issuance errors can lead to:
    - Meals claimed free that should be claimed at the reduced-price
    - Meals claimed free that should be paid
    - Meals claimed reduced-price that should be claimed free
    - Meals claimed reduced-price that should be paid

All errors relating to the students selected for review are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet,* Form SFA-1. Any other students listed on an erroneous household application should be listed on the SFA-2, *Other Eligibility Certification and Benefit Issuance Errors Worksheet.*

SAs must also determine whether free and reduced-price benefits are provided to students in a manner that assures confidentiality and prevents overt identification during meal service or at any other time, in accordance with FNS Memorandums such as, SP 45-2012, *Preventing Overt Identification of Children Certified for Free or Reduced-Price School Meals, (*see FNS PartnerWeb for the most up to date policy memorandums). Any problems should be recorded in the comment section for Question 136 on the *On-site Assessment Tool.*

Step 5: Reviewing Denied Applications

The SA must review at least 10 denied applications on file for all schools under the SFA. If there are 10 or less denied applications on file the SA must review all denied applications.

The SA must determine whether denied households were notified of:

- Reason for denial of benefits
- Right to appeal
- Instructions on how to appeal
- Statement that family may re-apply for free and reduced-price benefits at any time during the school year.

Denied applications found to be denied incorrectly must be recorded on *Other Eligibility Certification and Benefit Issuance Errors Worksheet,* SFA-2. These errors will not be included when calculating fiscal action. If 20 percent or more of the reviewed denied applications are denied incorrectly, as part of the required corrective action, the SFA must re-examine their initial determination of ALL denied applications. The results of the re-examination must be provided to the SA in the SFA's response of documented corrective action. For any benefit issuance changes in

the SFA's re-examination of denied applications, the SFA — by the deadline in the Corrective Action Plan — must provide the SA:

- the student's name;
- the updated benefit issuance category (i.e., free, reduced-price); and
- the date corrective action was applied.

Step 6: Independent Review of Applications

All errors relating to the students selected for review are recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet,* Form SFA-1. The SA will record the total number of reviewed students in error and the total number of reviewed students in Block C of the SFA-1. The SA will then divide the number of reviewed students in error by the total number of reviewed students. The number is then multiplied by 100 to determine the percentage of students in error. If the SFA's percentage in error is 10% or more; the SFA will be required to conduct an Independent Review of Applications during the subsequent school year.

Special Considerations

Under certain circumstances, the SA may follow a different review process for this Module than is detailed above. These variations include:

- *Residential Child Care Institutions (RCCIs)*

  Depending on the circumstances, an RCCI may have children residing or not residing at their institution.

  For children residing in RCCIs, the institution may document the children's eligibility using free and reduced-price applications or by completing an eligibility documentation sheet for all children residing in the RCCI. The SA must examine the RCCI's documentation sheet or other certification documentation (e.g., household application). If a documentation sheet is used, it must include information indicating the child's name and personal income received by the child, the child's date of birth, date of admission, and date of release. The

documentation sheet must be signed by an appropriate official and provide the official's title and contact information.

Children attending but not residing (i.e., day students) in an RCCI are considered members of their household and their eligibility is determined using a household application or through direct certification. For RCCIs with day students, the SA must follow the review process for this Module. Refer to the *Eligibility Manual for School Meals* for more information.

- *Provision 1, Provision 2, Provision 3, and Community Eligibility Provision*
  SAs must follow the Administrative Review procedures specified in Section IX when reviewing SFAs with Provision 1, 2, or 3 schools that are establishing their base year. Additional procedures are required when reviewing Provisions 1, 2, and 3 in their non-base years and when reviewing schools participating in the Community Eligibility Provision. Refer to Section IX, *Special Provision Options* for more information.

Technical Assistance/Corrective Action

The SA must require corrective action and provide technical assistance for all benefit issuance areas resulting in errors, as described above. Corrective action must be applied system-wide for benefit issuance and certification errors, including at non-reviewed schools, if applicable.

The SA should discuss the SFA's annual training, provide the SFA with examples of different benefit issuance methods and point-of-service systems, and work with the SFA to set up a system to track changes on the benefit issuance document(s), as appropriate.

When the SFA has not properly followed up on the reporting of annual income on household applications, the SA must require the SFA to contact the household and ensure the reporting of annual income is consistent with the *Special Situations* listed in the Eligibility for School Meals

Manual. If the follow-up results in the household having no change to the benefit issuance determination these errors will not be recorded on the SFA-1 or SFA-2 and no fiscal action is required. However, if the follow-up results in a reduction in benefits for either the reviewed student or other household members, the reviewed student would be recorded on the SFA-1 and any other household member would be recorded on the SFA-2.

Any technical assistance provided to the SFA must be documented in the comments section of the *On-site Assessment Tool*.

Fiscal Action

Fiscal action is taken for errors resulting from the following:

- Applications with missing information as these applications are considered incomplete. This does not include applications that do not report zero income (either with a "0" or checked the "no income" box).*
- Miscategorized certifications
- Benefit issuance errors
- Failure to update a change in status resulting from verification

* Effective SY 2015-2016, applications must still request that applicants write a zero when there is no income to report, but failure of an applicant to indicate no income will no longer be considered missing information on free and reduced-price applications.

Applications must include a clear and easy to understand instruction that communicates to applicants that *any income field left blank is a positive indication of no income* and certifies that there is no income to report. As such, applications with blank income fields should be processed by the school district as complete as long as required information is provided on the application. However, should local officials have known or available information that the household has intentionally misreported its income, they must verify any such application for cause.

In the case of applications missing the last four digits of the Social Security number (or an indication there is "none") or missing the signature of an adult household member, the SA is not required to take fiscal action if corrective action occurs within the specified timeframe. If these types of errors are not corrected within the specified timeframe, then the SA must take fiscal action for those errors.

Fiscal action is based on the certification and benefit issuance review of students selected for review in the SFA. However, based on this review and any errors identified with the certification and benefit issuance students selected for review, a benefit issuance and certification adjustment factor is calculated and applied to the meal counts at the review sites only for, at a minimum, the review period and month of on-site review. The benefit issuance and certification adjustment factor is not required to be applied to the non-reviewed sites meal counts.

The *Eligibility Certification and Benefit Issuance Error Worksheet*, Form SFA-1 captures the errors and identifies the correct eligibility status for each reviewed student. Any other students listed on an erroneous household application should be listed on the SFA-2, *Other Eligibility Certification and Benefit Issuance Errors Worksheet*.

Information related to fiscal action is found in Section VIII, *Fiscal Action*, of this manual.

Base Year Review of Special Provision 2 and 3:

Effective SY 2013-2014, SAs are required to conduct a base year certification and benefit issuance documentation review for any SFA that is requesting approval to participate in the NSLP or SBP using Provision 2 or 3, or for any sites that do not have documentation showing that a SA reviewed base year certification documents prior to School Year 2013-2014. If the SFA is scheduled for an Administrative Review during that year the SA must use the Administrative Review to ensure the accuracy of the base year certifications.

Since base year claims form the basis of subsequent year claiming, it is essential that base year certifications, meal counts, and funding levels are accurate.

When conducting a base year review of a site any errors to the original base year percentages or funding levels for free, reduced-price and paid, must be corrected using the Base Year Adjustment Calculation (described below). This calculation is applied to all closed Claims for Reimbursement going back to the beginning of the school year. While the base year review may be conducted in conjunction with the Administrative Review, the review corrects previous SFA/site meal counts and the $600 disregard does not apply to closed claims for sites in the base year when fiscal action is required to fix the meal counts.

When the base year review does not occur in the year that the base year claiming percentages or funding levels are established and errors are identified, the SA should work with its FNS Regional Office to determine how to proceed with fiscal action.

After the base year review, the SFA uses the corrected certifications and benefit issuance information in order to determine Claims for Reimbursement in future months.

Base Year Adjustment Calculation

The Base Year Adjustment Calculation is created by taking the SFA's original count of students in the corresponding category (free, reduced- price, paid) and subtracting the State Agency's corrected count in each corresponding category. This will provide the SA with the number of errors. The number of errors in each category is then multiplied by the serving days in the corresponding month that the Claim for Reimbursement is being corrected and then this number is multiplied by the attendance factor (Federal, State, or Local attendance factor may be used).

Example:

The example outlined below demonstrates the steps taken when the SA has found errors in free, reduced-price and paid meals during a base year review. The SA proceeds to correct each closed Claim for Reimbursement to ensure that base year percentages and funding levels are corrected.

<u>Correcting Free Student Errors</u>

SFA's original count of free students is 200

SA's corrected free student count is 190

Number of free errors equals 200-190= 10

15 Serving days in the month (in this example September is being corrected)*

State Attendance Factor is 97%

Base Year Adjustment Calculation would be 10 multiplied by 15 multiplied by .97 which equals 145.5 free meals (if not a whole number round down, which is not standard rounding procedures).

145 meals is the number of free meals that is subtracted from the SFAs closed Claim for Reimbursement for the month of September. This corrected number would be used in non-base years for free meals for September.

Next the SA will proceed to correct the reduced-priced errors.

Correcting Reduced-Price Student Errors

SFA's original count of reduced-price students is 250

SA's corrected reduced-price student count is 225

Number of reduced-price student errors equals 250-225= 25

15 Serving days in the month (in this example September is being corrected)*

State Attendance Factor is used and is 97%

Base Year Adjustment Calculation would be 25 multiplied by 15 multiplied by .97 which equals 363.75 reduced-price meals (if not a whole number round down, which is not standard rounding procedures).

363 meals is the number of reduced-price meals that is subtracted from the SFAs closed Claim for Reimbursements for the month of September. This corrected number would be used in non-base years for reduced-price meals for September.

Next the SA will proceed to correct the free errors.

Correcting Paid Student Errors

SFA's original count of paid students is 400.

SA's corrected paid student count is 395.

Number of paid student errors equals 400-395= 5.

15 Serving days in the month (in this example September is being corrected)*

State Attendance Factor is used and is 97%

Base Year Adjustment Calculation would be 5 multiplied by 15 multiplied by .97 which equals 72.75 paid meals (if not a whole number round down, which is not standard rounding procedures).

72 meals is the number of paid meals that is subtracted from the SFAs Closed Claim for Reimbursements for the month of September. This corrected number would be used in non-base years for paid meals for September.

*The SA would use the Base Year Adjustment Calculation for each month that a Closed Claim for Reimbursement will need to be corrected. The SA must use the number of serving's days that corresponds with the month that is being corrected.

Module: Verification

Intent/Scope of Monitoring

Verification is a process used by SFAs to confirm selected students' eligibility for free and reduced-price meals in the NSLP and SBP. Verification is only required for a sample of students whose eligibility is certified using a household application submitted with income information or a case number for the Supplemental Nutrition Assistance Program (SNAP), Food Distribution Program on Indian Reservations (FDPIR), or Temporary Assistance for Needy Families (TANF). Students certified for free meal benefits through direct certification (conducted with an eligible assistance program, officials, or agencies that provide documented Other Source Categorical Eligibility) are not subject to verification.

The goal of this Module is to ensure the SFA properly implements the verification process as part of the free and reduced-price eligibility requirements. The SA must determine if the SFA is implementing the verification process in accordance with Federal regulations (7 CFR 245.6a).

This Module is considered a General Area of Review. However, the scope of review is closely aligned with benefit issuance and, for this reason, is included in the scope of review for Section II, *Meal Access and Reimbursement*.

Review Procedures

Pre-visit Review Procedures

The Verification section of the *Off-site Assessment Tool* is completed prior to the on-site portion of the Administrative Review. The information from the *Off-site Assessment Tool* will assist the SA in identifying the SFA's verification process, as well as identifying any potential areas of

noncompliance or technical assistance needs in advance of the on-site portion of the Administrative Review.

Off-site Assessment Tool

The *Off-site Assessment Tool* has a series of questions related to verification. Questions 200-204 explore whether the SFA met all verification requirements, e.g., the SFA's submission of the *Verification Collection Report* (FNS-742), notification of verification procedures.

Note: Verification materials must be at the SFA's central office for the on-site portion of the review for further examination of the materials.

Analysis of Off-site Assessment Tool

The SA must examine the *Off-site Assessment Tool* to ensure that the SFA is conducting verification in line with requirements outlined in 7 CFR 245.6a. The *Off-site Assessment Tool* provides a complete overview of the SFA's verification process, and the SA should be able to conclude that the SFA:

- Selected the correct verification sample size
- Conducted verification appropriately (including verification for cause, if applicable)
- Completed the *Verification Collection Report* (FNS-742) correctly and in a timely manner
- Appropriately identified a verification official and confirming official, if applicable
- Meets FNS regulatory requirements
- If applicable, has an electronic system that accurately pulls the correct verification sample size and application type

On-site Review Procedures

The on-site portion of the Administrative Review consists of the SA interviewing SFA staff and determining whether the SFA is in compliance with all verification requirements. It is essential that, through observation and interviews with SFA staff, the SA is able to validate the information gathered in the *Off-site Assessment Tool*.

On-site Assessment Tool

The *On-site Assessment Tool* includes Questions 207-215, which focus on the SFA's *Verification Collection Report* (FNS-742) data submission and the SFA's verification procedures, including confirmation reviews, notification requirements, and procedures to effect changes to eligibility status.

On-site Procedures

The SA must follow the steps below:

Step 1: Validating the Off-site Assessment Tool

The SA must validate the information on the *Off-site Assessment Tool*, confirming the information is still current and represents the SFA's practices for verification according to regulations. The SA also must determine the SFA-provided information is satisfactory. If the SA chooses not to complete the *Off-site Assessment Tool* prior to the on-site portion of the Administrative Review, the SA must obtain the information from the SFA while on-site.

Step 2: Determining Compliance with Verification Requirements

The SA must request that the SFA gather all verified applications for the current school year into one central location for review by the SA. If the SFA has an electronic system for collecting verification, the SA must obtain either access to the system or printed copies of all verification materials.

Based on the information compiled during the *Off-site Assessment Tool* and interviews with the appropriate staff, the SA must confirm whether the SFA:

- Verified the same number of applications as reported on the most recent *Verification Collection Report* (FNS-742), as confirmed on-site
- Verified the required number of free and reduced-price applications, i.e., 3% or 1.5% of the approved applications on file as of October 1 annually, as required by 7 CFR 245.6a

- Selected the correct number of applications based on the calculated sample size
- Replaced no more than five (5) percent of the applications selected and confirmed for verification based on knowledge that the household would be unable to satisfactorily respond to the verification request.

The verification process has specific required timeframes that must be followed by the SFA in order to be in compliance with FNS regulations. The verification timeframes may require the SA to review the previous school year's verification materials in order to assess the SFA's verification process for the Administrative Review. For example, if a SA chooses to conduct an Administrative Review during the month of October, the SFA's verification process will not yet be complete for the current school year and the SA must review the previous school year's verification process.

Below is a chart that provides details on how the SA must review verification if the verification process is either not complete or partially complete at the time of the Administrative Review.

Review is Scheduled For… *(All timeframes should be adjusted to State timelines and reporting requirements)*	**How to Complete Verification Review**
A timeframe prior to the completion of verification and the submission of the Verification Collection Report (FNS 742) for the current school year.	Use previous year's Verification Collection Report (FNS 742) Use previous year's verified applications Verified students selected in the Benefit Issuance sample will not count toward the verification review requirements (i.e., 10% sample of verified applications).
*A timeframe that falls **before** the Verification Collection Report (FNS 742) for the current school year has been submitted to the State Agency but after verification has been completed by the SFA.*	Use previous year's Verification Collection Report (FNS 742) Count verified applications from previous school year to validate previous year's Verification Collection Report (FNS 742) Use current year verified applications for review. Verified students selected in the Benefit Issuance sample can count toward the verification review requirements. (i.e., 10% sample of verified applications).
A timeframe after the current school year Verification Collection Report (FNS 742) has been submitted.	Use current school year's Verification Collection Report (FNS 742) (i.e., 10% sample of verified applications) Use current year verified applications for review. Verified students selected in the Benefit Issuance sample can count toward the verification review requirements (i.e., 10% sample of verified applications).

Step 3: Selecting Verified Applications for Additional Evaluation

The SA must randomly select 10 percent of the verified applications. This sample of verified applications must be examined to ensure that the entire verification process was completed according to FNS requirements.

In order to select a sample of 10 percent of verified applications, the SA must use the following guidelines:

- If the total number of verified applications on file at the SFA is fewer than 3 applications, then the SA must review **ALL** available verified applications.
    - For example, if the SFA has 2 applications on file, the SFA must review both verified applications.
- A minimum of 3 verified applications must be reviewed, so if the total number of verified applications is 30 or less, the SA must select 3 applications to review.
    - For example, if the SFA has a total of 5 verified applications, the SA must select 3 verified applications.
- In order for the SA not to spend an inordinate amount of time reviewing verification, a maximum of 30 verified applications will be reviewed. So, if the total number of verified applications exceeds 300, the SA will select 30 verified applications to review.

For example, if the SFA has a total of 350 verified applications, the SA would select 30 verified applications to review, not the full 10% (or 35) of verified applications.

The SA must use the chart below to determine the appropriate number of verified applications to select for review at the SFA:

Number of Verified Applications on File at the SFA:	**Number of Verified Applications Required for Review***
1-2	All
3-30	3 applications
31-300	10% of applications
301 or more	30 applications
*Use standard rounding procedures to the nearest whole number (i.e. less than 5 round down, more than 5 round up) to determine the required number of verified applications	

to review.

Using the selected verified applications, the SA must verify compliance with the following:

- Did the SFA appropriately conduct confirmation reviews or does the SFA have a software program appropriate for fulfilling this requirement?
- Did the SFA's verification notification letter meet all Federal requirements?
- Did the SFA appropriately attempt to follow-up with unresponsive households selected for verification?
- Did the SFA's notice of adverse action contain all required information?
- Were changes in eligibility status due to verification made within prescribed timeframes?
- Did the SFA complete the verification process by November 15 or request and receive an extension until December 15 from the SA?
- Were applications selected for verification verified correctly, and was the resulting eligibility status determined accurately?

If the SA determines that the SFA accurately completed the verification process, the verification portion of the review is complete. If the SA finds errors, the SA must provide technical assistance and require corrective action for those findings. If the SA finds errors in the verification sample and cannot be sure that eligibility determinations were made appropriately, the SA may choose to expand the sample of verified applications.

Note: If the sample of students selected for review from the Module: *Certification and Benefit Issuance* contains a student(s) with a verified household application on file, the review of the verified application will contribute toward the 10 percent sample of verified applications under this Module. Refer to the Module: *Certification and Benefit Issuance* for more information.

Step 4: Recording Findings

All review findings are recorded on Questions 207-215 of the *On-site Assessment Tool* and the *Other Eligibility Certification and Benefit Issuance Errors Worksheet,* SFA-2.

Note: Do not record errors for students who were selected for verification review under Module: *Certification and Benefit Issuance* on the SFA-2. These errors must be recorded on the *Eligibility Certification and Benefit Issuance Error Worksheet,* Form SFA-1.

Technical Assistance/Corrective Action

SAs must require corrective action and provide technical assistance for areas of verification resulting in errors.

Identified errors related to issues in the SFA's verification process cited during the pre-visit or on-site portions of the Administrative Review will require the SFA to take corrective action. Corrective actions may include:

- Changing the benefit status of students on any applications verified under this Module that results in a change in application status. The SFA must notify the household and follow all required procedures;
- Requiring the SFA to attend SA verification training;
- Developing a technical assistance check-in plan with the SA annually to improve verification comprehension through email/phone discussions for relevant verification deadlines.

Any technical assistance provided to the SFA must be recorded in the comments section of the *On-site Assessment Tool*. During the process of evaluating the SFA's compliance with verification requirements, some considerations for technical assistance may include:

- Assisting the SFA in understanding how to select the correct verification sample size;
- Sending the SFA reminders about when verification reports are due to the SA;

- Providing new SFA staff with additional support and training on verification;
- Discussing and encouraging SFA participation in verification training offered by the SA.

If a SA finds that a SFA systemically has difficulty with verification reporting, the SA must explore why the problem exists and consider requiring mandatory participation in SA verification training.

Fiscal Action

This is a General Area, thus fiscal action is not required. Fiscal action is applied for those students reviewed under the Module: *Certification and Benefit Issuance* in cases where certification or changes in benefit status was in error as a result of verification. Refer to the Module: *Certification and Benefit Issuance* in this Section for more information.

FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. Withholding program payments is not included in the specific regulatory definition for fiscal action. For additional information, please refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: Meal Counting and Claiming

Intent/Scope of Monitoring

Performance Standard 1

All free, reduced-price, and paid meals claimed for reimbursement are served only to children eligible for free, reduced-price, and paid meals, respectively, **and are counted, recorded, consolidated, and reported through a system that consistently yields correct claims**.

The SFA must have a meal counting and claiming system that accurately counts, records, consolidates, and reports the number of reimbursable meals claimed, by category (i.e., free, reduced-price, or paid). The meal counting and claiming process must include a mechanism, whether manual or electronic, for counting meals and consolidating meal totals at each school within the SFA. The mechanism must include an internal control system that validates the total meal counts prior to the submission of the Claim for Reimbursement to the SA.

The goal for monitoring meal counting and claiming is to assure the processes the SFA uses to count, consolidate, and claim meals for the SBP and NSLP are in compliance with Program requirements. For example:

- Counting and claiming system(s) in use for the SBP and NSLP provide accurate counts of reimbursable meals, by category
- Reimbursable meals are correctly counted, consolidated, and recorded at each school and at the SFA
- Counting and claiming system yields an accurate Claim for Reimbursement

Review Procedures

This Module examines the process the SFA uses to count, consolidate, and report a Claim for Reimbursement of meals provided to eligible students. This Module will focus on the day of review and review period at the school and SFA levels for the SBP and NSLP.

Pre-visit Review Procedures

The *Off-site Assessment Tool* will help the SA identify the steps in the SFA's meal counting and claiming process and identify any potential areas of noncompliance or technical assistance needs prior to the on-site portion of the Administrative Review.

Off-site Assessment Tool

The *Off-site Assessment Tool* has a series of questions related to meal counting and claiming. Questions 301-311 address standard meal counting and claiming procedures, including internal controls and training.

Analysis of Off-site Assessment Tool and Supporting Documentation

The *Off-site Assessment Tool* will provide the SA with an understanding of how the SFA counts and claims meals on a daily basis. The information gathered in the *Off-site Assessment Tool* for meal counting and claiming will provide the SA with an understanding of the SFA's:

- Meal counting and claiming system and whether their system is electronic or manual
- Point of service system
- Back-up system for counting and claiming reimbursable meals served
- Training provided to staff on meal counting and claiming procedures
- Standard operating procedures for meal counting and claiming system
- Procedures for consolidation of the meal counts for the Claim for Reimbursement

On-site Review Procedures

The SA's on-site portion of the Administrative Review consists of conducting interviews with SFA staff, observing meal service, examining documentation that supports the Claim for Reimbursement (including internal edit checks), and determining whether the school and SFA procedures yield an accurate Claim for Reimbursement and are in compliance with all Federal meal counting and claiming requirements.

The on-site portion of the Administrative Review examines both day of review and review period at the school and SFA levels for the SBP and NSLP.

On-site Assessment Tool

Questions 314-316 (SFA level), 317-321 (school level, day of review), and 322-325 (school level, review period) in the *On-site Assessment Tool* assess the validity of the reviewed school(s) and the SFA's meal counts for the review period and day of review.

On-site Procedures

The SA must follow the steps below:

Step 1: Validating the Off-site Assessment Tool

The SA must validate that the information on the *Off-site Assessment Tool* is current and represents the SFA's practices for implementing meal counting and claiming requirements according to regulations. The SA must also determine whether the SFA's responses were satisfactory.

If the SA does not complete the *Off-site Assessment Tool* prior to the on-site portion of the Administrative Review, the SA must obtain the information from the SFA while on-site.

Step 2: Validating the Counting and Claiming Process

The SA must review the procedures for SBP and NSLP at the school and SFA level for both the day of review and the review period.

For the **school level** review, the SA must:

- interview staff to determine whether the meal counting, consolidation, and claiming procedures at the school level reflect the SFA's procedures (this interview should preferably occur before meal service begins so SA is aware of procedures while observing the meal service);
- observe meal service at the point of service to ensure the counting system yields an accurate count of reimbursable meals on the day of review and whether the meal counting system prevents overt identification of students receiving free and reduced-price benefits;
- review the meal count documentation on the day of review to ensure the meal counts are counted, consolidated, and recorded for SFA's use and yield an accurate result;
- review the meal counts for the review period to ensure meal counts yield an accurate result, are comparable to the day of review meal counts, and do not exceed the number of eligible students by category (i.e., free, reduced-price, and paid).

For the **SFA level** review, the SA must:

- interview staff to determine whether the meal consolidating and claiming procedure reflect the information gathered from the *Off-site Assessment Tool* and meets FNS regulations;
- review the meal counts for the review period to determine whether the meal counts from each school within the SFA were consolidated and claimed correctly according to FNS regulations.

The SA may accept documented corrective action to address erroneous practices during the on-site portion of the Administrative Review, or the documented corrective action may be

submitted, as described below. However, all uncorrected meal counts identified during the on-site portion of the review must be recorded for fiscal action.

If errors exist on the day of review and/or the review period, the SA must determine whether the errors were a result of a non-systemic or systemic counting and claiming process either at the school and/or SFA level. The SA must document all areas identified that support the conclusion of a non-systemic or systemic meal counting finding. Detailed definitions of "non-systemic" and "systemic" findings are provided below:

- **Non-systemic:** If the contributing factors are unusual, not part of the normal operating procedure, and the system does not require changes to achieve accurate results, then the error is non-systemic. An example of a non-systemic counting error is when the cashier punches the wrong button. Additionally, if it is determined by the SA that an error occurred because the cashier was intimidated by the review process, the error is non-systemic. Document all findings that support the conclusion of a non-systemic meal counting problem in the comments section.

- **Systemic:** If any of the contributing factors are built into the process and would likely recur if the process is not changed, the error is systemic. Systemic errors are serious in nature. The SA must determine the scope of the error by deciding if the same meal count procedures were in place for the review period and/or previous periods. Document all findings that support the conclusion of a systemic meal counting problem in the comments section.

Step 3: Recording Errors

Meal counting and claiming errors are recorded on the *On-site Assessment Tool, School Data and Meal Pattern Error (* Form S-1), *the Fiscal Action Workbook*, and the Other Meal Claim Errors (S-2), as described below in Section VIII: *Fiscal Action*.

Special Considerations

Under certain circumstances, the SA may follow a different review process for this Module than is detailed herein. These variations may include:

- *Provision 2, Provision 3, and Community Eligibility Provision*

  The Administrative Review procedures for schools participating in Provision 2, Provision 3, and the Community Eligibility Provision are discussed in Section IX, *Special Provision Options.*

Technical Assistance/Corrective Action

Technical assistance and corrective action are required for all meal counting, claiming, and reimbursement areas resulting in errors. Corrective action must be applied to the SFA and all schools, as appropriate; to ensure that previously deficient practices and procedures are revised system-wide. Needed corrective action is recorded in the comments section of the *On-site Assessment Tool*.

Corrective action must result if:

- The SFA's system does not properly count students' eligibility by category;
- The SFA does not have a backup system for counting and claiming, or the backup system cannot render accurate meal counts for eligible meals;
- The SFA's system does not have appropriate edit checks;
- The SFA's policies for incomplete meals, second meals, visiting student meals, adult and non-student meals, student worker meals, a la carte items, field trip meals, or pre-paid meals are not in-line with FNS policy and regulations or require additional information to be appropriate;
- The SFA's alternate point of service does not yield accurate counts;
- The cashiers are not appropriately trained.

The SA must determine the appropriate technical assistance to provide to the SFA if any of the issues listed above arises. Other situations may also require the SA to provide technical assistance in order to ensure the SFA remains in compliance with regulations. The SA must document any technical assistance provided to the SFA at any point during the Administrative Review. Technical assistance is recorded in the comments section of the *On-site Assessment Tool*.

The SA must require corrective action for and document all identified findings.

Fiscal Action

Fiscal action must be assessed for inaccurate meal counting and claiming for the day of review or review period occurring at the school and/or SFA level. For additional information on fiscal action, see Section VIII, *Fiscal Action*, of this manual.

The SFA is allowed to correct any erroneous practices identified by the SA on the day of review. However, any error identified and any SA technical assistance provided on the day of review is still recorded on the *On-site Assessment Tool*. In addition, the SA must calculate fiscal action for any violations identified prior to the correction of the erroneous practice. In these situations, the SFA should not correct their proposed Claim for Reimbursement based on the violations identified by the SA (see Section VIII, *Fiscal Action*, Module: *Fiscal Action Formula*). The SA will provide the SFA with the maximum allowable reimbursable meals based on all errors prior to the corrective action. The meals requiring fiscal action for the day of review at the school level are identified in Questions 318 and 321. The meals requiring fiscal action for the review period at the school level are identified in Questions 322 – 324. Meals in error are recorded on the S-1, Lines 10 and 14 respectively.

School-level Consolidation Errors

Meal count consolidation errors are mathematical mistakes that result in the school reporting incorrect meal counts to the SFA. Fiscal action is taken on the difference between the incorrect and the correct meal counts. The meals requiring fiscal action for the day of review and review period at the school level are identified in Questions 320 and 325 of the *On-site Assessment Tool*. Meals in error are recorded on the S-1, Lines 13 and 17, respectively. When calculating fiscal action in the Fiscal Action Workbook the SA only assesses the consolidation error once, either at the site level or at the SFA level, whichever is most appropriate.

SFA-level Consolidation Errors

Meal count consolidation errors can also occur at the SFA level when compiling the Claim for Reimbursement. This information is recorded on the *Other Meal Claim Errors*, Form S-2.

Counting Errors

Three types of meal counting errors may occur:

- Meal counts do not equal the number of reimbursable meals served to eligible children;
- Meal counts exceed the number of eligible students by category (i.e., free, reduced-price, or paid); or
- Second and/or other ineligible meals (e.g., adult meals or a la carte) were counted.

Second/Other Ineligible Meals Counted

Fiscal action is taken on all meals that were counted as reimbursable meals, but were ineligible for reimbursement, such as second meals and adult meals. This error does not include meals that failed to contain the minimum number of required menu items/food items as described in Section III: *Meal Pattern and Nutritional Quality*.

Note: SFAs may not claim second meals in the NSLP; however, the SFA may claim second meals in the SBP as long as the SFA does not plan and produce meals with the intention of claiming second meals.

Section III: Meal Pattern and Nutritional Quality

Modules contained within this Section include:

- Meal Components and Quantities
- Offer versus Serve
- Dietary Specifications and Nutrient Analysis
- Addendum: Certifying a School Food Authority for Performance-Based Reimbursement During an Administrative Review

Module: Meal Components and Quantities

SFAs operating the NSLP and/or the SBP must follow meal pattern requirements for each age/grade group within all reimbursable meal service lines. (7 CFR 210.10 and 220.8)

The meal pattern is the foundation of federal school nutrition programs, and SA staff must ensure SFAs are offering reimbursable meals at breakfast and lunch according to the regulations.

Performance Standard 2

Reimbursable lunches must meet the meal requirements in 210.10, as applicable to the age/grade group reviewed. Reimbursable breakfasts must meet the meal requirements in 220.8 and 220.23, as applicable to the age/grade group reviewed.

Intent/Scope of Monitoring

The scope of review for this Module is to establish that meals claimed for reimbursement contain the appropriate meal components (also referred to as food components) and quantities for the SBP and the NSLP.

SA staff must ensure schools operating the NSLP and/or the SBP prepare, offer, and serve meals to students that meet the meal pattern requirements for the appropriate age/grade groups on all reimbursable meal service lines.

Additionally, SA staff must ensure that every reimbursable meal service line meets the daily and weekly meal pattern requirements for the appropriate age/grade group served. This includes verifying how an SFA is meeting the meal pattern requirements if serving multiple age/grade groups in a single location, and if children are using self-service stations.

Review Procedures

Pre-visit Review Procedures

The SA or the SFA must complete the Menu Worksheet portion of a USDA-approved *Menu Planning Tool for Certification for Six Cent Reimbursement* (referred to as Menu Worksheet from here on) for each school selected for review for a week from the review period. The worksheet should be completed either pre-visit (recommended) or during the on-site visit using production records, menus, recipes, food receipts, and any other documentation that shows meals contained the required components/quantities. The SA should grant the SFA sufficient time to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit. For efficiency, the SA should review the same menus, production records, and standardized recipes for both the *Meal Components and Quantities* and *Dietary Specifications and Nutrient Analysis* as part of the Administrative Review If the SA feels it needs more information to better understand usual practices at the school, it may choose to examine additional weeks within the review period.

The SA or SFA is not required to complete the Simplified Nutrient Assessment portion of the *Menu Planning Tool*.

The USDA Menu Planning Worksheet is available on the USDA website. A list of commercially available, USDA-approved alternatives to the USDA Menu Planning Worksheet is available on the USDA website. The SA may also use a USDA-approved, State-developed Menu Worksheet. Because the Menu Worksheet does not assess offerings by meal service line, the SA also must review menus and production records to ensure that all required meal components are available on each reimbursable meal service line.

Supporting Documentation

SAs must obtain documentation from the SFA, including menus, production records, USDA Foods Information Sheets, and related materials (e.g., CN Labels, standardized recipes) for the school week under review.

Reviewing Documentation

The completion of the Menu Worksheet and review of documentation is intended to establish the SFA's compliance with meal component and food quantity requirements for each age/grade group being served. This documentation review is in addition to the meal observation procedures conducted on the day of review (see *On-site Review Procedures*).

When conducting a review of documentation for a school week under review, the minimum number of school days in the week reviewed is three (3), and the maximum is seven (7). All must be consecutive days. The SA may examine any food crediting documentation that is provided to the SA,— including, but not limited to, food labels, USDA Foods Information Sheets, product formulation statements, CN labels, and bid documentation — to ensure meal pattern compliance. The SA may also consult the Food Buying Guide. If an SFA provides a CN labels for crediting of meal components and quantities the SA should not ask for a product formulation statement for crediting purposes. However, CN Labels and product formulation statements that follow the USDA template found on the USDA website, are limited in that they may only provide information on what contributes to a meal, but may not provide nutrient information. State agencies may need to request nutrient information, separately from a CN label or product formulation statement, for the nutrient analysis in other areas of the review.

SFAs are required to document how foods offered credit toward meal pattern requirements. If the SA finds foods that do not have a CN label, USDA Foods Information Sheets, or product formulation statements, the SA should use their best judgment to determine if a required component is missing or present in insufficient quantity. For example, a school may not have documentation for a ham sandwich pocket, but the SA may be able to discern that the food item contains meat and grains. In this case, the meat and grains components are offered (i.e. not missing), but the quantities are unknown and therefore could result in insufficient quantities.

There is a distinct Menu Worksheet for each age/grade group, and separate menus for breakfast and lunch. Therefore, the SA must complete a Menu Worksheet (or require the SFA to submit a completed Menu Worksheet) and review menus and production records for each menu type and age/grade group in each reviewed school, for both breakfast and lunch. For example, if a K-8 school serves two lunch menus (one for grades K-5, and one for grades 6-8) and two breakfast menus (again, one for each age/grade group), the SA or SFA would need to complete four Menu Worksheets for that school.

The SA must evaluate production records to ensure the following:

- Records include all information necessary to support the claiming of reimbursable meals and any additional SA requirements (i.e., all menu items are listed and all required meal components are offered);
- Records are used for proper planning (e.g., evaluate for consumption and leftovers);
- Records document food prepared is creditable for the total number of reimbursable meals offered and served;
- Records document a la carte, adult, and/or other non-reimbursable meals, including number of portions for each of these food items;
- Records document that milk, whole grain-rich, and vegetable sub-group requirements are met;
- Records document weekly quantity requirements for grains, meat/meat alternates, vegetables, fruit, and milk; and
- Records align with standardized recipes (e.g., if chicken salad sandwich is on the menu but mayonnaise is not listed on the production records, the SA may examine standardized recipes for additional information).

If reviewing documentation or completing the Menu Worksheet reveals problems with meal components or quantities, the SA should determine if the issue is systemic, or just a one-time occurrence. A systemic problem is a serious problem resulting from factors that are built into the SFA's processes and would likely recur if the processes are not changed. If the contributing

factors are unusual, not part of the normal operating procedures, and the SFA's processes do not require changes to achieve accurate results, then the problem is non-systemic. If the issue is systemic, the SA must expand the review of production records to, at a minimum, the entire review period for the site(s) where systemic issues were identified.

On-site Review Procedures

The SA must conduct an on-site assessment of the SFA's meal service for breakfast and lunch to determine whether meals claimed for reimbursement contain the required components and quantities. The SA must:

- conduct a visual observation of meal service lines and review menu documentation on the day of review;
- if not completed off-site, complete a Menu Worksheet and review menus and production records for each school selected for review for a school week during the review period; and
- ensure that signage is posted and students know how to select a reimbursable meal

On-site Assessment Tool

Questions 400-412 on the *On-site Assessment Tool* focus on whether meals contain the required components and quantities.

Supporting Documentation

If conducting the documentation review on-site, the SA must obtain and examine menus, production records, USDA Foods Information Sheets, and related materials (e.g., CN Labels, standardized recipes) for the school week under review and complete the Menu Worksheet (or require the SFA to complete the Menu Worksheet).

Step 1: Reviewing Documentation (if not conducted off-site)

Refer to *"Reviewing Documentation"* under Off-site Review Procedures above.

Step 2: Observing the Meal Service

Prior to the beginning of the meal service, the SA will ensure, through on-site observation and a review of documentation, that all reimbursable meal service lines offer all of the required meal components and food quantities for the age/grade groups being served. If multiple age/grade groups are being served, the SA must determine how the meal service is structured to meet meal pattern requirements for each age/grade group. Additionally, if visual observation suggests that quantities offered are insufficient, the State agency must require the reviewed schools to provide documentation demonstrating that the required amounts of each component were available for service for each day of the review period. The SA must also ensure that signage is posted so students understand how to select a reimbursable meal. Regulations in 7 CFR 210.10(a)(2) require schools to identify reimbursable meals to students; this aims to reduce the unintended purchase of a la carte items and help students make healthy food choices. Findings are recorded in the comments section of the *On-site Assessment Tool*.

To the extent possible, the SA must also observe the majority of meal preparation for breakfast and lunch to ensure that standardized recipes are followed (e.g., ingredients are added in amounts specified in the recipe, measurements are being taken appropriately).

During the meal service, the SA must observe a significant number of program meals (breakfast and lunch) at the point-of-service system on every reimbursable meal service line. SAs should observe 5 to 25 percent of meals served (this range takes into consideration differing types of meal services found in SFAs) on each reimbursable meal service line. The intent is for all reimbursable meal service lines in all meal periods to be reviewed if possible. SAs must observe meals at the beginning, middle, and end of the meal service.

During observation, the SA must determine whether the meals selected by students contain the required components or items, and the food quantities required for the age/grade group being served as the students exit the meal service line at the point-of-service. If using service stations, the SA must verify that students have access to all required meal components, offered

in the appropriate food quantities, for the appropriate age/grade groups. When reviewing self-service stations, the SA should observe students as they move through the self-service stations and ensure that they demonstrate knowledge of how to access all required meal components in the meal service area. For the purpose of this Module, if multiple lines are serving the same menu, only one line must be validated. However, the SA should spot check all lines for consistency.

When observing meals served in alternate locations (e.g., classroom, in-school suspension, multiple cottages within a RCCI), the SA should select an appropriate number of meals to observe to sufficiently assess the program meals served. To determine the sufficient number of meals to observe, the SA must consider several factors, such as the number of alternate meal service areas; number of SA reviewers; number of meals served; and length of time needed to properly observe the meal service. If an SA observes egregious violations at one alternate location, the SA must review additional alternate locations.

If the SA identifies missing meal components or inadequate quantities prior to the beginning of the meal service, **the SA should inform the SFA staff of the violation and provide an opportunity to make corrections**. The priority is always to ensure students receive a nutritionally-balanced, reimbursable meal. Even if corrected prior to meal service, the SA must document the problem in the comments section of the *On-site Assessment Tool* and list it in the Administrative Review Report to the SFA. The SA should also report the violation at the exit conference.

Milk Requirements

The SA must ensure that at least two choices of fluid milk from the following list are offered throughout the meal service on all reimbursable meal service lines: flavored or unflavored fat-free milk, low-fat (1%) milk, fat-free or low-fat lactose-reduced milk, fat-free or low-fat lactose-free milk, fat-free or low-fat buttermilk, and fat-free or low-fat acidified milk. Students must be

allowed to choose milk from at least two milk varieties, even in alternate meal service locations.

If any milk substitutions are made, the SA must ensure they are allowable and required documentation is on file. For additional information, refer to 7 CFR 210.10(d) and 7 CFR 210.10(m); FNS memorandum SP 32-2015, Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs, FNS Instructions 783-7, *Milk Requirement-Child Nutrition Programs* (revised, issued January 24, 1995);783-2, *Meal Substitutions for Medical or Other Special Dietary Reasons* (revision 2, issued October 14, 1994); and FNS memorandum SP 07-2010, *Q and As: Milk Substitutions for Children with Medical or Special Dietary Needs (Non-Disability)*, issued November 12, 2009.

Note: Program operators are not to promote or offer water or any other beverage as an alternative selection to fluid milk throughout the food service area. Signs describing the reimbursable meal must convey that milk is offered as a separate food component and not as a beverage choice.

Fruit or Vegetable Juice Requirement

Fruit and/or vegetable juice may be used to meet up to half of the fruit or vegetable requirement. For additional information, see SP 10-2012 v. 9, *Questions and Answers on Final Rule "Nutrition Standards in the National School Lunch and Breakfast Programs",* see FNS PartnerWeb for policy memorandums.

Vegetable Subgroup and Whole Grain-rich Requirements

The SA must ensure that, over the course of the school week, meals offered to students meet the vegetable subgroup and whole grain-rich requirements specified in 7 CFR 210.10. This includes ensuring that required amounts of whole grain-rich foods are offered and determining that grain-based desserts are limited to no more than 2 oz. eq. per week.

For additional information on whole grain-rich requirements, the SA should reference *Grain Requirements for the National School Lunch Program and School Breakfast Program* (SP 30-2012) and)the *Whole Grain Resource for the National School Lunch and School Breakfast Programs*, available on FNS PartnerWeb.

Menu Substitutions

If any substitutions are made from the planned menu for the day of review or the school week during the review period, the SA must validate whether the daily/weekly meal pattern requirements are met. While FNS strongly encourages "like" substitutions, such as spinach for romaine lettuce, meals are compliant if the daily and weekly requirements are met.

Accommodations for Children with Disabilities

See FNS memorandum SP 32-2015, Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs for more information.

Family Style Meal Service

When reviewing a family style meal service, the SA should refer to procedures outlined in FNS memorandum SP-35-2011, *Clarification on the Use of Offer Versus Serve and Family Style Meal Service* and FNS Instruction 783-9, rev 2, *Family Style Meal Service in the Child and Adult Care Food Program.*

Field Trips

The SA should review and evaluate field trip meals served on the day of review and the school week during the review period. Field trip menus must meet daily and weekly meal component and quantity requirements. Refer to FNS Instruction 786-8,rev 1, *Reimbursement for Off-Site Meal Consumption.*

Traditional Foods

The SA may encounter the service of traditional foods during an Administrative Review, such as native whole blue corn kernel, bison, venison or sheep. If a food is served as part of a reimbursable meal, but not listed in the Food Buying Guide, the yield information of a similar food or in-house yield may be used to determine the contribution towards meal pattern requirements. When this is the case, traditional foods may credit similar to products found in the Food Buying Guide. FNS Memo TA 01-2015, Child Nutrition Programs and Traditional Foods, provides guidance to the reviewer on how to credit traditional foods towards meal pattern requirements.

Step 3: Recording Errors

The SA must record meals missing components and meals that do not meet quantity requirements.

Missing Meal Components:

Errors related to missing meal components are recorded on the *On-site Assessment Tool*, Questions 400 – 401 (day of review) and Questions 409 and 411 (review period). The SA must also record the number of meals missing meal components on the *School Data and Meal Pattern Error Form,* S-1, Lines 11 and 15, respectively.

Insufficient Quantities/Incomplete Meals:

Meals that do not meet quantity requirements are recorded on the *On-site Assessment Tool*, Questions 402 – 403 and 407 (day of review) and Question 410 (review period). Meals that contain insufficient quantities of meal components are incomplete. Incomplete meals claimed for reimbursement that will be subject to fiscal action (for repeated violations) must be recorded on the *School Data and Meal Pattern Error Form* S-1, Lines 12 and 16.

When multiple meal pattern violations are identified for a meal, list all violations in the appropriate comments section. Record meals with multiple violations on the S-1 under only one meal violation category to ensure that fiscal action is applied only once. If multiple violations include meals that are offered that are missing meal components, record the meal

under the missing meal component category. For all other multiple meal pattern error violations, record repeated vegetable subgroup or milk type violations before all other violations. For all other multiple meal pattern violations, use discretion and record the most egregious violation for fiscal action.

Technical Assistance/Corrective Action

When the SA conducts an Administrative Review and finds that the SFA is not meeting meal pattern requirements, technical assistance and corrective action are the first steps that must be taken. SAs and SFAs should develop a Corrective Action Plan with specific steps and reasonable timelines for bringing the SFA into compliance. The Corrective Action Plan will vary depending on the nature of the changes necessary.

The SA must require immediate corrective action for any missing meal components found during an on-site observation on the day of review, or found while examining the Menu Worksheet and/or reviewing menu documentation for the school week during the review period.

The school must immediately add the missing meal component(s) before any additional meals are claimed for reimbursement on: 1) the day of review, or 2) on future days on which the deficient menu is offered. In addition to immediate corrective action, the SA must require written corrective action to ensure such violations do not occur in the future.

For missing meal components identified from examining the Menu Worksheet and/or reviewing menu documentation, the SA may allow the SFA to provide documentation (e.g., invoices, food inventory tracking) to demonstrate that the missing meal component was actually offered.

In addition, SAs must require corrective action for violations related to vegetable subgroups, milk types, whole grain-rich foods, and food quantities to help bring the SFA into compliance with the meal pattern requirements. This includes both violations observed on the day of review and those identified from the review of production records and completing the Menu worksheet.

When production records are incomplete, **the SA should provide targeted technical assistance** to emphasize the importance of complete and accurate production records. The SA and SFA should ensure that the manager understands the deficiencies and steps that should be taken to make sure that production records are complete and accurate.

When errors are found in SFAs with central/satellite kitchens and/or district-wide menus the SA must provide technical assistance to ensure the SFA corrects the problem at all affected sites. The rationale for this is that, even though meals were prepared in a single location, the non-reimbursable meals were served throughout the SFA. This same rationale would apply to menus implemented district-wide.

Fiscal Action

Fiscal action requirements are described below. For additional information refer to Section VIII, *Fiscal* Action and Memorandum SP 54-2014*, Administrative Reviews and Certification for Performance-Based Reimbursement in School Year 2014-2015* available on FNS PartnerWeb. When errors are found in SFAs with central/satellite kitchens and/or district-wide menus, the SA must assess fiscal action for all sites, reviewed and non-reviewed, in which the non-reimbursable meals were served. The rationale for this is that, even though meals were prepared in a single location, the non-reimbursable meals were served throughout the SFA.

Missing Meal Components

The SA must take fiscal action when a meal component is missing.

Missing Production Records

SFAs are required to maintain documentation that demonstrates how meals offered to students meet meal pattern requirements. SFAs are required to document that reimbursable meals are offered. If production records are missing, or missing for a certain time period, meals served during that time must be disallowed/reclaimed unless the SFA is able to demonstrate to the satisfaction of the SA that reimbursable meals were offered and served. FNS encourages SAs to accept documentation such as invoices and/or food inventory tracking records as acceptable documentation in recreating missing production records. SAs should, however, provide training and technical assistance for noncompliant SFAs in proper production recordkeeping practices. This approach should ensure that missing production records are not a recurring issue.

Vegetable Subgroups and/or Milk Type Findings

For repeated violations involving vegetable subgroups and/or milk type cited in 7 CFR 210.18 (g)(2), the SA must take fiscal action.

- If only one type of milk is offered (i.e., milk variety requirement not met) or an unallowable milk type is offered, meals must be disallowed and/or reclaimed for the duration that only one milk type was offered. Any meals selected with an unallowable milk type must also be disallowed/reclaimed.
- If one vegetable subgroup is not offered over the course of the week reviewed, the reviewer should evaluate the cause(s) of the error to determine the appropriate fiscal action. All meals served in the deficient week may be disallowed/reclaimed.

Quantities and/or Whole Grain-rich Findings

For repeated violations involving food quantities and/or whole grain-rich foods cited in 7 CFR 210.18 (g)(2), the SA has discretion to apply fiscal action. The reviewer should evaluate the cause(s) of the error to determine the extent of fiscal action.

- The SA has discretion to disallow/reclaim meals containing insufficient quantities of required meal components.
- If whole grain-rich foods are not offered over the course of the week reviewed, all meals served in the deficient week may be disallowed/reclaimed.
- If insufficient whole grain-rich foods are offered, the SA may disallow/reclaim meals for one day during the week under review. The SA has discretion to select which day's meals are disallowed/reclaimed. Additional meals may be disallowed/reclaimed at the SA's discretion.
- If a vegetable subgroup is offered in insufficient quantity to meet the minimum weekly requirement, meals may be disallowed/reclaimed for one day that week. The SA has discretion to select which day's meals are disallowed/reclaimed.
- If the amount of fruit or vegetable juice offered exceeds 50 percent of the total weekly fruits or vegetables offered, meals may be disallowed/reclaimed for one day that week. The SA has discretion to select which day's meals are disallowed/reclaimed. Additional meals may be disallowed/reclaimed at the SA's discretion.

Repeated Violations

Fiscal action may only be taken for repeated violations specified in the previous paragraphs if:

- The SA has provided technical assistance
- The SA has previously required and monitored corrective action
- The SFA remains noncompliant with the meal requirements established in 7 CFR 210 or 220

Performance-based Certification Funding (6 cents)

If the Administrative Review finds that significant noncompliance exists, requiring the SFA to

develop and implement a Corrective Action Plan over an extended period of time (i.e., problems cannot be fixed immediately), the SA must use their best judgment to assess the longevity and severity of the problems. If the SA determines that the performance-based reimbursement should be terminated, it should be terminated beginning the month following the on-site Administrative Review and, at State discretion, for the month of review. Previously paid performance-based reimbursement would only be recovered in circumstances of clearly egregious or willful noncompliance by a SFA.

Performance-based reimbursement may resume beginning in the first full month the SFA demonstrates to the satisfaction of the SA that corrective action has taken place.

For additional guidance on technical assistance and corrective action, see FNS Memorandum, SP 54-2014*, Administrative Reviews and Certification for Performance-Based Reimbursement in School Year 2014-2015* available on FNS PartnerWeb.

When the performance-based reimbursement is terminated, and the SFA operates both NSLP and the Seamless Summer Option, refer to Section VIII, *Fiscal Action*, Module: *Overview of Fiscal Action*, Duration of Fiscal Action, Performance-based Reimbursement.

Module: Offer versus Serve

Intent/Scope of Monitoring

"Offer versus Serve" is a provision in the NSLP and SBP that allows students to decline some of the food components/items offered. The goals of Offer versus Serve are to reduce food waste in the school meals programs while permitting students to decline foods they do not intend to eat. The review of Offer versus Serve is a Performance Standard 2 review element.

In SFAs that implement Offer versus Serve, menu planners must ensure they prepare and offer enough food to meet meal pattern requirements. Point-of-service staff must also consider Offer versus Serve when determining whether a student has selected enough components/items to make a reimbursable meal.

When determining Offer versus Serve compliance, the SA must consider whether:

- The school is offering the appropriate food components/items on all reimbursable meal service lines;
- Signage is posted on the service line to assist students in selecting a reimbursable meal;
- Students are selecting at least three food components (in NSLP) or items (in SBP) in the proper quantities to make a reimbursable meal, which must include at least a ½ cup of fruit and/or vegetable; and
- Food service staff members at the point-of-service are trained and accurately recognize a reimbursable meal, including appropriate quantities.

It is important for the SA to understand the Offer versus Serve procedures in place at the school being reviewed prior to observation of the meal service.

School Breakfast Program

Offer versus Serve is encouraged for any site/meal service where it can be accommodated. Implementation of Offer versus Serve is optional in the SBP. However, if the SFA chooses to implement Offer versus Serve at breakfast, then the SFA must adhere to Offer versus Serve requirements.

Alternate Meal Service Locations

USDA does not require a SFA to alter their meal service system(s) to accommodate Offer versus Serve in situations where OVS implementation is difficult (e.g., pre-packaged lunches in high schools, and alternate meal service locations). SAs and SFAs are strongly encouraged to work together to develop creative ways to implement Offer versus Serve in alternate meal service locations, even if that means offering choices only for certain meal components (e.g., fruit, milk).

Review Procedures

Pre-visit Review Procedures

Supporting Documentation

- Production records

Off-site Review Procedures

Prior to the Administrative Review, the SA should review the SFA's or school's Offer versus Serve policy

Step 1: Performing an Edit Check (optional)

The SA has the option to perform an Offer versus Serve edit check prior to conducting the on-site Administrative Review and/or while on-site to determine if the school is

Offer versus Serve Edit Check

The number of servings of components/items = 1900
Milk = 400
Juice = 150
Apples = 125
Oranges = 125
Burger/Bun = 100 + 100
Broccoli = 300
Chicken nuggets = 300 + 300

The number of meals served = 400

1900/400 = 4.75 components/items per child

preparing enough food. The Offer versus Serve edit check can alert the SA to possible noncompliance in Offer versus Serve implementation.

To perform the edit check, the SA should review production records to determine what has been offered. The SA should then divide the total number of servings of food components or food items by the total number of meals served.

Optional Edit Check: $\frac{\text{Total Number of Servings of Food Components (NSLP) or Food Items (as credited for SBP)}}{\text{Total Number of Meals Served}}$

If the result is greater than or equal to three, then the school is preparing enough food components/items for each student to select at least three components/items as required. If the result is less than three, the school may not be producing enough food. This will require further discussion with food service staff to determine how food components/items contribute to meal pattern requirements, as a single food item may contribute to multiple food components.

If the result is less than three, the SA should proceed with the review being mindful of possible noncompliance in this area.

On-site Review Procedures

On-site Assessment Tool

The SA must record review findings on Questions 401-402 and Questions 500-502 of the *On-site Assessment Tool*.

On-site Review

Step 1: Evaluate Prior to Meal Service

Prior to the beginning of the meal service, the SA should determine whether or not the school is implementing Offer versus Serve. To evaluate compliance with the Offer versus Serve requirements, the SA must interview food service staff to assess whether:

- Staff training has been conducted
- Staff understand what constitutes a reimbursable meal
- Staff understand the number of meal components/food items for a reimbursable meal
- Staff properly distinguish reimbursable meals from a la carte purchases
- Students understand how to select a reimbursable meal
- Signage has been posted explaining Offer versus Serve to students. Regulations in 7 CFR 210.10(a)(2) require schools to identify reimbursable meals to students; this aims to reduce the unintended purchase of a la carte items and help students select a balanced meal.

Step 2: Observe During the Meal Service

During the meal service observation, the SA must:

- Determine whether the meals selected by students contain a minimum of three food components (NSLP) or food items (SBP) as the students exit the meal service line
- Determine whether each reimbursable meal contains at least ½ cup of fruits or vegetables
- Verify that food service staff members are accurately judging quantities when the school uses service stations, theme bars, or self-serve bars
- Observe students as they move through the service lines and ensure that students demonstrate knowledge of reimbursable meals under Offer versus Serve
- Determine whether food service staff/cashiers understand Offer versus Serve

Fruit and Vegetable Requirements

For a reimbursable meal under Offer versus Serve, students must select at least a ½ cup of either the fruit or the vegetable component, or a ½ cup combination of both components (e.g., ¼ cup fruits and ¼ cup vegetables).

If a student's selection only has three components/items, and one component/item is the fruit and one component/item is the vegetable, the student is able to select a ½ cup of either the fruit or vegetable component/item but then must select the full amount offered of the other component (fruit or vegetable), see example.

More details can be found in SP 10-2012 v. 9 Questions & Answers on the Final Rule, "Nutrition Standards in the National School Lunch and School Breakfast Programs, and the USDA Offer versus Serve manual, effective SY 2015-16.

NSLP Example:
Jane Smith, student at Stellar High School

5 Full Components Offered:

- Milk (8 oz.)
- Grilled Chicken (2 oz.)
- Biscuit (2oz.)
- Broccoli (1/2 cup) and Carrots (1/2 cup)
- Applesauce (1/2 cup) and Mandarin oranges (1/2 cup)

Jane must select at least 3 components for her meal to be reimbursable.

Jane selects the meat, fruit, and vegetable as her 3 components.

If for her vegetable selection she selects only one vegetable (either ½ cup of broccoli *or* ½ cup of carrots), she must take the full fruit component offered (½ cup of applesauce *and* ½ cup of mandarin oranges).

Similarly, if for her fruit selection, she selects only one of the fruits (either ½ cup applesauce *or* ½ cup mandarin oranges), she must take the full vegetable component offered (½ cup of broccoli *and* ½ cup of carrots).

Alternate Meal Service Locations

Meals served at alternate meal service locations must meet Offer versus Serve requirements, if applicable.

Lunches Consumed Off-site

Offer versus Serve is optional for lunches consumed off-site, such as on field trips. Some SAs have implemented an Offer versus Serve waiver for special circumstances; however, USDA does not require a waiver. Meals served off-site still must meet meal pattern requirements. See FNS Instruction 786-8, *Reimbursement for Off-Site Meal Consumption,* for additional guidance.

Non-reimbursable meals

Meals that contain fewer than three different food components (NSLP) or food items (SBP) are not reimbursable.

Under OVS, meals with less than ½ cup of fruits or vegetables are not reimbursable. The SA must disallow/reclaim meals with less than ½ cup of fruits or vegetables.

Step 3: Recording Errors

Review findings related to Offer versus Serve implementation are recorded on the *On-site Assessment Tool*, Questions 500-502.

Additionally, errors related to non-reimbursable meals are recorded on the *On-site Assessment Tool*, Questions 401-402.

- Meals that contain fewer than three components, or do not include a fruit or vegetable, are recorded on Question 401.
- Meals that contain a fruit or vegetable, but less than the required ½ cup, are recorded on Question 402.

Technical Assistance/Corrective Action

The SA must provide technical assistance to bring meals into compliance and ensure that the SFA only claims reimbursable meals, containing at least three food components (NSLP) or food items (SBP), including at least a fruit or vegetable, in the required quantities.

If weaknesses are identified, the SA must record the findings in the comment section for Questions 500-502 of the *On-site Assessment Tool* (for example, if a student selects three meal components or food items (including ½ cup of fruit or vegetable) but declines milk, and the cashier sends the student back to get milk). Staff training on Offer versus Serve should be included in the Corrective Action Plan.

The SA should pay particular attention to any errors suggestive of systemic problems. For example, if the cashier counts as reimbursable a meal missing the required number of Offer versus Serve food components (NSLP) or food items (SBP), the SA must determine whether this is a one-time occurrence.

If this error is not a one-time error, and determined systemic, training the SFA in Offer versus Serve may be the appropriate corrective action. The SA must provide technical assistance to the SFA for food component and/or quantity errors involving Offer versus Serve in order to bring the SFA into compliance.

Fiscal Action

Refer to the *Meal Components and Quantities* module in this section to better understand the fiscal action requirements that apply to Offer versus Serve. The only error that applies exclusively under Offer versus Serve is disallowance of meals that have less than ½ cup of fruits or vegetables. Other meal pattern errors are captured under the *Meal Components and Quantities* module. Meals that contain less than ½ cup fruits/vegetables are recorded on Questions 401 and 500 of the *On-site Assessment Tool*.

Module: Dietary Specifications and Nutrient Analysis

Intent/Scope of Monitoring

The Dietary Specifications and Nutrient Analysis Module details procedures to assess whether meals offered to children through the school meal programs are consistent with federal standards for calories, saturated fat, sodium, and *trans* fat (7 CFR 210.10 (f)). To reduce childhood obesity and minimize students' risk of chronic disease, SA staff must ensure SFAs are offering meals that meet regulatory requirements.

Review Procedures

The SA must assess compliance with the Module: *Meal Components and Quantities* before assessing compliance with this Module.

Note: The procedures outlined below (except fiscal action) will not be followed when certifying a SFA for the additional 6 cents reimbursement during an Administrative Review. For additional information, see *Addendum: Certifying a School Food Authority for Performance-based Reimbursement During an Administrative Review*.

Pre-visit Review Procedures

Off-site Assessment Tool

The SA will need to address questions 600-602 of the *Off-site Assessment Tool* based on the information obtained from completing the *Meal Compliance Risk Assessment Tool* and the *Dietary Specifications Assessment Tool*, if applicable.

Step 1: Selecting which Reviewed School is Most At Risk

The SA must determine which of the reviewed schools (as identified in Section I: *Pre-visit Procedures*, *Site Selection,* of this manual) is at highest risk for violations. Working with the SFA, the SA must complete the *Meal Compliance Risk Assessment Tool* for each reviewed school. This screening tool assesses error-prone areas (e.g., multiple meal service lines, multiple age-grade groups, alternate meal service locations) and scores the reviewed school's risk for violations.

The Meal Compliance Risk Assessment Tool

Assesses error-prone areas and scores the reviewed site's risk for violations

Supporting Documentation

Supporting documentation is not needed to complete the *Meal Compliance Risk Assessment Tool*. However, supporting documentation is required to complete the targeted menu review (see options under Step 3 below).

Step 2: Selecting the School Subject to a Targeted Menu Review

Based on the results of the *Meal Compliance Risk Assessment Tool* in Step 1, the SA must select the school with the highest score, indicating the highest risk for violations. This school is subject to the targeted menu review as described in Step 3.

If two schools have the same *Meal Compliance Risk Assessment Tool* score, the SA may use the following criteria to select the school for in-depth menu review (in order):

1. Previous Performance Standard 2 noncompliance (based on historical review findings)
2. No past Administrative Review for the school
3. Request of the School Food Service Director

For the one school determined to be at the highest risk, the SA must conduct a targeted menu review, in accordance with one of the options described in Step 3. If the school selected for the targeted menu review only operates the SBP, the SA must select the highest scoring school that participates in **both** NSLP and SBP and the SBP- only school must be included as one of the

schools selected for a SBP review (refer to Section I: *Pre-visit Procedures*, *Site Selection Procedures*).

Step 3: Determining the SA's Targeted Menu Review Approach and Conducting the Review

The SA has discretion to select one of four options for the targeted menu review of the one at-risk school identified in Step 2 above.

Each option described below is distinct and the SA must adopt one option in its entirety (i.e., the SA cannot combine facets of different options to complete the review). Noncompliance with meal pattern requirements at the targeted menu review school may indicate high-risk for noncompliance with Dietary Specifications. SAs should determine if findings are systemic or non-systemic. Systemic findings indicate high risk for noncompliance and the SA must conduct a nutrient analysis. For non-systemic findings, SAs have discretion to conduct a nutrient analysis or continue following the low risk path. The nutrient analysis would be conducted after the SFA implements corrective action to come into compliance with the meal components and quantities requirements. However, non-systemic findings may still require technical assistance, corrective action, and/or fiscal action.

The SA may select one of the following for the Targeted Menu Review Options:

Summary of Targeted Menu Review Options

Option:	Requires Off-site Review Activities	Nutrient Analysis May Not Be Required (Possible LOW-RISK status)	Nutrient Analysis Required (HIGH-RISK status)	On-site Review Required Using *Dietary Specifications Assessment Tool*
1. Complete Dietary Specifications Assessment Tool	X	X	Only for high-risk schools	X
2. Validate Existing Nutrient Analysis (performed by SFA or contractor)			X	X
3. Conduct Nutrient Analysis (performed by SA)			X	X
4. Use FNS-Approved Process Utilizing *Menu Planning Tools for Certification for Six Cent Reimbursement*	State must submit methodology to FNS for approval *Approvals are granted to SAs			

Dietary Specifications Assessment Tool

Dietary Specifications Assessment Tool captures information about operational and menu planning practices and enables the SA to further examine the school's compliance with the meal pattern requirements for SBP and NSLP.

The Dietary Specifications Assessment Tool

Analyzes food service practices for breakfast and lunch to determine whether the meals are at risk for not meeting the required dietary specifications

The *Dietary Specifications Assessment Tool* contains off-site and on-site review elements. SAs that elect the risk-based approach (Option 1 below) to assess compliance with Dietary Specifications must complete the Tool off-site; however, the on-site portion of the Tool must be completed for all Targeted Menu Review options. The Tool is intended to evaluate specific food service practices for breakfast and lunch to determine the level of risk for not meeting the Dietary Specifications regulatory requirements. When electing to validate or conduct a nutrient analysis, the SA may disregard the risk determination indicated by the tool and continue to follow the procedures for validating or conducting a nutrient analysis. However, the SA should provide technical assistance to address any areas of concern identified by the Tool. It is important to note that not all of the questions associated with the Tool are intended to imply that the related activity is prohibited; rather, they reflect the possibility of a need for further review.

The following outlines the four options that the SA may elect for the targeted menu review:

Option 1: Complete the *Dietary Specifications Assessment Tool*

Responses to the off-site portion of the *Dietary Specifications Assessment Tool* determine whether the school selected for a targeted menu review is low-risk or high-risk for noncompliance with Dietary Specifications regulatory requirements.

The SA will follow on-site procedures that correspond with the low-risk or high-risk determination. If the school selected for a targeted menu review is low-risk, the SA must verify

compliance during the on-site review using the on-site portion of the *Dietary Specifications Assessment Tool* and follow the appropriate on-site procedures based on the risk determination indicated. A nutrient analysis may not be required. If the targeted menu review school is high-risk, the SA must complete a nutrient analysis for both breakfast and lunch (if applicable) using USDA-approved software and complete the high risk on-site review procedures.

Off-site Review Procedures

To determine risk, the SA must complete the off-site portion of the *Dietary Specifications Assessment Tool,* which requires that the SA:

- Request at least one week of menu documentation from the review period for breakfast and lunch, including but not limited to:
    - Menus
    - Production records
    - Standardized recipes
    - USDA Foods Information Sheets
    - Nutrition Information
    - How the products contribute toward meal pattern requirements (often in the form of a CN Label or a product formulation statement, but not both.)

  Review the menu documentation from the review period to examine the school's compliance with the meal pattern requirements for SBP and NSLP. For efficiency, the SA should review the same menus, production records, and standardized recipes for the week used to review the Module on *Meal Components and Quantities*. If the SA feels it needs more information to better understand usual practices at the school, it may choose to review additional weeks within the review period. However, **the week selected for review must be in compliance with meal component requirements at a minimum, and noted noncompliance must be addressed prior to conducting a nutrient analysis**. This may result in the SA being required to conduct a nutrient analysis on a week outside of the review period. If fiscal action is required for a week outside the

review period, see Fiscal Action (below) for additional information.

- Interview the SFA prior to the on-site review to complete the off-site portion of the *Dietary Specifications Assessment Tool*. Completion of the *Dietary Specifications Assessment Tool* requires information about food service practices that may not be included in menu documentation.

The SA should grant the SFA sufficient time to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit.

On-site Review Procedures

Procedures for Low-risk Schools

If the off-site portion of the *Dietary Specifications Assessment Tool* indicates the school is low-risk, the SA must validate the low-risk status through:

- Observation of the meal preparation and meal service, and completion of the on-site portion of the *Dietary Specifications Assessment Tool* (will help identify areas where the SA can provide targeted technical assistance) and respond to questions 603-605 of the *On-site Assessment Tool*.
- Review of food storage on the day of review to check labels.
- Evaluating menus, productions records, recipes, and any other documentation that supports the meals offered.

When validating low-risk status through on-site review, the SA may encounter the following situations:

- *On-site Observation Supports Low-risk Status*
  A nutrient analysis is not required. However, even low-risk schools will likely be able to improve menu practices and meal quality. SAs must provide technical assistance to address any areas of concern identified by the Tool. Any technical assistance provided

must be recorded on question 603 of the *On-site Assessment Tool*. SAs also have discretion to request corrective action. When technical assistance and corrective action (if applicable) are complete, the targeted menu review is also complete.

NOTE: The SA has the discretion to conduct a nutrient analysis and is encouraged to do so if it has concerns about the SFA's food service practices.

- *On-site Observation Does Not Support Low-risk Status*

  If the on-site portion of the *Dietary Specifications Assessment Tool* is determined high-risk based on observation and supporting documentation, the SA must conduct a weighted nutrient analysis for breakfast and lunch following the *High-risk On-site Review Procedures* described below.

- *On-site Observation Does Not Support Low-risk Status and Severe Noncompliance Identified*

  If the SA identifies severe noncompliance, the school will automatically be categorized as high-risk. The SA may use discretion when determining "severe noncompliance" based on their observations. Severe noncompliance could be, but is not limited to, any of the following findings:

  - Missing meal components
  - Missing vegetable subgroups
  - Missing production records
  - Inadequate quantities (systemic issue, as determined by expanded review)
  - Minimum quantity requirements not met for grains and or meats/meat alternates (systemic issue)

  Severe noncompliance includes one or more practices observed on-site that could indicate violations of the Dietary Specifications. Reviewers must determine the severity of noncompliance. If those practices put the school at risk for violating Dietary Specifications requirements, the SA must conduct a weighted nutrient analysis for breakfast and lunch following the *High-risk On-site Review Procedures* described below.

Procedures for High-Risk Schools

For sites determined to be at high-risk, the SA must conduct or validate a weighted nutrient analysis for one week from the review period for breakfast and lunch. To conduct a weighted nutrient analysis on meals offered for each age/grade group and menu type at breakfast and lunch, the SA must request breakfast and lunch documentation, including menus, production records, standardized recipes, nutrition fact labels, crediting documentation, and manufacturer specification sheets.

The SA will proceed to the *Nutrient Analysis and Validation Checklist*, complete the on-site portion of the *Dietary Specifications Assessment Tool* (which will help identify areas where the SA can provide targeted technical assistance), and respond to questions 603-605 of the *On-site Assessment Tool*. The SA must request corrective action and/or assess fiscal action as appropriate.

During the on-site portion of the Administrative Review, the SA will have the opportunity to examine menu documentation with the SFA and clarify any questions. In addition, the SA will provide targeted technical assistance for the areas contributing to high-risk status and request corrective action as needed.

The nutrient analysis must be completed in order for the SA to close the Administrative Review. If the nutrient analysis is not completed before the SA sends the Administrative Review Report to the SFA, the SA must advise the SFA that the review remains open until the nutrient analysis is complete.

The Nutrient Analysis and Validation Checklist

Compiles information needed to conduct or validate a nutrient analysis. It includes a list of necessary menu documentation, important considerations, and space for reviewers to note comments

For detailed instructions on conducting a weighted nutrient analysis using USDA-approved software, refer to FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

Option 2: Validate Existing Nutrient Analysis

Off-site Review Procedures

The SA may validate an existing nutrient analysis conducted by the SFA (or contractor) using USDA-approved nutrient analysis software for the school selected for a targeted menu review. The SA is encouraged to begin activities to validate the nutrient analysis (e.g., collecting menu documentation, data entry) prior to the on-site review, but it is not required. Completing some or all of this work in advance allows for more time on-site to provide targeted technical assistance.

The SA will proceed to the *Nutrient Analysis and Validation Checklist*, which provides a detailed checklist for validating a nutrient analysis. The SFA must provide to the SA a copy of the nutrient analysis (for breakfast and lunch) for the week of review and corresponding backup documentation for validation. Supporting documentation should include, but is not limited to:

- Menus
- Production Records (detailing what was offered to students)
- Standardized recipes
- USDA Foods Information Sheets
- Nutrition Information
- How the products contribute toward meal pattern requirements often in the form of a CN Label or a product formulation statement, but not both.)

The SA should grant the SFA sufficient time to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit.

The nutrient analysis must be conducted on each offered menu type for each age/grade group for a week from the review period for the targeted menu review school only; an aggregated, district-wide analysis cannot be accurately validated. The SA must verify the nutrient analysis protocols are followed as detailed in FNS's *Nutrient Analysis Protocols: How to Analyze Menus*

for USDA's School Meals Programs.

On-site Review Procedures

During the on-site portion of the Administrative Review, the SA will have the opportunity to examine menu documentation with the SFA and clarify any questions.

The SA must use the *Dietary Specifications Assessment Tool* on-site as this will help identify areas where the SA can provide targeted technical assistance and respond to questions 603-605 of the *On-site Assessment Tool*. The SA must request corrective action and/or assess fiscal action as appropriate.

The nutrient analysis must be validated in order for the SA to close the Administrative Review. If the SA is unable to validate the nutrient analysis before the SA sends the Administrative Review Report to the SFA, the SA must advise the SFA that the review remains open until the nutrient analysis can be validated.

Option 3: Conduct Nutrient Analysis

Off-site Review Procedures

If the SA chooses Option 3, the SA must conduct a nutrient analysis using USDA-approved nutrient analysis software. The SA is encouraged to begin conducting nutrient analysis activities (e.g., collecting menu documentation, data entry) prior to the on-site review, but it is not required. Completing some, or all, of this work in advance allows for more time on-site to provide targeted technical assistance.

The SA will proceed to the *Nutrient Analysis and Validation Checklist*, which provides a detailed checklist for conducting a nutrient analysis. The SA must request at least one week of menu documentation for breakfast and lunch to conduct the nutrient analysis, including, but not limited to:

- Menus
- Production records (detailing what was offered to students)
- Standardized recipes
- Nutrition information
- How the products contribute toward meal pattern requirements (often in the form of a CN Label or a product formulation statement, but not both.)

The SA should grant the SFA sufficient time to gather and return the requested documentation to the SA for review prior to the scheduled on-site visit.

The nutrient analyses for breakfast and lunch must be conducted on each menu type offered to each age/grade group in the targeted menu review school only. The SA must follow the nutrient analysis protocols as detailed in FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

On-site Review Procedures

During the on-site portion of the Administrative Review, the SA will have the opportunity to examine menu documentation with the SFA and clarify any questions.

The SA must complete the *Dietary Specifications Assessment Tool* on-site as this will help identify areas where the SA can provide targeted technical assistance and respond to questions 603-605 of the *On-site Assessment Tool*. The SA must request corrective action and/or assess fiscal action as appropriate.

The nutrient analysis must be complete in order for the SA to close the Administrative Review. If the SA is unable to complete the nutrient analysis before the SA sends the Administrative

Review Report to the SFA, the SA must advise the SFA that the review remains open until the nutrient analysis is complete.

For detailed instructions on conducting a weighted nutrient analysis using USDA-approved software, refer to the FNS's *Nutrient Analysis Protocols: How to Analyze Menus for USDA's School Meals Programs*.

Option 4: Use FNS-approved Process Utilizing FNS-Approved Menu Planning Tools

The SA may propose an alternate method of assessing whether meals are compliant with the Dietary Specifications using the USDA-approved *Menu Planning Tools for Certification for Six Cent Reimbursement*. The proposed methodology must include a review of food purchasing, menu planning, meal preparation, and meal service, and incorporate the regulatory requirement to conduct a nutrient analysis. FNS approval of any alternate method is required prior to its use during an Administrative Review. For additional information, please see FNS Memorandum, SP 46-2013, *School Nutrition Program Administrative Reviews: Assessing Compliance with Dietary Specifications Using a USDA-Approved Menu Planning Tool for Certification for Six Cent Reimbursement*, available on FNS PartnerWeb.

NOTE: Assessing Compliance with Zero Trans Fat Requirement

During the on-site review, the SA must review manufacturers' food labels and packaging to ensure that foods offered in reimbursable school meals contain zero grams of *trans* fat per serving. Naturally occurring *trans* fat — found in products such as beef, lamb, and dairy products made with whole milk — is excluded. If there is *trans* fat listed on the nutrition facts label of a product containing meat or dairy, the SFA should request documentation from the manufacturer that reports the source of the *trans* fat.

Technical Assistance/Corrective Action

When the SA conducts an Administrative Review and finds that the school is not meeting the Dietary Specifications requirements for calories, saturated fat, sodium, or *trans* fat.(as specified in 7 CFR 210.10 (f) and 7 CFR 220.8(f)), technical assistance and corrective action are the first steps that must be taken. SAs and SFAs must develop a Corrective Action Plan with specific steps and reasonable timelines to bring the SFA into compliance (as required in 7 CFR 210.10(h) and 7 CFR 220.8(h)). The Corrective Action Plan will vary depending on the nature of the changes necessary.

The SA may accept corrective action during the review, or — if the school cannot immediately implement it — the SA can require it as part of a Corrective Action Plan.

If the SA implements and verifies immediate corrective action during the on-site portion of the Administrative Review, the new practice should be included in the nutrient analysis. For example, if the SA identifies high sodium items on the salad bar, and then the SFA eliminates those items immediately, the SA would not include the high sodium salad bar items in the nutrient analysis.

If no immediate corrective action takes place, the SA must include current practices in the nutrient analysis. For example, if the SFA cannot immediately eliminate high sodium items on the salad bar, but will work with their vendor in order to correct this in the future, the SA must include the high sodium items in the nutrient analysis.

Recording Errors

Errors related to the Dietary Specifications are recorded on Questions 603 and 605 of the *On-site Assessment Tool.*

SFA Fails to Submit Documentation Necessary to Complete Review

If the SFA fails to submit the menu documentation required to complete this section of the Administrative Review, and program compliance cannot be satisfactorily verified by the SA, withholding of program payments would be appropriate, (7 CFR 210.24). Refer to Section VIII, *Overview of Fiscal Action*, Module: *Withholding Payments,* Discretionary Withholding. **However, for this specific scenario, SAs are required to consult their respective Regional Office.**

Fiscal Action

7 CFR 210.18(l)(2) gives SAs discretion to apply fiscal action for repeated violations involving calories, saturated fat, sodium, and/or *trans* fat, provided that:

- The SA has given technical assistance
- The SA has previously required and monitored corrective action
- The SFA remains noncompliant with the meal requirements established in 7 CFR parts 210 or 220

If, upon repeated violations, the SA exercises discretion to take fiscal action for Dietary Specifications violations, all meals for the entire week may be disallowed/reclaimed, if applicable. Fiscal action is limited to the school selected for the targeted menu review. A nutrient analysis using USDA-approved software is required to justify any fiscal action that may be required due to noncompliance with Dietary Specifications requirements. Errors should be recorded under the " Other (Repeat Only)" section of *the School Data and Meal Pattern Error Form*, S-1, Line 16A.

Example:

Review period: March

Day of Review: April

Non-compliance with meal pattern requirements is identified for March. The SFA implements corrective action in May.

The reviewer conducts a nutrient analysis for a menu week in May, and finds repeated Dietary Specifications violations. Fiscal action may be assessed as follows:

- If May is a closed claim for reimbursement, fiscal action will be assessed with the review period (i.e., March claim).
- If May is an open claim for reimbursement, fiscal action will be assessed with the Day of Review (i.e., April claim).

If, upon repeated violations, the week subjected to fiscal action is outside the review period,

proceed as follows:

- If the nutrient analysis week for which fiscal action is being assessed is from a closed Claim for Reimbursement, record all data for each month on the appropriate forms and workbooks (e.g., S-1, fiscal action workbook) under Review Period.
- If the nutrient analysis week for which fiscal action is being assessed is from an open Claim for Reimbursement, record all data for each month on the appropriate forms and workbooks (e.g., S-1, fiscal action workbook) under Day of Review.

Performance-based Certification Funding (6 cents)

If the Administrative Review finds that significant noncompliance exists that requires the SFA to develop and implement a Corrective Action Plan over an extended period of time (e.g., problems that cannot be fixed immediately), the SA must use their best judgment to assess the longevity and severity of the problems. If the SA determines that the performance-based reimbursement should be terminated, it should be terminated beginning the month following the on-site Administrative Review and, at SA discretion, for the month of review. Previously paid performance-based reimbursement would only be recovered in circumstances of clearly egregious or willful noncompliance by an SFA.

Performance-based reimbursement may resume beginning in the first full month the SFA demonstrates to the satisfaction of the SA that corrective action has taken place.

When the performance-based reimbursement is terminated, and the SFA operates both NSLP and the Seamless Summer Option, refer to Section VIII, *Overview of Fiscal Action*, Module: *Duration of Fiscal Action*, Performance-based Reimbursement.

Addendum: Certifying a School Food Authority for Performance-Based Reimbursement During an Administrative Review

Intent/Scope of Monitoring

SFAs that are not certified to receive the performance-based reimbursement must be assessed for certification during an Administrative Review. This method of certification permits State agencies to conduct menu review activities that satisfy both performance-based certification and Administrative Review requirements.

Review Procedures

Certifying a SFA for performance-based reimbursement during an Administrative Review requires the SA to:

(1) Select schools for review representing all menu types in the SFA, and
(2) Conduct a weighted nutrient analysis for each menu type offered in the SFA (breakfast and lunch) to ensure that meals offered comply with dietary specifications requirements.

Aside from these two requirements, the Administrative Review activities outlined in this manual are sufficient to certify a SFA to receive the performance-based reimbursement.

Site Selection

To select review schools, SAs conducting certification during a CRE or the new Administrative Review must:

1. Determine and select the minimum number of schools in the SFA based on the school selection procedures under 7 CFR 210.18(e)(1) and (2);
2. Identify the different menu types offered in the schools selected for review;
3. Categorize the schools by menu type (e.g., K-5, 6-8, 9-12); and
4. Ensure the selected schools for review cover each menu type in the SFA.

If the site selection steps above do not result in the selection of each of the menu types offered by the SFA, the SA must repeat the school selection process outlined above until all menu types are represented in the schools selected for review. When SAs are required to repeat the school selection process, the minimum number of schools to review may be maintained by replacing a school with one that meets the school selection criteria. However, the SA must ensure all the menu types are represented correctly (i.e., the required selection criteria in 7 CFR 210.18(e)(2) and all menu types must be represented in the schools selected for review).

Weighted Nutrient Analysis

On-site certification requires the SA to conduct a weighted nutrient analysis for each menu type offered in the SFA (breakfast and lunch). For more information concerning the procedures for certifying a SFA during an Administrative Review, refer to FNS Memorandum, SP 26-2014, *New Questions and Answers Related to the Certification of Compliance with Meal Requirements for the National School Lunch Program* , available on the FNS PartnerWeb.

Note: The procedures outlined in the Dietary Specifications and Nutrient Analysis module (except fiscal action) will not be followed when certifying a SFA during an Administrative Review.

Technical Assistance/Corrective Action

When the SA conducts certification activities during an Administrative Review and finds that the SFA is not meeting meal pattern and/or dietary specifications requirements, technical assistance and corrective action are the first steps that must be taken. SAs and SFAs should

develop a Corrective Action Plan with specific steps and reasonable timelines for bringing the SFA into compliance. The Corrective Action Plan will vary depending on the nature of the changes necessary.

Notifying the SFA of Certification Status

If the SA determines the SFA is eligible to receive the performance-based reimbursement, the SA must notify the SFA of its certification status and when the performance-based reimbursement will be initiated.

If the SA is unable to certify the SFA due to noncompliance, the SA must provide technical assistance and require corrective action. The SFA may be certified when corrective action is completed. At the exit conference, the SA must ensure the SFA understands future steps that must be taken to become certified to receive the performance-based reimbursement.

Fiscal Action

Fiscal action must be assessed for any noncompliance found during certification and Administrative Review activities. See the *Meal Components and Quantities* and *Dietary Specifications and Nutrient Analysis* modules for additional details on how to assess fiscal action.

Section IV: Resource Management

Modules contained within this Section include:

- Risk Assessment for Resource Management
- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Nonprogram Foods
- Indirect Costs

Module: Risk Assessment for Resource Management

Intent/Scope of Monitoring

The intent and scope of monitoring in this section is to apply a systematic approach to ensuring the overall financial health of an SFA's nonprofit school food service. This Section consists of a review of four areas integral to the financial health of the SFA's school food service. The SA may always supplement the review activity to include additional areas. The monitoring areas are:

- *Maintenance of the Nonprofit School Food Service Account*

  The SA must ensure that revenues and expenses* under the nonprofit school food service account are in accordance with 7 CFR 210.14. The nonprofit school food service expenses must be allowable — used only for the operation and improvement of the school food service — and net cash resources may not exceed three months' average operating expenses. (7 CFR 210.14)

  ***Note:** In assessing compliance with the Net Cash Resource's provision we have chosen to use the word "expenditure" to be consistent with the regulations. In all other areas of the Resource Management (RM) Section we have chosen to use "expenses".*

- *Paid Lunch Equity*

  The SA must ensure that SFAs comply with the requirements for pricing paid lunches. (7 CFR 210.14(e))

- *Revenue from Nonprogram Foods*

  The SA must ensure that SFAs comply with the requirements that *revenues from the sale* of nonprogram foods generate at least the same proportion of total school food service

account revenues that *expenses from the purchase* of nonprogram foods contribute to total school food service account food costs.

In addition, the SFA must price adult meals so that adult payments are sufficient to cover the overall cost of meals, including the value of any USDA Foods used in the production of adult meals. (7 CFR 210.14(f) and FNS Instruction 782-5 REV. 1)

- *Indirect Costs*

  The SA must ensure that SFAs follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. (2 CFR 225)

Why use a Risk Indicator Tool?

The purpose of the *Resource Management Risk Indicator Tool* is to forecast and/or assess, through the use of known indicators, situations that may result in noncompliance.

Using a balanced review approach to monitor a SFA's resource management practices ensures that potential problems are identified while limited resources can be focused on those SFAs most at risk of noncompliance. The *Off-site Assessment Tool's* resource management section and the *Resource Management Risk Indicator Tool* are designed to help SAs target technical assistance and corrective action to those SFAs that demonstrate an increased risk of potential noncompliance and/or noncompliance with resource management requirements.

Review Procedures

Pre-visit Review Procedures

Off-site Assessment

Questions 700-711 in the *Off-site Assessment Tool* focus on the following areas: maintenance of the nonprofit school food service account, paid lunch equity, revenue from nonprogram foods, and indirect costs.

The information derived from the *Off-site Assessment Tool* will be added into the *Resource Management Risk Indicator Tool* by the SA. The Resource Management portion of the *Off-site Assessment Tool* and the *Resource Management Risk Indicator Tool* must be completed at least four weeks prior to the on-site portion of the Administrative Review.

The Resource Management Risk Indicator Tool

Identifies which SFAs are at risk for problems in resource management.

Important: Any failure, whether by the SFA or SA, to adhere to the timeframe prescribed above requires that a resource management comprehensive review of all areas be conducted by the State agency.

Reviewer Tip

As early as possible in the program year (e.g., July – September) send the Resource Management portion of the *Off-site Assessment Tool* to all SFAs scheduled for review in the coming school year.

The Resource Management Risk Indicator Tool identifies which SFAs are at potential risk for problems in resource management. The Tool is expected to lead to a more targeted review that will ultimately provide for streamlined, consistent, and effective management of program resources at the SFA level. Information provided by the SFA for the *Off-site Assessment Tool* and *Resource Management Risk Indicator Tool* should be based on the SFA's most recently completed school year unless otherwise indicated. The Resource Management review period should be consistent throughout the review of the Resource Management Section. As a best practice, SAs should collect the information for the *Off-site Assessment Tool* from the SFA as part of an interactive discussion to ensure that the SFA fully understands the questions so that it can provide accurate information. If at any time the SA is concerned that any of the information provided by the SFA in the *Off-site Assessment Tool* is inaccurate, the SA must follow up with the SFA to ensure that the SFA understands the questions correctly and provides accurate answers.

Conducting an Administrative Review of a new SFA in its first year of operation provides an opportunity for an SA to ensure that the new SFA has a solid financial accounting system and

sound practices in place. When reviewing a new SFA, the SA should not complete the *Resource Management Risk Indictor Tool*. Instead, the SA must use the Resource Management section of the *On-site Assessment Tool* to document the SFA's policies and procedures in each of the four Resource Management compliance areas: maintenance of the nonprofit school food service account (including allowable costs and net cash resources), paid lunch equity, revenue from nonprogram foods, and indirect costs. During the on-site review of a new SFA's resource management policies and procedures, the SA reviewer should document any findings needing corrective action and/or technical assistance in the *On-site Assessment Tool*.

Using the Resource Management Risk Indicator Tool

While the *Resource Management Risk Indicator Tool* is designed to assess potential risk, it is not intended to be a comprehensive evaluation. Additional evaluation is required to determine whether problems actually exist.

The Tool includes four Resource Management areas integral to the financial health of the SFA school food service: Maintenance of the Nonprofit School Food Service Account, Paid Lunch Equity, Revenue from Nonprogram Foods, and Indirect Costs. At least one question is asked under each Resource Management area; some areas contain multiple questions that may indicate risk (risk indicators). See the modules under this section for more information about the resource management comprehensive review. It is important to note that not all of the questions associated with the risk indicators are intended to imply that the related activity is prohibited; rather, they merely reflect the possibility of a need for further review.

Review Procedures for SFAs receiving risk indicators in one or more Resource Management areas:

If an SFA receives one or more risk indicators in one of the four Resource Management areas, the State agency must conduct a comprehensive review of the RM area in which the risk indicator(s) was received using the *Resource Management Comprehensive Review Tool*. If an SFA receives one or more risk indicators in more than one Resource Management area, the SA

must conduct a comprehensive RM review of each RM area in which a risk indicator was assessed. For instance, if an SFA receives one risk indicator under the Maintenance of the Nonprofit School Food Service RM area and one risk indicator under the Revenue from Nonprogram Foods RM area, the SA must conduct a comprehensive review of the Maintenance of the Nonprofit School Food Service RM area and a comprehensive review of the Revenue from Nonprogram Foods RM area. The SA must only perform a comprehensive review of all four Resource Management areas if the SFA receives one or more risk indicators in each of the four RM areas or the Resource Management Risk Indicator Tool is not completed at least four weeks prior to the Administrative Review. The SA has the discretion to conduct a comprehensive Resource Management review of any or all RM areas even if no risk indicators are triggered.

Comprehensive Resource Management reviews for all four RM areas may occur on-site or off-site. If the State agency reviewer wishes to conduct an off-site comprehensive review, the reviewer must be able to secure off-site from the SFA all financial documents needed to sufficiently assess the SFA's compliance with the RM requirements. Some RM areas, such as the Maintenance of the Nonprofit School Food Service Account and Revenue from Nonprogram Foods areas, require a review of invoices and other documentation which may take some time for the SFA to gather. For this reason, State agencies are strongly encouraged to secure the SFA's *Off-site Assessment Tool* and complete the Resource Management Risk Indicator Tool at the beginning of the school year in which an SFA's administrative review is occurring to provide sufficient time to the SFA to gather and provide any needed financial documentation the SA may need to conduct some or all of the RM review off-site.

FNS strongly encourages SAs to include the SA financial management staff in the analysis of the completed Resource Management portion of the *Off-site Assessment Tool* and the *Resource Management Risk Indicator Tool*, and during the course of any resource management comprehensive review (if necessary).

Areas of Risk

Off-site Assessment Tool questions included under each of the four Resource Management areas – Maintenance of the Nonprofit School Food Service Account, Paid Lunch Equity, Revenue from Nonprogram Foods, and Indirect Costs are identified below.

1) Maintenance of the Nonprofit School Food Service Account

Off-site Assessment Tool Questions

700) Did the SFA have a separate financial account designated for the nonprofit school food service? (YES/NO)

701) Did the SFA conduct a year-end review of total revenues and expenses to determine the school food service's nonprofit status? (YES/NO)

702) After including the beginning fund balance did the SFA have year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance? (YES/NO)

703) Did the SFA transfer funds out of the nonprofit school food service account to support other school operations during, or at the end of, the school year? (YES/NO)

704) Did the SFA complete a process to ensure its compliance with the net cash resources limitation to a level at or below three months' average expenses? (YES/NO)

705) Did the SFA have internal control procedures to ensure that only allowable costs were charged to the nonprofit school food service account?

Risk Indicators

- The SA will conduct a comprehensive review of the SFA's maintenance of the nonprofit school food service account if any one of the following is found:
    - The SFA did not have a separate financial account designated for the nonprofit school food service;
    - The SFA did not conduct a year-end review of total revenues and expenses to determine the school food service nonprofit status;

- The SFA had year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance;
- Funds were transferred out of the nonprofit school food service account to support other operations;
- The SFA did not complete a process to ensure its compliance with the requirement to limit net cash resources to a level at or below three months' average expenses.
- The SFA did not have internal controls in place to ensure that only allowable costs are charged to the nonprofit school food service account.

2) Paid Lunch Equity

Off-site Assessment Tool Questions

706) Did the SFA charge the weighted minimum average paid lunch price at all sites or use the USDA *Paid Lunch Equity Tool* to evaluate the need to raise its paid lunch prices? (YES/NO)

707) Did the SFA use non-Federal funds to support its paid lunch prices? (YES/NO)

708) Did the SFA have a State agency exemption to the Paid Lunch Equity requirement during the resource management review period/previous school year? (YES/NO)

709) Did the SFA increase its paid lunch prices at the level required by the USDA *Paid Lunch Equity Tool* or comparable mechanism? (YES/NO/NA) If yes, explain which mechanism was used to address the required raise in prices and provide detail on how much the SFA raised its paid lunch prices and/or how much in non-Federal funds the SFA transferred into its nonprofit school food service account to comply with the PLE requirements.

Risk Indicators

The SA will conduct a comprehensive review of the SFA's Paid Lunch Equity practices if the SFA:

- Did not charge the weighted minimum average paid lunch price at **all** sites or did not use the USDA Paid Lunch Equity Tool or comparable mechanism to evaluate its paid lunch prices;
- Used non-Federal funds to support its paid lunch prices;
- The SFA received an exemption to the Paid Lunch Equity requirement.[1]
- Did not increase its paid lunch prices if the Paid Lunch Equity Tool or comparable mechanism indicated an increase in its paid lunch prices was required **or did not explain the process and mechanism that was used to increase paid lunch prices if required to do so.**

3) Revenue from Nonprogram Foods

Off-site Assessment Tool Questions

710) Did the SFA sell nonprogram foods including, but not limited to, a la carte foods (e.g., milk; 2nd entrees; Smart Snacks), catering (e.g., foods/beverages for school board meetings; foods for outside entities and programs), and/or adult meals (e.g., meals for teachers, parents, etc.)? (YES/NO)

Risk Indicators

The SA will conduct a comprehensive review of Revenue from Nonprogram Foods if the SFA sells Nonprogram Foods.

4) Indirect Costs

[1] If the **only** risk indicator the SFA received under the Paid Lunch Equity risk assessment was for having a State agency exemption from the PLE during the resource management review period/previous school year and the State agency is able to verify that it granted the exemption and it was effective during the RM review period, the State agency does not have to conduct a comprehensive resource management review of the PLE. The State agency must document that it verified the information in the comments section of Q.708 in the *Off-site Assessment Tool.*

Off-site Assessment Tool Questions

711) Were indirect costs charged to the SFA's nonprofit school food service account? (YES/NO)

Risk Indicators

The SA will conduct a comprehensive review of indirect costs if the nonprofit school food service account was charged for indirect costs.

Technical Assistance/Corrective Action

FNS requires technical assistance and corrective action in all instances where the SA identifies violations of the resource management regulations or guidance. As indicated previously, any issues or findings identified in the application of the *Resource Management Risk Indicator Tool* must be followed up with corrective action and/or technical assistance for the entire RM review period (previous school year) and administrative review period (current school year) and if necessary, corrective action should include the SFA's adoption of internal controls to ensure noncompliance does not occur in the future. Refer to the modules that follow for more information. Documentation may be requested off-site or on-site to address the specific risks indicated in the *Resource Management Risk Indicator Tool*. All documentation, including invoices and other materials needed to conduct a comprehensive review of allowable costs, may be gathered and reviewed off-site. However, State agencies must assess their ability to secure the documentation they need to thoroughly conduct a comprehensive review of all areas receiving risk indicators. If the SFA is unable to provide all necessary resource management documentation in a timely manner to the State agency, the State agency must conduct an on-site comprehensive resource management review of any RM areas that received a risk indicator and for which efforts to obtain sufficient documentation to conduct an off-site review were unsuccessful. During the resource management assessment and review process, reviewers should refer to the *Resource Management Comprehensive Review Tool* for further

guidance and instructions for how to assess a SFA's compliance and need for technical assistance concerning federal resource management requirements.

FNS encourages the SA to conduct a follow-up review for repeated instances of resource management noncompliance. Needed corrective action and/or technical assistance must be recorded in the applicable comments section of the *Off-site Assessment Tool, On-site Assessment Tool,* or *Resource Management Comprehensive Review Form*.

Resource Management Comprehensive Review

The *Resource Management Comprehensive Review Form* must be used when conducting a comprehensive review of SFAs that receive one or more risk indicators within one of the four resource management areas or for SFAs for which the *Resource Management Risk Indicator Tool* was not completed at least four weeks prior. The scope of the resource management comprehensive review is described in greater detail for each Resource Management area in the modules in this section. Information provided by the SFA for the resource management comprehensive review should be based on the SFA's most recently completed school year- the Resource Management review period - unless otherwise indicated. The time period chosen should be consistent throughout the review of the Resource Management Section.

Fiscal Action

This is a General Area, thus fiscal action is not required. In some instances, such as the expenditure of nonprofit school food service monies on unallowable costs or "double dipping" when indirect costs are charged, the SA must withhold funds or the LEA must otherwise reimburse the nonprofit school food service account in full to cover the amount of funds misspent and/or overcharged to the account. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are

not corrected. While withholding program payments is not included in the specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: Comprehensive Review – Maintenance of the Nonprofit School Food Service Account

Intent/Scope of Monitoring

This Module must be used to conduct a comprehensive review of the SFA's resource management practices and may be used in whole or in part to assess compliance and/or the need for technical assistance concerning individual risk indicators triggered during a SFA's Resource Management risk assessment. When conducting a review of the maintenance of the nonprofit school food service account, the SA must assess an SFA's risk of noncompliance with the provisions of 7 CFR 210.2, 210.14(a), 210.14(b), and 210.19(a)(1), which address the maintenance of the nonprofit school food service account.

This Module focuses on ensuring the SFA is maintaining and using its nonprofit school food service account according to regulatory requirements, which include observing the limitation on the use of the nonprofit school food service account revenues set forth in 7 CFR 210.14, and ensuring related costs are necessary, reasonable, and allowable set forth in 2 CFR 225. SA monitoring of this area is intended to ensure that SFAs:

- Use all **nonprofit school food service revenue** solely for the operation or improvement of the school food service:
    - Revenues may be used for food, equipment, and labor to operate the meal program;
    - Revenues must not be used to purchase land and/or buildings, or to construct buildings, unless approved by FNS; and
    - SFAs may use facilities, equipment, and personnel supported with nonprofit school food service revenues to support a nonprofit nutrition program for the elderly, funded under the Older Americans Act of 1965.

- Limit **net cash resources** to three months' average expenditures or has a process/state agency approved plan for spending the amount in excess of 3 months. Limiting the size of a SFA's food service net cash resources ensures that funds in the nonprofit school food service account are expended to improve program operations and meal quality.
- Comply with **allowable cost** restrictions, limiting expenses of nonprofit school food service funds to those costs that are necessary, reasonable, and allocable.
- Adequately document loans the LEA may have provided to the SFA's nonprofit school food service account for the purpose of resolving a budget shortfall in the school food service account.

This section of review falls under the General Areas.

Review Procedures

The SA has the flexibility to review all aspects of the maintenance of the nonprofit school food service account off-site if the SA is able to secure all of the financial documentation needed to assess the SFA's compliance in this area. The *Maintenance of the Nonprofit School Food Service Account* section of the *Resource Management Comprehensive Review Form* is used when conducting a comprehensive review of this Module. To answer the questions on the review form, the SA must obtain documentation that may include, but is not limited to, the Statement of Revenues and Expenses, a general ledger, or other similar documents. The SA must assess the information in accordance with the guidance below.

Documents for the resource management comprehensive review are taken from the most recently completed school year (RM review period) unless otherwise indicated. The time period chosen should be consistent throughout the review of the Resource Management Section.

Nonprofit School Food Service and Net Cash Resources:

The SFA must follow and document an annual process to identify revenue excess or shortfall (i.e., net cash resources). To monitor compliance, the SA should use the SFA's Statement of Revenue and Expenses from the most recently completed selected year to identify the following:

Total Revenues – Total Expenses = Net Cash Resources

Additionally, a sample Statement of Revenue and Expenses is provided to help the SA perform the calculations in the steps below. Please note this is just a **sample** and may not reflect all categories that typically would appear on a Statement of Revenue and Expenses:

*******SAMPLE*******

Statement of Revenues and Expenses, Budget and Actual, Year Ended June 30, 2016

	Adopted	Final	Actual	Final Budget
Revenues				
Local Sources:				
Charges for services	$ 655,000	$ 655,000	$ 564,694	$ (90,306)
Earnings on investments	2,000	2,000	2,278	278
Other	25,000	25,000	28,711	3,711
State sources	51,000	51,000	70,729	19,729
Federal sources	4,357,250	4,357,250	4,569,710	212,460
Total revenues	5,090,250	5,090,250	5,236,122 (Step 1)	145,872
Expenditures				
Current operating:				
Enterprise and community services	$ 5,490,250	$ 5,690,250	$ 5,570,671	$ 119,579
Total current expenditures	5,490,250	5,690,250	5,570,671	$ 119,579
Contingency	200,000			
Total expenditures	5,690,250	5,690,250	5,570,671 (Step 2)	119,579
Net change in fund balances	(600,000)	(600,000)	(334,549) (Step 3)	265,451

- *Step 1 — Total Nonprofit Food Service Current Revenue*: Determine the SFA's available revenues) based on the selected year. The SA must identify all monies received by or accruing to the nonprofit school food service account, including but not limited to meal payments, earnings on investments, other local revenues, state revenues (i.e., reimbursements and state match), and federal cash reimbursements. This information should be available on the Statement of Revenue and Expenses, the general ledger, or other similar document. SFAs that commingle their nonprofit school food service account with other school accounts must provide the SA with sufficient information to identify all revenue available to the school food service.

- *Step 2 — Total Current Expenses:* Determine payments owed/total expenses incurred in the operation or improvement of the nonprofit food service program. SFAs that commingle their nonprofit school food service account with other school accounts must provide the SA with sufficient information to identify all expenses charged to the school food service.

- *Step 3 — Net Cash Resources:* Calculate the SFA's net cash resources using the values from Step 1 and Step 2:

Step 1 (Total Current Revenue) - Step 2 (Total Current Expenses) = Step 3 (Net Cash Resources)

- *Step 4 — Identify the SFA's Three Months' Average Expenditures*: Using the Statement of Revenue and Expenses or comparable documentation, the SA must convert the annual expenses to average monthly expenses by dividing a full year's total expenses by the number of full school months (typically September-May or 9 months) and multiply by 3 months as follows:

  Step A:

  Full year's expenses ÷ Number of full school months = 1 month average expenses

Step B:

1 month average expenses x 3 = SFA three (3) months' average expenses

Note: **State agencies may use an alternative calculation to determine the SFA's average monthly expenses**.

- *Step 5 — Determine the SFA's Compliance with Net Cash Resources Requirements in 7 CFR 210:*
    - If the annual net cash resources amount (see Statement of Revenue and Expenses above) is less than the three months' average expenditure amount as determined above, the SFA is in compliance.
    - If the annual net cash resources amount is higher than three months' average expenditures, then the SFA is not in compliance unless approval has been given by the SA to the SFA.

Allowable Costs:

On-site Review Procedures:

The SA must evaluate the SFA's compliance with allowable cost restrictions during the Maintenance of the Nonprofit School Food Service comprehensive review through the following activities:

- *Step 1* — Review the SFA's year-end Statement of Revenue and Expenses for the nonprofit school food service account to determine whether general expenses appear to be reasonable, necessary, and allocable. For an extensive list of allowable and unallowable costs, SAs should refer to 2 CFR Part 200, Subpart E.
    - A reasonable cost must follow restraints imposed by generally accepted sound business practices, including an "arms-length" standard, or in line with the price that the item or service would be on the open market, and follow state and

federal regulations. Costs must be assigned to the programs, functions, and activities that benefited from the SFA having incurred the cost. All costs must be adequately documented and treated consistently as direct or indirect.

- Costs that are not reasonable and necessary for program purposes or that do not otherwise satisfy federal cost principles and program regulations are unallowable.
- Costs that would otherwise be allowable may be made unallowable by the action or inaction of the SFA. For example, if a SFA purchases kitchen equipment without following a competitive procurement process or prior approval from the State agency, then that cost becomes unallowable because the SFA failed to follow required procurement procedures. No portion of an unallowable cost may be charged to the program.

- *Step 2 — Review a Sample of Expenses:* Select a sample of expenses from the detailed general ledger report for the selected year to determine whether the recorded expenses represent an activity or function recognized as reasonable and necessary for the operations of the programs. If the detailed general ledger fails to provide sufficient details needed to identify expenses, a review of invoices and receipts for the selected year may provide this information. To conduct a sample of the SFA's expenses, the SA must perform the following steps:
    - Conduct an initial assessment of approximately 10% of the expenses in the detailed general ledger. The sample may be conducted as follows:
        - Review a minimum of 10% of salaries and benefits for the year **or** all salaries from a selected full month; ensure all employees paid are involved in the school meal programs.
        - Review a minimum of 10% of food, supplies and equipment for the year **or** all food, supplies, and equipment from a selected full month;

- Review a minimum of 10% of other expenses such as utilities (electric, water, gas, etc.), travel costs and/or rental space (storage) for the year **or** all expenses from a selected full month.

Reviewer Tip

For more information about national averages for expenses and revenues and the nonprofit school food service account, please see the USDA School Lunch and Breakfast Cost Study II, published April 2008: http://www.fns.usda.gov/sites/default/files/MealCostStudy.pdf

While reviewing the sample of expenses, the SA reviewer should identify any expenses that appear to be unnecessary or incompatible with the operations of the school food service. For instance, if the reviewer identifies that the SFA made purchases of shrimp and roast beef, but neither item appear on the SFA's menu or identifies staff salaries charged for employees of the SFA's Food Service Management Company, additional follow-up should occur. The reviewer must interview SFA staff about any questionable items identified and request additional information, such as invoices to substantiate the expenses.

Technical Assistance/Corrective Action

When documenting corrective action, the reviewer must include information about the SFA's violation of federal law, regulations, or applicable policy guidance, as well as information on the adjustments needed for the SFA to become compliant. Needed corrective action and/or technical assistance must be recorded in *Resource Management Comprehensive Review Form* when a resource management comprehensive review is conducted.

Corrective action and technical assistance should be taken for the entire RM review period (previous school year) and administrative review period (current school year).

For example, if the SA finds that the SFA inappropriately spent nonprofit school food service funds on unallowable costs during the RM review period; corrective action will require a transfer of funds from the LEA's general fund into the nonprofit school food service account or otherwise reimburse the school food service for the unallowable expenses. The reviewer should ensure that the LEA reimburses the nonprofit school food service account if the same unallowable costs were charged to the nonprofit school food service account during the current school year. Corrective action should also include the adoption of internal controls to ensure noncompliance does not occur in the future.

Fiscal Action

This is a General Area, thus fiscal action is not required. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. While withholding program payments is not included in the specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: Comprehensive Review – Paid Lunch Equity

Intent/Scope of Monitoring

This Module must be used to conduct a comprehensive review of the SFA's resource management practices in the Paid Lunch Equity Resource Management area. When conducting a review of paid lunch equity, the SA must evaluate the prices the SFA charges for paid lunches in relation to the federal paid and free reimbursement rates. To do so, SFAs must determine:

- the weighted minimum average paid lunch price charged for paid lunches in the previous school year
- the difference between the free lunch per meal reimbursement rate and the paid lunch per meal reimbursement rate in effect for the previous school year; this is also called the ''reimbursement difference''

If an SFA's weighted minimum average paid lunch price is equal to or greater than the reimbursement difference, the SFA is not required to make any adjustments in lunch prices or to add revenue to the nonprofit school food service account as long as it continues to charge a weighted minimum average paid lunch price that is not less than the amount of the reimbursement difference.

If an SFA's weighted minimum average paid lunch price is less than the reimbursement difference, the SFA must increase prices for paid lunches or add financial support from non-federal sources to the school food service account. The paid lunch equity provision is found at 7 CFR 210.14(e).

Due to the complexity of calculations, FNS developed the *Paid Lunch Equity Tool* for SFAs to use in determining compliance with this provision. For more information, refer to 7 CFR 210.14(e) and FNS memorandums SP 39-2011 Revised, *Child Nutrition Reauthorization 2010: Guidance on*

Paid Lunch Equity and Revenue from Nonprogram Foods and SP 09-2016 Paid Lunch Equity: School Year 2016-2017 Calculations and Tool on the FNS PartnerWeb.

The intent in monitoring this provision is to ensure support for paid lunches is in compliance with section 205 of the Healthy, Hunger-Free Kids Act.

This area falls within the General Areas of the Administrative Review.

Review Procedures

The *Paid Lunch Equity* section of the *Resource Management Comprehensive Review Form* contains questions to assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site.

The SA must compare the SFA's completed *Paid Lunch Equity Tool* to a State-completed *Paid Lunch Equity Tool* to verify the SFA's calculations, as follows:

1) Obtain the SFA's completed *Paid Lunch Equity Tool* or alternate documentation for the previous school year. Validate the SFA's Paid Lunch Equity calculations by cross-checking the data gathered with data used by the SFA.
   Results:
   a) If the SFA's *Paid Lunch Equity Tool* can be validated by the SA, skip to step four below.
   b) If the SFA's *Paid Lunch Equity Tool* cannot be validated by the SA, complete steps two and three below.

2) Complete a separate *Paid Lunch Equity Tool* using the following information gathered from source documents from the SFA:

- The weighted minimum average paid lunch price for paid lunches in SY 2010-2011 (start year of Paid Lunch Equity);
- All paid lunch prices for October of the previous school year;
- Number of paid lunches served associated with each paid lunch price in October of the previous school year;
- Total paid lunches claimed in the second preceding school year (needed if using non-federal funds).

3) Enter the SFA's data into a separate *Paid Lunch Equity Tool* to determine whether or not a paid lunch increase was necessary.

4) Determine if the SFA raised its paid lunch prices, if required. If paid lunch prices were not raised, determine whether the SFA used non-federal sources to support its paid lunch prices. If non-federal funds were used to support paid lunch prices, the SA should determine whether the sources are allowable and appropriately recorded in the nonprofit school food service account.

For a detailed list of allowable and unallowable non-Federal sources, see 7 CFR 210.14(e) and SP 09-2016 Revised - Paid Lunch Equity: School Year 2016-2017 Calculations and Tool on FNS PartnerWeb.

Technical Assistance/Corrective Action

The SA must require the SFA to take corrective action if the SA finds that the SFA:

- incorrectly calculated the appropriate paid lunch price
- did not raise its paid lunch price if such an increase was necessary
- used unallowable non-Federal sources to support its paid lunch price
- did not transfer a sufficient amount of non-Federal funds into the SFA's nonprofit school food service account if the SFA did not raise its paid lunch prices

Given the complexity of this issue, FNS encourages SAs to provide on-site technical assistance. Needed corrective action and/or technical assistance must be recorded in the comments section of the *Off-site Assessment Tool* when a reviewer is assessing compliance outside of a resource management comprehensive review or in the *Resource Management Comprehensive Review Form* when a resource management comprehensive review is conducted. Corrective action must occur for the Resource Management review period and, if necessary, for the current school year. The SFA should also adopt internal controls to ensure that noncompliance does not occur in the future.

Fiscal Action

This is a General Area, thus fiscal action is not required. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. While withholding program payments is not included in the specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: Comprehensive Review – Revenue from Nonprogram Foods

Intent/Scope of Monitoring

This Module must be used to conduct a comprehensive review of the SFA's resource management practices. When conducting a review of revenue from nonprogram foods, the SA must assess whether the SFA took steps to ensure the *revenues from the sale of nonprogram foods* generate at least the same proportion of SFA revenues as *expenses from the purchase of nonprogram foods* contribute to the SFA's food costs. (7 CFR 210.14(f))

$$\frac{\text{Nonprogram food revenue}}{\text{Total program + nonprogram revenue}} > \frac{\text{Total nonprogram food cost}}{\text{Total program + nonprogram food cost}}$$

FNS defines "nonprogram foods" as those foods and beverages sold in a participating school other than reimbursable meals and meal supplements that are purchased using funds from the nonprofit school food service account. Nonprogram foods include a la carte items and adult meals. They also include items purchased with nonprofit school food service account funds for vending machines, fundraisers, school stores, and catered and vended meals.

Review Procedures

The *Revenue of Nonprogram Foods* section of the *Resource Management Comprehensive Review Form* provides review questions to assess the SFA's compliance with the nonprogram revenue requirements. The SA must assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site.

The SA must:

1. Identify the categories of nonprogram food and beverages provided by the SFA.

2. Ensure the SFA's nonprogram food revenues properly accrue to the SFA's nonprofit school food service account.

3. Review the price the SFA charges for adult meals to ensure that meals served to adults are priced sufficiently to cover the overall cost of the meals. The overall cost of the meals must include the value of any USDA Foods (entitlement and bonus). **Note**: For more information, refer to FNS Instruction 782-5 REV. 1*, Pricing of Adult Meals in the National School Lunch and School Breakfast Programs.*

4. Determine how the SFA assessed its compliance with the revenue from nonprogram food requirements in 7 CFR 210.14(f).

5. Determine if and how the SFA adequately addressed any shortfalls necessary due to insufficient revenues generated by the sale of nonprogram foods.

6. Determine if the SFA may be in compliance with the Revenue from Nonprogram Foods requirements despite not meeting the nonprogram food revenues/expenses ratio if the SFA only sold a limited number of nonprogram foods (i.e., milk) that had an identifiable per-serving cost.

Technical Assistance/Corrective Action

Any violations of program requirements require corrective action. Corrective action and/or technical assistance are necessary if the SFA:

- Did not include all nonprogram food revenues and costs in its assessment calculation;
- Did not ensure all nonprogram food revenues were transferred into its nonprofit school food service account;
- Priced adult meals below the cost of producing those meals;

- Did not assess its compliance with the Revenue from Nonprogram Foods requirements via either the Nonprogram Foods Tool or 5-Day Reference Period as described in FNS Policy Memo SP 06-2016;
- Did not take steps to adequately increase its nonprogram food revenues and/or secure general funds if out of compliance with the Revenue from Nonprogram Foods requirements.

Corrective action must occur for the Resource Management review period and, if necessary, for the current school year. The SA should also require the SFA to adopt internal controls to ensure that noncompliance does not occur in the future. Needed corrective action and/or technical assistance must be recorded in the *Resource Management Comprehensive Review Form* when a resource management comprehensive review is conducted.

FNS recognizes there is wide variation in the capabilities of systems and mechanisms SFAs employ to maintain and monitor their compliance with the revenue from nonprogram foods requirements. In recognition of these potential difficulties and variations in system capabilities, FNS released FNS Policy Memo SP 06-2016, *Nonprofit School Food Service Account Nonprogram Food Revenue Requirements* to help SFAs and State agencies better assess compliance with this requirement. Given the complexity of this issue, FNS encourages SAs to provide technical assistance in this area. Technical assistance may include identifying opportunities at the SFA level to increase the SFA's revenue from the sale of nonprogram foods.

Fiscal Action

This is a General Area, thus fiscal action is not required. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. While withholding program payments is not included in the

specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: Comprehensive Review – Indirect Costs

Intent/Scope of Monitoring

This Module must be used to conduct a comprehensive review of the SFA's resource management practices. When conducting a review of indirect costs, the SA must evaluate charges to the nonprofit school food service account, including allowable direct and indirect costs.

Indirect costs are incurred for the benefit of multiple programs, functions, or other cost objectives, and therefore cannot be identified readily and specifically with a particular program or other cost objective. They typically support administrative overhead functions, such as fringe benefits, accounting, payroll, purchasing, facilities management, and utilities.

Charges for indirect costs are based on two factors:

- The indirect cost rate established for a specific fiscal year, and the corresponding direct cost base;
- A documented methodology that accurately allocates indirect costs.

In most cases, the indirect cost rate is in the indirect cost rate agreement negotiated and approved by the associated State Educational Agency. Indirect cost rate agreements expire annually and it is imperative that SFAs use the most current approved rate for each fiscal year. The direct cost base is the sum of allowable and unallowable costs that receives a benefit from the costs in the pool.

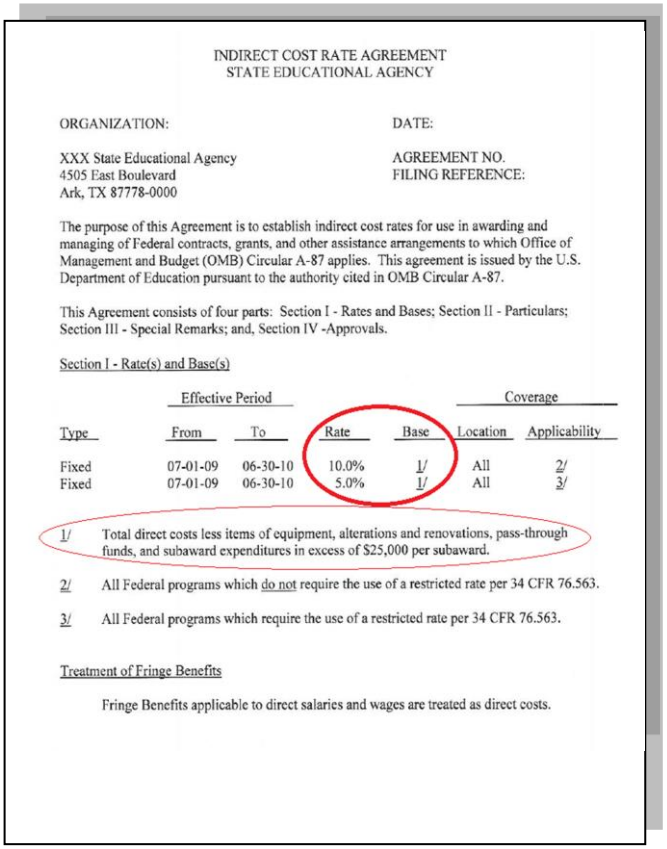
SAs must ensure that SFAs use the correct indirect cost rate and that the correct rate is applied to the correct direct cost base. For further information on indirect costs, the SA should refer to FNS' *Indirect Cost Guidance* (SP 41-2011, with attachments).

Note: The scope of monitoring may require the SA to assess how unit(s) of the LEA other than the school food service implement their indirect cost responsibilities, as applicable.

This section of review falls under the General Areas.

Review Procedures

The *Indirect Cost* section of the *Resource Management Comprehensive Review Form* contains questions to assess the information in accordance with the guidance below. The SA has the flexibility to cover this area either off-site or on-site.



INDIRECT COST RATE AGREEMENT
STATE EDUCATIONAL AGENCY

ORGANIZATION:

XXX State Educational Agency
4505 East Boulevard
Ark, TX 87778-0000

DATE:

AGREEMENT NO.
FILING REFERENCE:

The purpose of this Agreement is to establish indirect cost rates for use in awarding and managing of Federal contracts, grants, and other assistance arrangements to which Office of Management and Budget (OMB) Circular A-87 applies. This agreement is issued by the U.S. Department of Education pursuant to the authority cited in OMB Circular A-87.

This Agreement consists of four parts: Section I - Rates and Bases; Section II - Particulars; Section III - Special Remarks; and, Section IV -Approvals.

Section I - Rate(s) and Base(s)

	Effective Period				Coverage	
Type	From	To	Rate	Base	Location	Applicability
Fixed	07-01-09	06-30-10	10.0%	1/	All	2/
Fixed	07-01-09	06-30-10	5.0%	1/	All	3/

1/ Total direct costs less items of equipment, alterations and renovations, pass-through funds, and subaward expenditures in excess of $25,000 per subaward.

2/ All Federal programs which do not require the use of a restricted rate per 34 CFR 76.563.

3/ All Federal programs which require the use of a restricted rate per 34 CFR 76.563.

Treatment of Fringe Benefits

Fringe Benefits applicable to direct salaries and wages are treated as direct costs.

The SA must review the following information during the Administrative Review:

1. Indirect Cost Rate Agreement: Ensure that the SFA is using the approved indirect cost rate from the State Education Agency.

2. Use Correct Rate/Base: Ensure the indirect cost charged to the nonprofit school food service account is consistent with the approved indirect cost rate to the direct cost base found in the approved indirect cost rate agreement. See example above.

3. Accounting Consistency: Handling of indirect costs must be consistent in all activities of the SFA unless otherwise exempted. For example, if the nonprofit school food service

account is charged for electricity costs based on square footage, all other activities of the SFA must be similarly charged, as applicable.

4. Prior Year's Retroactive Billing: Confirm that the nonprofit school food service account was not charged for indirect costs that were previously paid from the general fund. It is unallowable to bill the school food service account for indirect costs unless an agreement exists to show that the SFA had been "loaned" the nonprofit school food service account funds to cover the indirect costs in one or more prior years with the expectation of repayment. In such cases, accounting records should support implementation of the loan agreement. For example, a transfer of funds from the general fund to the food service account might be recorded as a receivable (e.g., "Due from Food Service Fund").

5. Proper Classification of Costs (Direct/Indirect): Costs must be consistently treated as direct or indirect. Confirm that school food service accounts are not charged directly for expenses that are included in the indirect cost pool (double dipping).

6. Support Documents for Indirect Cost Billing: Verify the documentation that supports actual indirect costs charged to the school food service account. Check for mathematical errors and confirm that indirect costs were calculated based on the correct rate and the correct base.

Technical Assistance/Corrective Action

Needed corrective action and/or technical assistance must be recorded or in the *Resource Management Comprehensive Review Form* when a resource management comprehensive

review is conducted. The SA must require the SFA to take corrective action if the SFA is out of compliance with any aspect of the RM review of indirect costs, including:

- the nonprofit school food service account was charged costs in excess of the approved indirect cost rate;
- the correct rate was applied to an incorrect direct cost base;
- indirect costs were not applied consistently;
- the nonprofit school food service account was charged directly for expenses that were included in the indirect cost pool (double dipping);
- sufficient documentation could not be provided to support the indirect costs charged to the nonprofit school food service account.

Corrective action must occur for the Resource Management review period and, if necessary, for the current school year. The SFA should also adopt internal controls to ensure that noncompliance does not occur in the future.

Needed corrective action and/or technical assistance must be recorded in the comments section of the *Resource Management Comprehensive Review Form*.

Fiscal Action

This is a General Area, thus fiscal action is not required. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. While withholding program payments is not included in the specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Section V: General Program Compliance

Modules contained within this Section include:

- Civil Rights
- SFA On-site Monitoring
- Local School Wellness Policy and School Meal Environment
- Smart Snacks in School
- Professional Standards
- Water
- Food Safety
- Reporting and Recordkeeping
- SBP and SFSP Outreach

Module: General Area – Civil Rights

Intent/Scope of Monitoring

FNS requires SFAs to administer program services and benefits in accordance with all laws, regulations, instructions, policies, and guidance related to nondiscrimination in program delivery.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

The SA must assess whether the SFA is complying with civil rights requirements as applicable to the Child Nutrition Programs, i.e., NSLP (including the Fresh Fruit and Vegetable Program, Seamless Summer Option, and Afterschool Snacks), SBP, and SMP.

SAs are encouraged to complete the civil rights compliance evaluation off-site unless on-site validation is required as described below.

Pre-visit Review Procedures

Off-site Assessment Tool

Questions 800-807 of the *Off-site Assessment Tool* focus on civil rights compliance. If this portion of the Tool is not completed prior to the on-site review, applicable documentation must be available for the SA to review at the start of the on-site portion of the review.

Supporting Documentation

- a copy of the SFA's public release
- a description of procedures for receiving and handling Civil Rights complaints

- information on the number and description of complaints alleging discrimination in the current and prior school year
- information about the SFA's most recent civil rights training for staff
- a description of the SFA's procedures for collecting racial/ethnic data

Off-site Review Procedures

To evaluate civil rights compliance, the SA will:

- Ensure that the SFA's procedures, as described in the *Off-site Assessment Tool*, meet civil rights requirements

If the *Off-site Assessment Tool* identifies any potential problems or requires additional documentation, the SA should make an attempt to obtain clarification and/or the necessary documents before categorizing a response as unsatisfactory. However, a response to a pre-visit question may still be unsatisfactory even after obtaining clarification or additional documentation.

Off-site Review Questions

800) *What is the non-discrimination statement that is used for appropriate Program materials?*

State or local agencies, and their subrecipients, must post the following Nondiscrimination Statement below:

"In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity in any program or activity conducted or funded by USDA.

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 Agency (State or local) where they applied for benefits. Individuals who are deaf, hard of

hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, (AD-3027) found online at: http://www.ascr.usda.gov/complaint_filing_cust.html, 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
   Washington, D.C. 20250-9410;

2) fax: (202) 690-7442; or

3) email: program.intake@usda.gov

This institution is an equal opportunity provider."

If the material is too small to contain the full statement, the material at minimum must include the following statement: "This institution is an equal opportunity provider."

The full statement must be included on outreach material when notifying potentially-eligible participants how to apply for benefits or when informing clients about their right to file a complaint.

These statements must be included on any document that references FNS programs.

Documents that do not reference FNS programs are exempt.

NOTE: Due to an update to the nondiscrimination guidance in 2015 the above language must be used for:

- Websites starting November 20, 2015;
- Documents previously printed should be updated when supplies are exhausted or by September 30, 2016; and
- All new printing

801) Obtain a copy of the SFA's public release.

The SA must obtain a copy of the SFA's public release. The release must contain the same information supplied in the letter to households except that the public release must contain both the free and reduced-price Income Eligibility Guidelines. The public release must also explain that:

- When known to the SFA, households will be notified of their children's eligibility for free meals if they are members of households receiving assistance from:
  - The Supplemental Nutrition Assistance Program (SNAP) or, as applicable, the Food Distribution Program on Indian Reservations (FDPIR); or
  - The Temporary Assistance for Needy Families (TANF) as by law;
- No application is required for free meal benefits;
- All children in these households are eligible for free meals, and if any child was not listed on the eligibility notice, the household should contact the SFA or school to have benefits extended to that child.

The SA may prepare the public release on behalf of its SFAs. In this instance, the release must reference the schools covered by this type of public release.

Note: RCCIs are not required to submit a public release unless their enrollment includes day students. However, RCCIs are expected to comply with other requirements related to public notification (e.g., brochures, websites).

802) What services does the SFA provide to Limited English Proficient (LEP) households?

SFAs are required to take reasonable steps to ensure meaningful access to FNS program information and services. See FNS Memoranda SP 42-2012, *Application and Other Household Materials for Limited English Proficient Households – Reminder* and SP 06-2012, *Applications and Other Household Materials for Limited English Proficient Households*; the *Eligibility Manual for School Meals*; and Section VII of FNS Instruction 113-1, *Civil Rights Compliance and Enforcement – Nutrition Programs and Activities*.

803) What are the SFA's procedures for receiving and processing complaints alleging Civil Rights discrimination within FNS School Meal Programs? If procedures are written, please provide a copy.

The SFA's procedures are largely at their discretion but must indicate the following in some form: whether an allegation is made verbally or in person, the person receiving the allegation must transcribe the complaint; the SFA's procedures for receiving a complaint cannot prevent a complaint from being accepted; and the procedures must identify the outside agency to which complaints are forwarded (i.e., SA, FNSRO, FNS Office of Civil Rights, or USDA Office of Civil Rights). Additionally, the SFA's procedures must not indicate that they attempt to resolve the complaint themselves nor can the SFA's complaint process be a prerequisite for accepting a complaint.

804) Has the SFA received any written or verbal complaints alleging discrimination in FNS Programs in the current or prior school year?

If complaints were received, the SA must ensure that they were forwarded to the SA, FNS Regional Office, FNS Office of Civil Rights, or the USDA Office of Civil Rights.

805) What procedures are in place for accommodating students with special dietary needs?

The SFA's response should indicate an understanding of requirements under 7 CFR 210.10(m)(1), 7 CFR 210.10(m)(2), 7 CFR 220.8(m, and FNS guidance, *Accommodating Students with Special Dietary Needs.*

806) When was the SFA's most recent civil rights training for staff who interact with program applicants or participants (i.e., cafeteria staff, F/R application approval staff) and their supervisors? Who attended these trainings? What topics were covered by the training? Provide supporting documentation for the responses.

The SFA must provide documentation indicating that the civil rights training occurred and that required participants attended. Documentation must indicate that the following subjects were covered: Collection and Use of Data, Effective Public Notification Systems, Complaint Procedures, Compliance Review Techniques, Resolution of Noncompliance, Requirements for Reasonable Accommodations of Persons with Disabilities, Requirements for Language Assistance, Conflict Resolution, and Customer Service. For example, the SFA may provide a copy of the agenda for the relevant training and a corresponding sign-in sheet.

807) How does the SFA collect racial/ethnic data? How often is this information collected? Provide documentation to support the response.

The SFA must collect racial/ethnic data on an annual basis through a mechanism of their choosing. If responses to the *Off-site Assessment Tool* indicate potential problems, the SFA will be considered noncompliant and the SA must require appropriate corrective action.

On-site Review Procedures

On-site Assessment Tool

SA findings are recorded on Questions 811-812 of the *On-site Assessment Tool*.

On-site Review

To evaluate civil rights compliance, the SA will:

- Determine whether the "And Justice for All" Poster is on display, as described below
- Determine whether the non-discrimination statement appears on pertinent materials
- Review denied applications to determine if a disproportionate number of these applications were submitted by minority households. Refer to Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance* for more information.
- Observe the meal service to ensure all children are receiving equal benefits without discrimination
- Validate corrective action on-site, if necessary, if non-compliance is detected by the *Off-site Assessment Tool*

"And Justice for All" Poster

FNS Instruction 113-1 requires that participating schools prominently display the USDA nondiscrimination poster "And Justice for All". All posters must be 11" x 17". The poster must be placed in a location that enables program participants to read the text of the poster without obstruction. For example, the poster could be placed next to the cashier, at the beginning of the serving line, over the milk cooler, or at the entrance/exit to the cafeteria.

The SA must ensure that each site selected for review has displayed the poster in an appropriate location. The SA must require corrective action if the poster is not posted or cannot be found. The SA must provide technical assistance if the poster is posted but in an inappropriate location.

An SFA will be compliant with this review element if the "And Justice for All" poster is posted in an appropriate location at each school selected for review.

Use of Correct Non-discrimination Statement

The SA must determine whether program materials contain the correct non-discrimination statement (see Question 800). Through the course of the review, examine relevant documents (e.g., Meal Benefit applications, public release) to ensure that each contains the correct non-discrimination statement.

An SFA will be compliant with this review element if all program materials contain the correct non-discrimination statement.

Composition of Denied Applications

When reviewing denied applications (see Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*), the SA must determine whether a disproportionate number of these applications were submitted by minority households. If this has occurred, the SA must determine whether these applications were denied for any reason other than the applications being incomplete or the household being ineligible based on income or other program requirements.

Civil Rights Meal Observation Responsibilities

The SA must determine whether the SFA provides children equal benefits without discrimination regardless of their race, color, national origin, sex, age, or disability on the day of review at each reviewed school during the lunch and breakfast meal services. Meal service observations must indicate no discrimination occurs regarding the protected classes of Child Nutrition Programs.

An SFA will be compliant with this review element if lunch and breakfast meal service observations on the day of review indicate that all children have equal access to the applicable programs.

Corrective Action Validation

Corrective action validation is only applicable if the Civil Rights portion of the *Off-site Assessment Tool* identifies noncompliance with civil rights requirements. Under these circumstances, the SA must address deficiencies by requiring corrective action and verifying on-site that the SFA has implemented, or is in the process of implementing, the corrective action as specified by the SA. The specific actions of the SA will vary on a case-by-case basis and depend upon the deficiency and the determined corrective action. If the SA determines that the approved corrective action has not been implemented or did not effectively resolve the problem, the SA must prescribe further corrective action as part of the on-site review process.

Note: Satisfactory responses to the *Off-site Assessment Tool* must not preclude the SA from correcting a civil rights deficiency found through the course of their other on-site Administrative Review responsibilities.

Technical Assistance/Corrective Action

An SFA will be compliant with this Module if it meets the requirements of each review element as described above. Deficiencies the SA identifies within any of the module's review elements must result in a noncompliant civil rights evaluation. The SA must address deficiencies by requiring corrective action and must bring the SFA into compliance with this Module's requirements.

All deficiencies are recorded on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: General Area – SFA On-site Monitoring

Intent/Scope of Monitoring

The SA must determine whether each SFA with more than one school operating the NSLP performs no less than one on-site review of the lunch counting and claiming system used by the school and observe the general areas of review that are readily observable in each school under its jurisdiction.

The SA must also determine whether each SFA with more than one school performs no less than one on-site review of the breakfast counting and claiming system used by the school and observe the general areas of review that are readily observable at a minimum of 50 percent of the schools operating the SBP under its jurisdiction with each school operating the School Breakfast Program being monitored at least once every two years.

The on-site reviews must occur by February 1 of each year.

SFA On-site Monitoring is a component of the General Areas of review.

Note: Refer to FNS Memorandum SP 14-2011, *Prototype Checklist for SFAs for Conducting Annual On-site Reviews.*

Review Procedures

To assess compliance, on-site monitoring requirements are evaluated at the schools selected for review.

Pre-Visit Review Procedures

Off-site Assessment Tool

The section of the *Off-site Assessment Tool* pertaining to this module contains Question 900. Question 900 of the *Off-site Assessment Tool* assesses the procedures the SFA uses to ensure that all schools are meeting program requirements. For further information, see On-site Review Procedures below.

On-site Review Procedures

The SA must conduct an on-site review to determine whether the SFA completed on-site monitoring according to requirements at the reviewed schools. The SA should interview SFA staff to determine whether the SFA monitoring requirements are fully understood and whether the SFA is in compliance with those requirements. The SA should review any documentation available on-site.

If an Administrative Review of the SFA is conducted prior to February 1, and the SFA has not completed on-site monitoring reviews, determine the timeline to see whether the requirement will be met. If it is determined that it will not, the SA should review monitoring activity from the prior SY to determine whether the SFA effectively schedules on-site monitoring to meet the February 1st completion date, or whether the problem is a trend.

If the Administrative Review is conducted after the February 1 deadline, examine only the documentation for the current program year's activities. If the SFA did not complete the reviews by February 1 or the extended deadline, examine the prior year's documentation to determine whether this is a trend or one-time occurrence.

On-site Assessment Tool

Questions 901-903 of the *On-site Assessment Tool* focus on SFA compliance with on-site monitoring requirements. These questions address whether the on-site monitoring visit

occurred by February 1, whether corrective action was necessary and whether corrective action was successful in resolving the problem(s).

Technical Assistance/Corrective Action

All deficiencies must be recorded on the *Off-site* and *On-site Assessment Tool,* as applicable, in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: General Area – Local School Wellness Policy and School Meal Environment

Intent/Scope of Monitoring

Schools play a critical role in promoting children's health, preventing childhood obesity, and preventing diet-related chronic diseases. To help foster a healthy school environment, the Healthy, Hunger Free-Kids Act requires each LEA to establish a comprehensive Local School Wellness Policy.

Note: The scope of monitoring may require the SA to assess how unit(s) of the LEA, other than the school food service, implement their Local School Wellness Policy responsibilities, as applicable.

This monitoring area falls under the General Areas of the Administrative Review.

Currently there are no additional review procedures for the School Meal Environment.

Review Procedures

SAs are expected to assess Local School Wellness Policy compliance off-site through the *Off-site Assessment Tool*.

Off-site Assessment Tool

Questions 1000-1006 in the *Local School Wellness Policy* portion of the *Off-site Assessment Tool* assess compliance with Local School Wellness Policy requirements.

Supporting Documentation

- a copy of the current Local School Wellness Policy
- documentation demonstrating the Local School Wellness Policy has been made available to the public
- documentation of efforts to review and update the Local School Wellness Policy, including an indication of who is involved in the update and of methods the SFA uses to make stakeholders aware of their ability to participate
- a copy of the most recent assessment on the implementation of the Local School Wellness Policy

Off-site Assessment Procedures

SAs are not responsible for evaluating the quality of the Local School Wellness Policy goals or policies. The SA's responsibilities are to assess whether the:

- Local School Wellness Policy contains the required elements
- required steps have been taken regarding implementation, transparency, public input, and availability

Below is a list of the Local School Wellness Policy *Off-site Assessment Tool* questions.

Off-site Assessment Tool Questions

1000) Please provide a copy of the current Local School Wellness Policy or appropriate web address.

The SA must obtain a copy of the current Local School Wellness Policy. The SA must examine the document and determine whether the policy includes:

- Goals for nutrition education, physical activity, nutrition promotion, and other school-based activities to promote student wellness. Other school-based activities, for example, could include but are not limited to the dining environment, time to eat, and/or food as a reward.
- Nutrition guidelines for all foods available on the school campus

- A plan for measuring implementation
- Designation of one or more officials in charge of school compliance oversight

1001) How does the public know about the Local School Wellness Policy?

The Local School Wellness Policy must be made available to the public. The SA must determine how the Local School Wellness Policy is made available to the public. For example, the Local School Wellness Policy could be on the public website or distributed with other important information at the beginning of the school year. Regardless of the means, the SA must obtain documentation to support compliance (e.g., the website link, copy of distribution packet).

1002) When and how does the review and update of the Local School Wellness Policy occur?

The Local School Wellness Policy is required to be reviewed and updated on a periodic basis. Until FNS issues the final Local School Wellness Policy regulation and subsequent technical assistance materials, what constitutes a periodic basis is at the discretion of the SA. The SA must obtain documentation demonstrating how this requirement is met. For example, if the Local School Wellness Policy is updated at an annual stakeholder meeting, documentation indicating that the meeting occurred (e.g., an agenda, attendance sheet) would be appropriate.

1003) *Who is involved in reviewing and updating the Local School Wellness Policy? What is their relationship with the SFA?*

Parents, students, physical education teachers, school health professionals, school administrators, the school board, representatives of the SFA, and the general public must be permitted to contribute to the development, implementation, periodic review, and update of the Local School Wellness Policy. The SA must determine who is involved

with reviewing and updating the Local School Wellness Policy and whether their participation meets requirements.

1004) *How are potential stakeholders made aware of their ability to participate in the development, review, update, and implementation of the Local School Wellness Policy? Provide documentation to support the response (or appropriate Web site URL).*

The SA must determine how participation from the permitted stakeholders is solicited. Documentation demonstrating outreach should be assessed. For example, the district might send out a district-wide email or post flyers in various locations to notify potential stakeholders about the opportunity.

1005) *Please provide a copy of the most recent assessment on the implementation of the Local School Wellness Policy.*

The SA must obtain a copy of the most recent assessment. The SA must examine the document and determine whether the assessment includes information regarding:

- The extent to which schools are in compliance with the Local School Wellness Policy
- The progress made toward attaining the goals of the Local School Wellness Policy
- The extent to which the Local School Wellness Policy compares to a model Local School Wellness Policy. Model policies can be found at http://teamnutrition.usda.gov/healthy/wellnesspolicy.html

1006) *How does the public know about the results of the most recent assessment on the implementation of the Local School Wellness Policy? Please provide a copy of the documentation necessary to support your response or appropriate Web site URL.*

The assessment must be made available to the public. How the assessment is made available is at local discretion. The SA must determine the manner in which the public is

made aware of the most recent assessment on the implementation of the Local School Wellness Policy.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with the Local School Wellness Policy Module if the requirements of the review are met, as described above. Deficiencies identified within the Module's review element must result in a noncompliant Local School Wellness Policy evaluation.

Deficiencies must be addressed through documented corrective action. Corrective action is considered appropriate and sufficient when the action permanently corrects the deficiencies and brings the Local School Wellness Policy into compliance with the Module's requirements.

Note: Until the issuance of further implementation guidance and/or the publication of the Local School Wellness Policy final rule, Local School Wellness Policy noncompliance must be addressed through technical assistance only. The only exceptions are the absence of a Local School Wellness Policy or the absence of required content (previously required in 2004), which must be addressed through corrective action.

The SA must record all deficiencies on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or

egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: Smart Snacks in School (All Foods and Beverages Sold in School)

Intent/Scope of Monitoring

Schools must meet the minimum requirements in 7 CFR 210.11 for all foods and beverages sold in school (also known as *Smart Snacks in School*) to increase consumption of healthful foods during the school day and support a healthy school environment. The SA's responsibility is to understand the entities responsible for selling foods/beverages to students, and to ensure that food and beverages sold meet the minimum requirements established in 7 CFR 210.11.

This Module is a General Area of Review.

Schools that receive a HealthierUS Schools Challenge (HUSSC) Award (any level) by meeting the HUSSC criteria effective August 31, 2014 have been certified compliant with these requirements and are, therefore, exempt from this part of the review. A print out from the Team Nutrition Web site listing the school as an awardee, a copy of the award announcement email, or a copy of the award certificate should be kept on file to verify HUSSC award status during the review.

There is no fiscal action if a SFA/LEA is found out of compliance with Smart Snacks requirements.

Review Procedures

The SA must assess compliance with Smart Snacks requirements at all the schools selected for review. The requirements apply to all entities selling foods and beverages to students on the

school campus during the school day, including entities operating independently from the school food service.

Note: While free potable water must be made available to students during meal service and other water sources may be sold to students, program operators are not to promote or offer water or any other beverage as an alternative selection to fluid milk in the reimbursable meal throughout the food service area.

The timeframe for this assessment is the school year in which the Administrative Review takes place, the review period, and the day of review.

To evaluate compliance, the SA must ensure that:

- All foods and beverages sold on the school campus (excluding reimbursable meals), during the school day (defined as 12 am on a day of instruction to 30 minutes after the end of the official school day), meet regulatory requirements. This includes a la carte items sold during meals, and foods/beverages sold in vending machines, school stores, and any other venue; and
- State-set fundraising limits are observed.

Off-site Review

SAs have discretion to complete this portion of the review off-site, prior to the on-site review, or during the on-site review.

To evaluate compliance, reviewers must:

- Examine one week of menu documentation from the review period to ensure that foods and beverages sold a la carte during meal services are compliant with requirements. Examples of acceptable documentation may include, but are not limited to, menus, production records, USDA Foods Information Sheets and related materials (e.g., CN

Labels, standardized recipes) for the school week under review. For efficiency, reviewers are encouraged to review the same week selected for the Meal Components/Quantities review.

- Interview school district staff (e.g., superintendent, principals, or other administrative designees) and school food service staff to understand the scope of food and beverage sales at the reviewed school(s), including the number of exempt fundraisers, and sales of foods and beverages in the cafeteria, school stores, snack bars, coffee bars, vending machines, and any other food or beverage points of sale available to students.
- Review nutrition documentation for a minimum of 10% of foods and beverages items sold in schools (reimbursable meals excluded) to ensure that Smart Snacks requirements are met. Reviewers must obtain the nutrition documentation from the entities responsible for each point of sale, which may include entities outside the school food service. The 10% sample selected for documentation review must represent all locations where foods and beverages are sold to students. Any documentation that contains the necessary information is acceptable; examples include, but are not limited to, Alliance for a Healthier Generation Smart Snacks Calculator print outs, recipes, product specifications, purchase orders, receipts, or other documentation.

On-site Review

During the on-site review, SA must observe all locations where students are able to purchase foods and beverages to ensure that:

- The nutrition documentation provided for review is consistent with the foods and beverages offered to students for sale, including foods sold a la carte during meal services;
- School food service staff and school administrators are familiar with requirements; and
- NSLP/SBP entrees (exempt from standards) are only sold to students the same day, or the day after, initially offered in the NSLP/SBP.

Reviewers are encouraged to observe the points of sale while they are operating and selling foods/beverages to students.

Recording Findings

The SA must record review findings on the *Off-site Assessment Tool* questions 1100-1103 and *On-site Assessment Tool* questions 1104- 1107.

Technical Assistance/Corrective Action

A SFA/LEA is compliant with this Module if the SA determines that each school selected for review only sells foods and beverages to students that are compliant with standards.

When non-compliance is identified, the SA, in conjunction with the SFA/LEA must develop a corrective action plan with specific steps, which may include required training and/or technical assistance. The plan must include reasonable timeframes for the SFA/LEA to achieve and maintain compliance with Smart Snacks requirements. The timeframes and other details of the corrective action plan will vary, depending on the nature of the findings.

The SA must record all findings on the *On-site Assessment Tool* in the applicable comments sections.

As a reminder, there is no fiscal action if a SFA/LEA is found out of compliance with Smart Snacks requirements.

Module: General Area – Professional Standards

Intent/Scope of Monitoring

The Professional Standards regulations in 7 CFR 210.30 establish hiring standards for new school nutrition program directors at the SFA level. In addition, the regulations establish annual training standards for all school nutrition program directors, managers, and staff. The required annual training hours vary according to the employee's role in the management and operation of the school nutrition program.

Hiring Standards

The SA is expected to examine SFA records documenting that applicable hiring actions for new program directors completed on or after July 1, 2015, are consistent with hiring standards. This includes internal hiring promotions. Prior food safety training is also required for new program directors that are hired (training must have occurred either within 5 years prior to the starting date, or must occur within 30 calendar days of the start date). Documents that are reviewed may include, but are not limited to, college transcripts, education information, and resumes for new hires.

Training Requirements

The SA is also expected to examine SFA records that document the completion of annual training standards by all personnel (program directors, managers, and staff). Training certificates, training sign-in sheets, and training agendas are all examples of documents that a SFA may submit to demonstrate compliance with the training standards. Reports from the USDA downloadable training tracking tool (or similar alternative training tracking tool) that demonstrate compliance with the training standards are also examples of possible documentation.

The timeframe for this assessment is the school year in which the Administrative Review takes place; however, the SA has discretion to review documentation from a prior school year, if the State agency has allowed for SFA personnel to complete the required annual training hours over a two- year period.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

The SA must assess compliance with following Professional Standards requirements for the SFA:

- Hiring standards apply to school nutrition program directors hired on or after July 1, 2015.
- Annual training requirements apply to all school nutrition program personnel beginning July 1, 2015.

The SFA must be prepared to provide information requested that includes at minimum, a current list of school nutrition staff personnel and individual documentation for each of those individuals showing the following:

- Name of staff person
- Date hired
- Title/Position
- A brief list of core duties/responsibilities
- Employment Status (Full Time, Part Time, Acting, Substitute), include average hours/week for each Part Time employee
- Professional Standards Employee Category/Position (Nutrition Program Director, Manager or Staff)

Hiring Standards (Program Directors hired on or after July 1, 2015 ONLY)

- Highest level of education achieved
- Years of school nutrition program experience
- Prior food safety training (8 hours of food safety training must be completed within 5 years prior to the starting date, or within 30 calendar days of the starting date)

NOTE: When applicable, documentation showing that the State agency granted exceptions for LEAs with a student enrollment of less than 500 should be reviewed. For LEA enrollments less than 500, the SA may approve the hire of a candidate with high school diploma (or GED) and

less than required years of experience, if the best qualified candidate.

Annual Training Standards

Training must be job-specific and intended to help employees perform their duties well. Training needs are best assessed by an employee in consultation with their manager, director, or State agency. Training may be obtained in many ways, such as in-person, online, through local meetings, webinars, conferences, etc. A variety of free and low-cost training resources and formats are available. Compliant training sessions may consist of annual training that is offered or required every year by the State agency. USDA does not approve nor require specific training programs.

- Annual Training Records
    - USDA Training Tracking Tool has been provided as a resource to assist SFAs to track and record the annual training hours completed by each school nutrition program employee.
    - Alternative training tracking tools may be developed by SAs and/or SFAs but must include at minimum the required fields listed in the USDA Professional Standards Training Tracker Tool. These fields would include Key Areas, Training Topics and Learning Objectives as listed in the Professional Standards Learning Objectives and Topics with Codes which can be found on the USDA Professional Standards Website. (See tool for required fields.)
    - Supporting documentation for all completed trainings, i.e., *agendas, sign-in sheets, certificates of completion, etc.* must be maintained on file.

While FNS is not prescribing an exact format for alternative tracking tools, SFAs should clearly document all required information and keep it consolidated in one place. This should include any hands-on, informal training that takes place such as 15 minute training on how to use new food service equipment.

Please see below for a suggested format:

Employee First Name	Employee Last Name	Hiring Date	Employee Position: i.e Director/ Manager/ Staff	Required Hours of Training	Training Title/ Subject	Training Date(s)	Length of Training (creditable time)	School Year Training Applied To	Completed Training Hours Year to Date

Pre-Visit Review Procedures

Off-site Assessment Tool

The SA will need to address questions 1200-1211 in the *Off-site Assessment Tool*. The SA has the discretion to complete the *Off-site Assessment Tool* questions either off-site (prior to the on-site review) or during the on-site review. The *Off*-Site *Assessment Tool* contains a series of questions related to professional standards, many of which can be answered using the tools or methods described above. Questions 1200-1211 explore whether or not the SFA has met the required hiring and training standards.

Analysis of Off-site Assessment Tool

The SA must examine the *Off-site Assessment Tool* to ensure the SFA is meeting professional standards requirements outlined in (7 CFR 210.30). The *Off-site Assessment Tool* informs the reviewer of the SFA's training and hiring practices and will be verified during the on-site review through documentation.

NOTE: For SY 2015-2016, training attended and completed April 1 – June 31, 2015 can count towards required training for SY 2015-2016. In addition in any school year, employees hired on or after January 1 must complete only half of the required annual training hours.

On-Site Review Procedures

The on-site portion of the Administrative Review consists of the SA interviewing appropriate SFA personnel and determining whether the SFA is in compliance with all Professional Standards requirements. It is essential that through on-site review of documentation and interviews with SFA personnel the SA is able to validate the information gathered on the *Off-*

site Assessment Tool and answer the question on the *On-site Assessment Tool* (Questions 1212-1221).

On-site documentation review could include, but is not limited to:

- Nutrition program employee lists
- Training sign-in sheets and attendance rosters
- Certificates of completion for applicable trainings
- Training agendas
- Planned or scheduled trainings
- Education achievement certificates (i.e. diplomas)

Technical Assistance/Corrective Action

All deficiencies must be recorded on the *Off-site and On-site Assessment Tools*, as applicable, in the appropriate/corresponding comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

- A SFA is compliant with the Professional Standards requirements if the SA determines that documentation demonstrates that all school nutrition program personnel have met or will meet annual training requirements and that all new directors (hired on or after July 1, 2015) have met the hiring requirement as listed in the regulations.

When non-compliance is identified, the SA, will provide technical assistance and must develop, in conjunction with the SFA, a Corrective Action Plan (CAP) that outlines the required actions to bring the SFA into compliance, which may include required training and/or educational courses. The plan must also include reasonable timeframes for the SFA to achieve and maintain compliance with Professional Standards requirements. The timeframes and other details of the Corrective Action Plan will vary, depending on the nature of the findings.

For any findings associated with non-compliance of hiring standards, the SA should consult with their respective FNS Regional office before finalizing a Corrective Action Plan. Although the Regional Office is not responsible for approving the CAPs, staff is available for consultation. FNS National Office approval is not required; however, the National Office is also available for consultation, if requested.

The SA must record all findings on the *On-site Assessment Tool* in the applicable comments sections.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to section VIII, *Fiscal Action*, Module: *Withholding Payments.*

Module: General Area – Water

Intent/Scope of Monitoring

The goal of the water review is to ensure that children have access to water during the lunch and breakfast meal services. During the on-site visit, the SA must observe and assess whether the school makes free water available to students as required. This monitoring area falls under the General Areas of the Administrative Review.

Note: While water must be made available to students during meal service, program operators are not to promote or offer water or any other beverage as an alternative selection to fluid milk throughout the food service area.

Review Procedures

The SA's responsibility is to determine whether free potable water is available at each school selected for review during the lunch and breakfast meal services on the day of review. *The water requirement for breakfast only applies when breakfast is served in the cafeteria.* Refer to FNS Memorandum SP 28-2011, *Child Nutrition Reauthorization 2010: Water Availability During National School Lunch Program Meal Service* and *National School Lunch Program and School Breakfast Program: Nutrition Standards for All Foods Sold in School as Required by the Healthy, Hunger-Free Kids Act of 2010; Interim Final Rule* (78 CFR 39068, published June 28, 2013).

The SA must determine compliance on-site by observing the lunch and breakfast meal services. The SA should be able to easily incorporate these expectations alongside other lunch and breakfast meal service observation responsibilities.

On-site Review Procedures

On-site Assessment Tool

The SA must record findings on Question 1300 of the *On-site Assessment Tool*.

On-site Review

The SA's responsibility regarding water compliance is limited to the day of review at each school selected for review. The SA must assess compliance in any location where lunches are served (during the meal service) and when breakfast is served in the cafeteria.

During the lunch and breakfast meal service observations, the SA must ensure that free water is available for consumption by program participants.

Schools can provide free water in a variety of ways. For example, schools can offer water pitchers and cups on lunch tables, a water fountain, or a faucet that allows students to fill their own bottles or cups with drinking water. Any school that does not make free water available or restricts access during the lunch and breakfast meal periods is out of compliance. The SA must provide technical assistance and require the SFA to take corrective action.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with the water Module if the SFA meets the requirements of the review element as described above at each of the reviewed schools. If the SA identifies deficiencies at any of the reviewed schools, the SA must deem that SFA noncompliant with the water evaluation. The SFA must address deficiencies through corrective action. Corrective action is considered appropriate and sufficient when the action permanently corrects the deficiency and brings the SFA into compliance with the Module's requirements.

The SA must record all deficiencies on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: General Area – Food Safety, Storage, and Buy American

Intent/Scope of Monitoring

FNS recognizes SA staff are not licensed health inspectors, and therefore the intent of this review is not to conduct a review tantamount to a health inspection. However, it is the SA's responsibility to ensure that all selected schools meet the food safety and storage requirements and comply with the Buy American provisions specified by the regulations referenced in this Module. This includes any facility where food is stored, prepared, or served for the purposes of the NSLP, SBP, or other FNS programs.

This monitoring area falls under the General Areas of the Administrative Review.

Review Procedures

To evaluate compliance, the SA must:

- Review the written food safety plan for compliance with Hazard Analysis Critical Control Point (HACCP) program criteria found in 7 CFR 210.13(c)
- Determine whether the SFA has any contracted or self-operated warehouses and, if so, determine whether all foods (commercial and USDA) are being stored properly (see Optional Off-site Storage Review, if applicable)
- Review the food label on a variety of foods by category to assess if the country of origin is the United States or territories, as applicable
- Determine whether two food safety inspections have been obtained
- Confirm the posting of the most recent food safety inspection report*
- Verify compliance with HACCP principles and local and state health standards

- Check temperature logs to ensure proper recordkeeping
- Examine on-site food storage in reviewed schools and off-site food storage facilities, as applicable for dates, condition of foods, and the country of origin (the United States or territories, as applicable)
- Communicate the results of Buy American compliance and review elements to the SA staff conducting the procurement review

SAs are expected to assess food compliance off-site and on-site.

Note: Food Safety inspection report formats may vary, and in some cases be too large in size to post, thus, SA reviewers should ensure that the posted portion reflects the inspection dates and approval/disapproval status and allow that other supporting documents contained in the report be maintained on site and are made available upon request.

Pre-visit Review Procedures

Food Safety Program

The SA should conduct an off-site review of the SFA's written food safety program based on either the traditional or process approach to HACCP principles (7 CFR 210.13(c)). Regardless of the HACCP approach used, the SA must review the written food safety plan to ensure that it contains the required elements of the selected approach.

The process approach requirements are explained in further detail in *Guidance for School Food Authorities: Developing a School Food Safety Program Based on the Process Approach to HACCP Principles*. SA staff should be knowledgeable about this guidance and utilize it to determine compliance of a process approach food safety program.

While FNS recommends that the SFA use the process approach to HACCP to construct a food safety program, the SA should be prepared to assess compliance with either the traditional or process approach. If the SFA bases the written food safety program on the traditional approach to HACCP, SA staff must compare the plan against the requirements listed under 7 CFR 210.13(c)(1). If the SFA bases the written food safety program on the process approach to HACCP, SA staff must compare the plan against the requirements listed under 7 CFR 210.13(c)(2).

Note: SFAs are required to update HACCP-based food safety programs to cover any facility where food is stored, prepared, or served for the purposes of the NSLP, SBP, or other FNS programs. This means the food safety program should contain standard operating procedures for safe food handling on school buses, in hallways, school courtyards, kiosks, classrooms, or other locations outside the cafeteria, as applicable.

On-site Review Procedures

On-site Assessment Tool

The SA must record findings in Questions 1400 – 1410 on the *On-site Assessment Tool.*

On-site Review

The SA must observe meal preparation and service on the day of review at the selected schools to determine whether the SFA follows the food safety program and HACCP principles.

To make this determination, the SA should use the statements below as a guide:

- Proper personal hygiene is evident (e.g., hairnets, gloved hands, appropriate hand washing)
- Cross-contamination is prevented
- Food temperatures are monitored and recorded
- Refrigerator and freezer temperatures are monitored and recorded
- Food preparation and service areas are clean

- Clean utensils and equipment are used for food preparation and meal service
- No obvious evidence of pests is present

Note: These statements are not exhaustive, and the SA should use discretion regarding other potentially harmful observations related to proper food handling. For example, if the SFA On-site Monitoring form for a selected school noted a particular food safety violation, then the SA should ensure that the same violation does not occur during the day of review. Furthermore, the SA should ensure that a copy of the food safety program is available and easily accessible to food service staff at each selected school.

The SA must deem an SFA compliant with this review element if the written food safety program meets these requirements and the SA observations correspond to the statements above and/or any additional discretionary criteria. If the SFA does not meet either of these criteria, the SA must deem the SFA noncompliant with this review element and the SA must require appropriate corrective action.

Food Safety Inspections

FNS requires each SFA to ensure each participating school receives at least two food safety inspections each school year from the state or local agency responsible for these inspections. Typically, such inspections are conducted by the local health department (7 CFR 210.13 (b)).

The SA should notate the date of the inspections based on the relevant food safety inspection reports. (See Review Procedures above.) Additionally, FNS requires each school to post the most recent food safety inspection report in a publicly visible location for all participants of the school meals program to view. SAs should use a common sense approach when assessing whether the most recent food safety inspection report is visible to the public. For example, posting the report by the entrance to the cafeteria is sufficient, while posting the report by the employee-only entrance to the cafeteria is not.

If, at the time of the on-site visit, the school has received zero or one food safety inspections, the SA must notate the date for the two most recent food safety inspections. Additionally, the SA must ensure that the school received two food safety inspections in the previous school year. If the school did not receive two inspections in the previous year, the SA must ensure that the SFA or school requested two food safety inspections from the responsible agency. Sufficient written documentation could be an email, letter, or fax to the appropriate authority requesting an inspection.

The SA must deem a school compliant with this review element if the school meets the following criteria:

- The SFA has received two food safety inspections in the current year OR
- The SFA received two food safety inspections in the previous school year OR
- The SFA has made a documented request to the responsible agency for food safety inspections

  AND
- The most recent food safety inspection report is posted in a location visible to the public

If the SFA does not meet any of these criteria, the SA must deem the SFA noncompliant with this review element and the SA must issue appropriate corrective action.

Recordkeeping

FNS requires each school in the SFA to maintain temperature logs for a period of six months (7 CFR 210.15(b)(5)).

During the on-site visit to each selected school, the SA must ensure that the SFA maintains these documents for the prescribed period. To determine compliance at each selected school, the SA must ask the school food service personnel to provide temperature logs for one day within the past six months.

The SA must deem a school compliant with this review element if the SFA provides the aforementioned document to the SA. If this criterion is not met, the SA must deem the school noncompliant with this review element and the SA must require appropriate corrective action.

Food Storage

Each SFA is required to ensure that facilities for the handling, storage, and distribution of purchased and donated foods are properly safeguarded against theft, spoilage, and other loss (7 CFR 210.13(d)).

To determine compliance, the SA must observe the conditions in the on-site, and off-site if applicable, storage facilities of the reviewed schools/SFA. On-site storage facilities may include freezers, refrigerators, dry good storage rooms, and other areas. Off-site storage facilities would include SFA contracted or self-operated warehouses. When examining the applicable storage facilities, the SA must be mindful of the following rules regarding proper storage practices. These statements are not exhaustive and the SA should use his or her own discretion regarding other potentially harmful observations related to proper food storage:

- Temperature is appropriate for the applicable equipment (e.g., freezer, refrigerator, milk cooler)
- Food is stored 6 inches from the ceiling and 6 inches off the floor
- The food storage facility is clean and neat
- Canned goods are free from bulges, leaks, and dents
- Chemicals are clearly labeled and stored away from food and food-related supplies
- Open bags of food are stored in containers with tight fitting lids
- The FIFO (First In, First Out) method of inventory management is used
- No obvious evidence of pests is present

The SA must deem a school compliant with this review element if the SA's observations correspond with the statements above. If the SA's observations contradict the above

statements or their own discretionary criteria, the SA must deem the school noncompliant with this review element and the SA must issue appropriate corrective action.

Buy American

Each SFA is required to purchase domestic agricultural commodities or products that are produced and processed in the United States substantially using agricultural commodities that are produced in the United States or territories, as applicable. (7 CFR 210.21(d)) While limited exceptions exist when products are prohibitively costly or not available in required quantities, SFAs must consider alternative domestic foods prior to automatically approving an exception.

To determine compliance, the SA must check the labels on the foods in various on and off-site storage facilities at the reviewed schools/SFA, as applicable, to assess the country of origin of the products received by the SFA. On-site storage facilities may include school freezers, refrigerators, dry good storage rooms, and other areas. Off-site storage facilities would include SFA contracted or self-operated warehouses. When examining the applicable storage facilities, the SA will review a variety of products per food category as identified below. To determine the number of foods for review, the SA will determine if the SFA stores food on-site in individual schools only, uses off-site storage facilities only, or stores food using a combination of on-site and off-site storage options. The number of food items to review will be determined as follow:

For SFAs storing food:

- On-site at individual schools receiving an on-site review and as detailed below, the SA will review 2-3 items in each food category
- Off-site warehouse storage facility only, as detailed below, the SA will review 2-3 items in each food category

- Combination on-site and off-site storage options, the SA will review 1-2 items in each food category on-site at each reviewed school and at off-site storage facilities

Food Categories

- Bakery, pasta, and miscellaneous (flour, cornmeal, sugar, pasta, rice, cooking oils, etc.)
- Condiments (salad dressings, mustard, mayonnaise, ketchup/catsup, BBQ sauce, salsa, etc.)
- Herbs and spices
- Canned fruit and fruit juice
- Canned vegetables and vegetable juice
- Frozen fruit and fruit juice
- Frozen vegetables and vegetables juice
- Frozen meat/entrée items
- Refrigerated foods (produce, butter/margarine, other items, etc.)

The SA should deem a school compliant with this review element if the SA's review of food and beverage labels does not identify any products received by the SFA as being grown and processed outside of the United States and/or its territories and observations correspond that the country of origin is the United States or documentation exists to support exceptions to the Buy American requirements as allowed under FNS Policy Memo SP 24-2016, *Compliance with and Enforcement of the Buy American Provision in the National School Lunch Program*. If the SFA lacks documentation to support the non-domestic food exceptions identified, the SA must deem the school noncompliant with this review element and the SA must issue appropriate corrective action. Non-domestic food items and their country of origin will be documented in the comments section of the *On- Site Assessment Tool* and communicate the findings to the SA staff conducting a procurement review. A finding of noncompliance with the Buy American provision and guidance includes a lack of documentation to support the exception to purchase nondomestic foods or consideration for the purchase of alternative domestic products as a substitute when the food product ordered is prohibitively costly or sufficient quantity is not available. Technical assistance should be provided and may include ensuring the solicitation

and contract language includes the requirement for the purchase of domestic foods (7 CFR 210.21(d)); training SFA procurement and receiving staff to ensure vendor responses to bids/proposals include domestic foods and to review food deliveries to determine the country of origin is the United States or territories, as applicable, prior to accepting foods.

Note: The reviewer should determine if the labels provided for the food items sampled include information about whether or not the products were grown and produced in the United States or territories, as applicable. If the label notes that the product is, for instance, a "Product of Mexico," the SFA may be out of compliance if an exception was not first approved by the SFA. If the information on the label is incomplete (e.g., the label only notes that a product was processed in the USA but does not note the product origin) or the reviewer cannot otherwise determine from the label where the product was produced and processed, the reviewer may assume the product is compliant with the Buy American requirements only if the solicitation and contract documents contain the Buy American provision or language on the requirement to provide domestic foods. SAs should coordinate with staff responsible for procurement reviews and those reviewing solicitations and contracts.

Off-site Storage Review, as applicable:

If applicable, the SA will visit SFA off-site food storage facilities as part of the Administrative Review when the SA determines the SFA uses an off-site storage facility. The SA must determine compliance using the same criteria and procedures in each review element as described above. Please note, however, that for State Administering Agencies' oversight must encompass compliance with requirements related to donated foods in 7 CFR Part 210 and Part 250.

Technical Assistance/Corrective Action

The SA must deem an SFA compliant with the Food Safety, Storage, and Buy American Module if the SFA meets the requirements of each review element as described above. The SA must deem the SFA noncompliant if the SA identifies deficiencies within any of the Module's review elements. The SFA must address deficiencies through corrective action that brings the SFA into compliance with the Module's requirements.

All deficiencies are recorded on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: General Area – Reporting and Recordkeeping

Intent/Scope of Monitoring

The SA must determine whether reports are submitted as required by the State agency, and maintained with other Program records for a period of three years after submission of the final Claim for Reimbursement for the fiscal year. If audit findings have not been resolved, the three-year period is extended as long as required for resolution of audit issues. Additionally, the record retention period required by a State may exceed the three-year period. (7 CFR 210.23(c))

These reports and records include, but are not limited to:

- agreements and free and reduced-price policy statements;
- approved and denied free and reduced-price meal applications;
- procedures and documentation for direct certification for free meals, if applicable;
- procedures for alternate point of service meal counts, if applicable;
- verification records, including:
  - description of verification efforts,
  - documentation of verification,
  - results of verification, and
  - verification reports;
- Claims for Reimbursement (including supporting documentation, such as point of service benefit issuance rosters);
- meal count participation data by school;
- documentation of edit checks, on-site reviews, internal controls; October enrollment, free and reduced-price eligible data;
- menu and food production records and, if applicable, nutrient analysis records;
- all documentation provided in support of the Resource Management Section

(including appropriate records to document compliance with the paid lunch equity and revenue from nonprogram foods requirements);

- documentation associated with the local wellness policy;
- number of food safety inspections obtained per school year by each school;
- records from the food safety program for a period of 6 months following a month's temperature records;
- records from the most recent food safety inspection;
- documents demonstrating compliance with Civil Rights requirements;
- audit reports and written responses; and any related corrective action.

For SFAs with a Special Provision Option school, refer to Section IX: *Special Provision Options* for more information on recordkeeping requirements.

Electronic recordkeeping is an allowed form of record storage.

Review Procedures

On-site Review Procedures

On-site Assessment Tool

Questions 1500-1503 on the *On-site Assessment Tool* assess compliance with reporting and recordkeeping requirements.

As the SA is reviewing other areas, it should assess compliance with the applicable reporting and recordkeeping requirements in order to answer Questions 1500-1503 of the *On-site Assessment Tool.*

Technical Assistance/Corrective Action

The SA must deem an SFA noncompliant with this review element if it does not meet the above requirements. The SA must provide technical assistance and require corrective action to bring the SFA into compliance with the requirements. The SA must document any technical assistance provided to the SFA and ensure required corrective action is timely and adequate.

The SA must record all deficiencies in the comment sections of the *On-site Assessment Tool*.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Module: General Area – SBP and SFSP Outreach

Intent/Scope of Monitoring

SFAs must inform families of the availability of breakfasts offered under the SBP and meals offered through the Summer Food Service Program (SFSP).

Just prior to or at the beginning of the school year, the SFA must notify families of the availability of breakfast, when free and reduced-price meal applications are sent to households. In addition, schools should send reminders regarding the availability of the SBP multiple times throughout the school year.

FNS also requires schools to conduct SFSP outreach before the end of the school year to ensure that eligible families are informed of the availability and location of SFSP meals.

The goal for monitoring this area is to determine whether the SFA conducts the required outreach activities to increase participation in the SBP and SFSP.

The SA conducts a review of the SBP and SFSP outreach as part of the General Areas within the Administrative Review.

Review Procedures

SAs are expected to assess SBP and SFSP outreach activities off-site through the *Off-site Assessment Tool*.

Off-site Assessment Tool

The SA must record findings on Question 1600-1601 of the *Off-site Assessment Tool* and Question 1602 of the *On-site Assessment Tool.*

Off-site Review

The SA must review materials from and documentation of the SFA's SBP and SFSP outreach activities for the current school year to determine whether the SFA' s efforts are consistent with outreach requirements. The SA may monitor this area off-site with no additional on-site field work, unless identified issues warrant further attention on-site.

SBP

The SA must determine whether the information provided through the Tool and supporting documentation establishes that the SFA conducted the required SBP outreach.

Schools participating in the SBP must inform families of the availability of breakfasts. Schools must notify families of the availability of school breakfasts just prior to or at the beginning of the school year, when free and reduced-price meal applications are sent to households. In addition, schools should send reminders regarding the availability of the SBP multiple times throughout the school year (e.g. at the beginning of each semester or quarter).

SFSP

The SA must determine whether the information provided through the Tool and supporting documentation establishes that the SFA conducted the required SFSP outreach.

FNS requires schools to conduct SFSP outreach before the end of the school year to ensure that eligible families are informed of the availability and location of SFSP meals.

If the SFSP is administered by a different SA, the two SAs must work cooperatively to inform eligible families of the availability and location of SFSP meals.

Technical Assistance/Corrective Action

The SA must deem an SFA noncompliant with this review element if it does not meet the above requirements. The SA must provide technical assistance and require corrective action to bring the SFA into compliance with the outreach requirements. The SA must document any technical assistance provided to the SFA and ensure required corrective action is timely and adequate.

The SA must record all deficiencies on the *Off-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference.

Fiscal Action

This is a General Area, thus fiscal action is not required; however, FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. For additional information, refer to Section VIII, *Fiscal Action,* Module: *Withholding Payments*.

Section VI: Other Federal Program Reviews

Modules contained within this Section include:

- Afterschool Snacks
- Seamless Summer Option
- Fresh Fruit and Vegetable Program
- Special Milk Program

Module: Afterschool Snacks

Intent/Scope of Monitoring

The SA's review is intended to ensure participating schools serve students nutritionally-balanced snacks, provide appropriate activities, and count and claim snacks accurately. The SA must examine afterschool snack documentation for each school selected for the Administrative Review that operates afterschool snacks. On-site observation of afterschool snack service is at the SA's discretion.

The SA determines afterschool snacks compliance by collecting information about the operation of afterschool snacks and comparing findings to Performance Standard 1, Performance Standard 2, and the General Areas, as applicable.

If a school selected for an Administrative Review does not operate afterschool snack, the SA does not conduct this review.

Review Procedures

The SA review of afterschool snacks may be conducted off-site or on-site, at SA discretion, using the *Supplemental Afterschool Snacks Administrative Review Form.*

To evaluate compliance, the SA must:

- Verify school eligibility
- Ensure an accurate counting and claiming system is in place
- Make sure that snacks meet snack service and nutritional requirements (7 CFR 210.10(o))
- Confirm that the SFA conducts self-monitoring activities twice per year (7 CFR 210.9(c)(7))

- Make certain that food safety and civil rights requirements are met (7 CFR 210.13(c) and 210.23(b), respectively)

School Eligibility

The SA must ensure that:

- Schools serve snacks in an afterschool care program that offers educational or enrichment activities
- At area-eligible schools, the SFA maintains documentation that the school is located within the geographical boundaries of a school in which 50% or more of the enrolled students are certified eligible for free or reduced-price meals
- Schools serve snacks only after the end of the school day, unless the school operates an Expanded Learning Time Program. Refer to FNS Memorandum SP-04-2011, *Eligibility of Expanded Learning Time Programs for Afterschool Snack Service in the National School Lunch Program (NSLP) and Child and Adult Care Food Program (CACFP)* for additional information.

Afterschool Snacks may be offered at two types of sites:

- **Area-Eligible Sites:** The site is at a school or located within the attendance area of a school in which at least 50% of enrolled students are certified for free or reduced-price meals. Snacks are served free to all children, and reimbursed at the free rate.
- **Non Area-Eligible Sites:** Snacks are served at free, reduced-price, and paid rates based on approved eligibility

Counting & Claiming

The SA must ensure that:

- The school maintains documentation that supports the number of snacks it serves daily and Claims for Reimbursement
- The school has safeguards in place to ensure that it claims only one snack per child per day for reimbursement
- The school's snack orders, delivery records, and production records support the number of snacks it claims for reimbursement

- The school counts adult snacks (including snacks served to students ineligible due to age limitations) separately from student snacks, as the former are not eligible for reimbursement
- The school monitors age eligibility requirements of students receiving snacks to ensure compliance; students are eligible through age 18 or until the end of the school year if the 19th birthday occurs during the year; students determined to have a mental or physical disability are not subject to age limits
- The SFA provides an accurate count of snacks served each month at each school to the SA by the established due date for the monthly reimbursement claim
- The SFA transfers eligibility status of each student accurately to the roster; compare, for example, the point-of-service meal counts to the benefit issuance roster
- The SFA keeps snack counts on file for three years

Snack Service and Nutrition Requirements

The SA must ensure that:

- Snack menus comply with meal pattern requirements
- SFAs plan/prepare snacks consistently with the one snack per child rule
- Production records reflect that menus meet serving size requirements (for more information on quantity requirements, see Introduction section (Chart 3 – Page I-15) of the *Food Buying Guide for Child Nutrition Programs*
- Schools complete production records each day
- Schools price each snack as one unit
- Schools charge no more than $0.15 for a reduced-price snack

Note: The meal pattern requirements for afterschool snacks differ from that of the NSLP; however, milk offered in the snack service must be unflavored/flavored fat-free milk or unflavored low-fat milk. Unlike NSLP, schools are not required to offer two varieties of milk for afterschool snacks. While FNS does not require schools serving snacks to adopt aspects of the NSLP meal pattern, schools are strongly encouraged to do so. This includes offering increased

fruits, vegetables, and whole grain-rich foods. Refer to FNS Memorandum SP 10-2012 (v.9) – Revised, *Questions & Answers on the Final Rule, "Nutrition Standards in the National School Lunch and School Breakfast Programs."*

SFA Afterschool Snack Review

The SA must ensure that:

- The SFA conducts a self-review of each afterschool snack operation twice per year
  - The SFA conducts the first self-review during the first four weeks that the afterschool snack program begins each school year;
  - SFA conducts the second self-review of the afterschool snack program prior to the end of each school year.

Note: This requirement is distinct from the SFA On-site Monitoring requirements described in Section V: *General Program Compliance*, Module: *SFA On-site Monitoring*.

Food Safety and Civil Rights

The SA must ensure that food safety and civil rights standards are met. Refer to Section V: *General Program Compliance*, Module: *Civil Rights* and Module: *Food Safety,* for additional details.

On-site Review Procedures (optional)

On-site observation of afterschool snack service is at the SA's discretion.

On-site Afterschool Snack Service Observation

When observing the snack service, the SA must verify information obtained during the documentation review. In addition, the SA must observe that afterschool snack service is following all the program requirements in the following areas:

- School Eligibility
- Counting and Claiming
- Snack Service and Nutrition Requirements

- Food Safety and Civil Rights

Recording Errors

SAs must record errors identified during the review on *the Supplemental Afterschool Snacks Administrative Review Form* and the *On-site Assessment Tool* (Question 1700). These may include errors that occur outside of the claiming period or errors for other affected schools outside of the Administrative Review.

Technical Assistance/Corrective Action

The SA must provide technical assistance and require corrective action for all problems it identifies to bring the afterschool snack operation into compliance.

The SA must note technical assistance provided and any findings on the *Supplemental Afterschool Snacks Administrative Review Form* regardless of when the school corrects the problem.

Fiscal Action

SAs must take fiscal action for any Claim for Reimbursement that is not properly payable. FNS requires fiscal action if:

- The school claims snacks for adults or ineligible students (e.g., age limitations)
- The school claims snacks that are missing a component (e.g., only graham crackers are served)

Fiscal action is recorded on the *Other Meal Claim Errors,* Form S-2 and the *Fiscal Action Workbook.*

FNS does not require, but encourages SAs to take fiscal action for schools with repeated milk type violations (e.g., higher fat content milk, flavoring) as described under Review Procedures,

"*Snack Service and Nutrition Requirements*" in this Module. Refer to Section VIII: *Fiscal Action*, for details on what constitutes a repeat violation.

Module: Seamless Summer Option

Intent/Scope of Monitoring

The Seamless Summer Option (SSO) permits SFAs participating in the NSLP and/or SBP to serve meals during summer and/or other school vacation periods using the same meal service rules and claiming procedures they use during the regular school year.

The SA determines SSO compliance in the same manner it assesses the NSLP and SBP, i.e., the SA collects information about program operations and compares its findings to Performance Standard 1, Performance Standard 2, and the General Areas. During the review, SA staff must ensure that the SFA and its participating sites are compliant with meal counting, claiming, menu planning, and food safety requirements established in 7 CFR 210 and 220.

The review period for SSO is the last completed claim from the current or previous school year.

Review Procedures

This module contains some activities that must be completed on-site. Some activities may be completed off-site, at SA discretion.

Pre-Visit Review Procedures

Scheduling

If an SFA operates one or more SSO sites, the SA must select and review at least one SSO site as part of the Administrative Review. The site selected for SSO review may be any SSO site in the SFA, and does not have to be a site selected for the regular Administrative Review.

For schools that are not year-round, the SA may monitor the SSO the summer before or after the school year in which an SFA's Administrative Review is scheduled; however, FNS encourages SAs to monitor the SSO during the summer after the SFA's Administrative Review. That way, SAs benefit from the context of the SFA's Administrative Review, which may streamline SSO monitoring.

Early planning and communication between the SA and SFA is crucial in scheduling a SSO visit. As soon as possible, the SA must contact the SFA to determine SSO sites, if any, and obtain the operating schedule. It is important to schedule the site review early because SFAs typically operate the SSO for limited periods.

Assessment Form

- Supplemental Seamless Summer Option Administrative Review Form

Off-site Review Procedures

The SA may utilize any pertinent information derived from Administrative Review activities. For example, a SA may evaluate Food Safety and Civil Rights during the Administrative Review. Elements of these areas may apply to the SSO operation, and therefore, the SA would not need to reassess these areas separately during a SSO monitoring visit, or a SA may review menus and production records off-site prior to the on-site visit.

What type of sites can operate the Seamless Summer Option?

FNS allows the following types of sites to operate the SSO:

- **Open site:** A school or non-school site located within the geographical boundaries of a school, where at least 50% of students are eligible for free and reduced-price school meals. SAs may also approve SFAs as open sites based on census data; all meals are served free at open sites
- **Restricted, open site:** A site that meets the open site criteria, but is restricted for safety, control, or security reasons; all meals are served free at open sites
- **Closed, enrolled site:** A site that meets the 50% criteria, explained above, but serves only children in a specific program or activity, excluding academic summer school programs; all meals are served free. Academic summer schools are excluded
- **Migrant site**: Serves children of migrant families, as certified by a migrant coordinator; all meals are served free
- **Camps:** Residential or non-residential day camps that offer regularly scheduled food service as part of an organized program for enrolled children; eligibility must be established for each child enrolled based on information from their schools, household income applications, or direct certification; meals are free for students eligible for free or reduced-price meals and paid meals are not reimbursed.

Site Eligibility

A variety of sites may serve children meals under the SSO (see Text Box).

When applying to operate the SSO, SFAs must provide data to the SA to establish site eligibility. The SA must ensure that the SFA maintains this documentation. For sites that serve free meals based on area eligibility, the SA must ensure that the SFA maintains documentation that the site is located within the geographical boundaries of a school in which 50% or more of the enrolled students are certified eligible for free or reduced-price meals, based on income eligibility applications or other documentation of categorical eligibility. SFAs may also use census data to establish eligibility. FNS must approve other sources of data SAs may use to determine eligibility.

At sites where eligibility is based on household income applications or direct certification (e.g., camps), the SFA must collect and maintain appropriate documentation eligibility. The SFA may receive reimbursement only for meals served to children through age 18 who are eligible for free or reduced-price meals. Reimbursement for meals served to eligible children is at the free rate. No reimbursement is provided for meals served to paid children.

Age/Grade Groups

SFAs offering the SSO should make every effort to follow age/grade group requirements. However, SFAs operating open and restricted open sites having difficulty implementing the age grade/group requirements may work with their State agencies to make accommodations, which may include the use of a single age/grade group meeting the minimum meal pattern requirements for the most common age/grade group attending the site. This holds true for both school and non-school sites. All accommodations must possess a reasonable justification for the need to deviate from age/grade group requirements. Modifications to age/grade group requirements must be included as an addendum to the agreement between the SFA and State agency.

These accommodations only apply to open and restricted open sites where meals are served to all children in the community on a first come/first serve basis. All other sites that serve an identified group of students, including closed enrolled sites and camps, must follow the age/grade group requirements outlined in 7 CFR 210.10 and 7 CFR 220.8.

While SSO closed enrolled and camp site operators that serve multiple age/grade groups may not offer meals under a single age/grade group, these sites do have some flexibility. SSO sites can meet the requirements of breakfast for grades (K-12) by offering the same food quantities that fit all grade groups.

At lunch, meal requirements for grades K-8 can be combined into a single menu with 8-9 oz equivalent of grains/week, 9-10 oz equivalent of meats/meat alternates/week, average daily calorie range 600-650, and average daily sodium limit less than 640 mg. Grades K-8 and 9-12 may use the same basic menu by adding slightly more grains and meat/meat alternates for the older children. More detailed information on how to create menus that meet the requirements of multiple age/grade groups can be found in SP 10-2012 (v.9).

Advertisement

The SA must ensure that the SFA makes a reasonable effort to advertise the availability of free meals and the location to children in the community, and that all advertising materials contain the required non-discrimination statement. Refer to Section V: *General Program Compliance*, Module: *Civil Rights*, for the most current version of the nondiscrimination statement.

SFA Self-Monitoring

SFAs are required to review all SSO sites at least once a year. The SA must examine the SFA's self-monitoring forms to ensure required self-monitoring takes place.

On-site Review Procedures

Meal Counting & Claiming

When observing meal counting and claiming, SAs must:

- Observe at least one meal service
- Count the number of reimbursable meals served at the actual point-of-service; meal counts must represent only complete meals served to children
- Assess the site's procedures for counting and claiming by comparing meal counts on the day of review to the last full week of operation from the review period
- Ensure camps claim free reimbursement only for meals served to free or reduced-price-eligible children
- Determine whether the site transfers each child's eligibility status accurately to the roster; compare, for example, the point-of-service meal counts to the benefit issuance roster.

If the SA identifies problems with counting and claiming, the SA must validate the site's most recent claim.

In year-round SSO sites, the school or site must differentiate between SSO meals and NSLP/SBP meals.

Menu Planning & Meal Service

The SFA must plan meals using a food-based menu planning approach.

When assessing meal service, the SA must:

- Complete the Meal Component Worksheet for one week of menus from the review period or current operating year for all meals offered.
- Review menus and production records to determine how meals contribute to meal pattern requirements (refer to Section III, *Meal Pattern and Nutritional Quality*, Module, *Meal Components and Quantities*, for additional information)
- Assess how the site differentiates between age/grade groups and provides age-appropriate meals

- Ensure that children eat meals on-site, except where otherwise permitted by the SA, such as a school, park, church, or recreation center
- Ensure that the site serves eligible children in attendance one meal before it offers seconds
- Verify that the site has proper food safety measures in place (refer to Section V, *General Program Compliance*, Module: *Food Safety*, for additional information)
- Make sure the site serves meals during the meal service times approved by the SA
- If applicable, make sure that the site makes alternate arrangements for meal service in inclement weather

Note - A nutrient analysis is not required for a SSO review, therefore the *Dietary Specifications Assessment Tool* is also not required to be completed.

SFAs may allow Offer versus Serve at SSO sites, but FNS does not require it. As in NSLP, second lunches are not reimbursable. However, sites may serve any excess breakfasts as seconds to eligible children and Claim for Reimbursement in accordance with 7 CFR 220.9.

Technical Assistance/Corrective Action

The SA must require corrective action and provide technical assistance for all problems it identifies to bring the SSO operation into compliance. Effective technical assistance includes helping the site manager identify deficiencies and necessary corrections to ensure the site does not repeat errors.

For all findings, SAs must follow the same corrective action and technical assistance procedures that apply to the NSLP and SBP.

SAs must provide technical assistance if a SA finds that the SSO site does not take steps to differentiate between age/grade groups. For example, the site may post signs instructing students in specific age/grade groups which meals and/or components to select.

Fiscal Action

The SA must assess fiscal action for all critical violations identified during SSO monitoring. FNS requires fiscal action as described below. For additional information, refer to Section VIII, *Fiscal Action*.

Site Eligibility & Meal Counting/Claiming

For site eligibility and/or meal counting and claiming problems, the SA must evaluate the specific problem and site requirements, and assess fiscal action. For example, if a SA finds that a camp claims paid meals for reimbursement, the SA would reclaim or disallow the reimbursement for paid meals.

Meal Components

A SA is required to take fiscal action when a meal component is missing. The SA must also require the SFA and/or school reviewed to take corrective action for the missing component. If corrective action occurs, the SA may limit fiscal action from the point corrective action begins back through the beginning of the review period for errors identified in 7 CFR 210.18 (g)(2).

Performance-based Certification Funding (6 cents)

If the Administrative Review finds that significant noncompliance exists requiring the SFA to develop and implement a Corrective Action Plan over an extended period of time (i.e., problems that cannot be fixed immediately); the SA must use its best judgment to assess the longevity and severity of the problems. If the SA determines that the performance-based reimbursement should be terminated, it should be terminated beginning the month following

the on-site Administrative Review and, at State discretion, for the month of review. Previously paid performance-based reimbursement would only be recovered in circumstances of clearly egregious or willful noncompliance by an SFA.

Performance-based reimbursement may resume beginning in the first full month the school food authority demonstrates to the satisfaction of the State agency that corrective action has taken place.

When the performance-based reimbursement is terminated, and the SFA operates both NSLP and the Seamless Summer Option, refer to Section VIII, *Overview of Fiscal Action*, Module: *Duration of Fiscal Action*, Performance-based Reimbursement.

Module: Fresh Fruit and Vegetable Program

Intent/Scope of Monitoring

The Fresh Fruit and Vegetable Program (FFVP) aims to increase children's exposure to and consumption of a variety of fruits and vegetables. FNS intends the review of the program to ensure that participating schools are proper stewards of federal funds and operate the program as prescribed by FNS.

To evaluate compliance, the SA must:

- Use the prescribed methodology to establish the FFVP school review sample size
- Validate one Claim for Reimbursement for each FFVP school selected for review (e.g., review supporting documents such as invoices)
- Observe the FFVP in each of the schools selected for review, if applicable

This monitoring area falls under the General Area of the Administrative Review.

Review Procedures

FFVP Site Selection Methodology

Of the schools selected for an Administrative Review, the SA must select FFVP schools for a FFVP review based on the table below.

Number of Schools Selected for an NSLP Administrative Review That Operate the FFVP	Minimum Number of FFVP Schools to be Reviewed
0 to 5	1
6 to 10	2
11 to 20	3
21 to 40	4
41 to 60	6
61 to 80	8
81 to 100	10
101 or more	12*

* Twelve plus 5 percent of the number of schools over 100. Fractions must be rounded to the nearest whole number.

For example:

Twenty schools within XYZ SFA are selected for an NSLP Administrative Review. Of the 20 schools selected, 7 also operate the FFVP. Using that information in concert with the above chart, the SA would review two of the seven FFVP schools also selected for an NSLP Administrative Review.

Note: FFVP school selection is determined by the NSLP schools selected for review and occurs after the NSLP school selection process has been completed. NSLP schools selected for review are either: chosen automatically under the requirements of 7 CFR 210.18(e)(1) and (e)(2)(i); chosen according to SA discretionary criteria under 7 CFR 210.18(e)(2)(ii); or a combination of the two. When none of the schools selected for an NSLP Administrative Review operate the FFVP, but the FFVP operates elsewhere within the SFA, the State agency must follow the procedures below to ensure that at least one FFVP school is reviewed during an NSLP Administrative Review.

1. When the NSLP schools selected for review are comprised solely of schools chosen automatically under the requirements of 7 CFR 210.18(e)(1) and (e)(2)(i), the SA will have to review the FFVP at a school that is not receiving an Administrative Review. FFVP is the only program that would need to be reviewed at this additional school.

2. When the NSLP schools selected for review are comprised solely of schools chosen according to SA discretionary criteria under 7 CFR 210.18(e)(2)(ii), the SA will have to replace one of the schools selected for an Administrative Review with a school that has similar characteristics that operates the FFVP. If that is not possible, use the process identified in no. 1 above.

3. When the NSLP schools selected for review are comprised of schools chosen both automatically under the requirements of 7 CFR 210.18(e)(1) and (e)(2)(i) and according to SA discretionary criteria under 7 CFR 210.18(e)(2)(ii), the SA will have to replace one of the schools selected for Administrative Review according to SA

discretionary criteria with a school that has similar characteristics that operates the FFVP. If that is not possible, use the process identified in no. 1 above.

Off-site Review Procedures

Claim validation

The SA must validate one Claim for Reimbursement for each FFVP school selected for review. FNS strongly recommends that the SA complete the claim validation off-site. However, claim validation can occur on-site as well. The SA may select any month in which a school has submitted a claim in the current school year. The SA does not have to select the same claim month for each of the FFVP schools selected for review. If a school has not submitted a claim for the current school year, the SA must select a claim from the previous school year.

Once the SA receives this information, the SA proceeds to validate the school's FFVP Claim for Reimbursement for the selected month. The SA must compare the total cost claimed for reimbursement against the total cost established by the supporting cost documentation.

If these two totals are the same and the reported costs are allowable, then the SA validates the claim and the FFVP school is compliant with this review element. If these two totals are not the same or contain unallowable costs, then the SA does not validate the claim and the FFVP school is out of compliance with this review element.

While examining the supporting cost documentation during the claim validation process, the SA must provide technical assistance if the documentation does not indicate the following:

- The school uses the majority of funds to purchase fresh produce
- The school carefully reviews and prorates equipment purchases
- Labor costs and all other non-food costs are minimal

Prior to completing the claim validation, the SA must examine payment system records for the year-to-date administrative costs charged to each reviewed school's total FFVP grant. The SA must ensure that each school is on track to charge no more than 10% of the total grant to administrative costs.

Note: If the SA validates FFVP claims when the FFVP claim is submitted for payment, further claim validation during an Administrative Review is not required.

On-site Review Procedures

On-site Review Form

The SA must record findings in Questions 1900-1902 (review period) and 1903-1910 (day of review) on the *On-site Assessment Tool*.

On-site Review

The SA must observe the FFVP operation in each of the selected schools. While the FFVP food service may occur in multiple locations within a participating school, the SA is only required to observe one such location. Visits to additional classrooms or other locations (e.g., kiosks, vending machines, school hallways) are at the SA's discretion. Through the course of the observation, the SA must use the statements below to determine whether the school operates the FFVP properly on the day of review.

- The FFVP is available to all enrolled children
- The FFVP is free of charge
- The school offers FFVP within the school day, but outside the meal service times of the NSLP and SBP
- The school widely publicizes the FFVP
- The school does not allow frozen, canned, dried, and other types of processed fruits
- The school does not allow the following products: fruit/vegetable juice; nuts; cottage cheese; trail mix; fruit or vegetable pizza; smoothies; fruit strips, drops, or leather (see the FNS FFVP Handbook for a more exhaustive list)

- The school provides dip that is for vegetables only and is either low-fat or fat-free and no larger than two tablespoons
- The school does not provide fresh fruits and vegetables to adults except for teachers who are in the classroom with students during the FFVP food service
- The school offers cooked vegetables no more than once per week and only when included as part of a nutrition education lesson
- The FFVP food service follows HACCP principles and applicable sanitation and health standards. Refer to Section V: *General Program Compliance*, Module: *Food Safety* for further information.

The SFA is compliant with this review element if the SA's observations on the day of review at each of the FFVP schools selected for review correspond to the statements above. If the SA's observations at any of the FFVP schools contradict the statements above, the SA will deem the SFA noncompliant with this review element and the SA must issue appropriate corrective action.

Corrective Action

The SA will deem an SFA noncompliant if the SA does not meet any of these requirements. The SA must issue corrective and fiscal action to bring the SFA into compliance.

The SA may suspend or terminate the FFVP in an SFA or school for repeated failure to meet program requirements, as documented by the SA.

All deficiencies must be recorded on the *On-site Assessment Tool* in the applicable comments section. Technical assistance and corrective action to correct identified deficiencies must be included in the Corrective Action Plan provided to the SFA at the exit conference. FFVP errors are recorded on the *School Data and Meal Pattern Error,* Form S-1, Line 21.

Fiscal Action

The SA must disallow any portion of a Claim for Reimbursement and recover any payment made to an SFA that was not properly payable according to FFVP requirements. Unsupported costs and/or unallowable costs must be recorded on the applicable *Fiscal Action Workbook.*

Module: Special Milk Program

Intent/Scope of Monitoring

The Special Milk Program (SMP) provides milk to children in schools, residential child care institutions, and eligible camps that do not participate in other Federal child nutrition meal service programs. The Program reimburses schools and institutions for the milk served to eligible children. Schools participating in the NSLP or SBP may also participate in the SMP to provide milk to children in half-day pre-kindergarten and kindergarten programs where children do not have access to the school meal programs.

The intent of monitoring the SMP is to determine whether the SFA is operating the program in compliance with regulatory requirements and in accordance with the SA-approved agreement. The SA must examine SMP documentation for each school selected for the Administrative Review that operates the SMP. On-site observation of the SMP is only required if issues are discovered during the documentation review or with meal counting and/or claiming of the NSLP or SBP.

If a school selected for an Administrative Review does not operate the SMP, the SA does not have to select another site for the purposes of reviewing the SMP.

Review Procedures

The SA must evaluate the pricing policy, counting and claiming, milk service procedures, and recordkeeping in SMPs operating in the sites selected for the Administrative Review, if applicable. The SA review of the SMP may be conducted off-site or on-site, at SA discretion.

Assessment Form

Complete the *Supplemental Special Milk Program Administrative Review Form* either off-site, through telephone contact or e-mail, or on-site.

To evaluate compliance, the SA must:

- Review the pricing policy
- Confirm the SFA is operating its approved SMP option
- Make sure counting and claiming procedures yield accurate claims
- Determine that records are retained for three years or until resolution of audits

Pricing, Counting, and Claiming

The SA must ensure that:

- The school prices milk in accordance with FNS policy
- The school/SFA maintains documentation that supports the number of milks it serves daily and claims for reimbursement
- Milk orders and delivery records support the number of milks claimed for reimbursement
- The purchase price of milk on the most recent Claim for Reimbursement matches the purchase price reflected on invoices
- The SFA provides an accurate count of milks served each month at each school to the SA by the established due date for the monthly reimbursement claim
- The SFA transfers eligibility status of each student accurately to the roster; the SA may do this by comparing the point-of-service milk counts by student/benefit category to the benefit issuance roster to ensure that students receiving free milks are listed as eligible on the benefit issuance roster
- The SFA retains records for three years

Refer to Section II: *Meal Access & Reimbursement*, Module: *Meal Counting and Claiming* for more in-depth guidance regarding counting and claiming.

On-site Review Procedures

On-site observation of the SMP is only required if issues are discovered during the SMP documentation review or with meal counting and/or claiming of the NSLP or SBP.

On-site Assessment Form

Special Milk Program Review Administrative Review Form

On-site Special Milk Program Service Observation

When observing the milk service, the SA must verify information obtained during the documentation review. In addition, the SA must observe milk service to ensure that:

- The school takes a point-of-service milk count and records milk correctly
- Milk counts by category for the day of review do not vary unreasonably in comparison to the previous five days

Technical Assistance/Corrective Action

The SA must provide technical assistance and require corrective action for all problems it identifies to bring the SMP operation into compliance. Effective technical assistance includes helping the SFA identify deficiencies and necessary corrections to ensure the school/SFA does not repeat errors.

The SA must record errors on the *Supplemental Special Milk Administrative Review Form* and the *On-site Assessment Tool* (Question 2000).

Fiscal Action

SAs must take fiscal action for any Claim for Reimbursement that is not properly payable. FNS requires fiscal action for all certification and counting and claiming errors.

The SA must record counting and claiming errors on *School Data and Meal Pattern Error,* Form S-1, Line 23.

Section VII: Post-Review Procedures

The Modules in this Section are:

- Administrative Review Exit Conference
- Administrative Review Report
- Documented Corrective Action

Module: Administrative Review Exit Conference

Intent/Scope

At the conclusion of the on-site portion of the Administrative Review, the SA must hold an exit conference to notify SFA staff of any program violations identified, the extent of the violations, and a preliminary assessment of the actions needed to correct the violations. The SA must address appropriate deadlines for completion of corrective action.

Corrective Action Plan

The exit conference is an opportunity to establish an agreed-upon Corrective Action Plan that identifies the needed corrective action and the timeframes for those actions. The SA must allow for SFA input on corrective action approaches that will achieve the desired result. The SA must offer technical assistance for deficiencies cited.

The Corrective Action Plan must identify the following:

- The identified finding(s)
- The corrective action(s) required
- The timeframe(s) by which the corrective action(s) must be completed
- Any documentation the SA expects the SFA to provide to demonstrate corrective action was completed

Documented Corrective Action

The SA must explain to the SFA that corrective action determines the extent of the fiscal action taken, and stress the importance of implementing corrective action in a timely manner. The SA should make every effort to provide the SFA with a summary of the noted compliance areas to facilitate the immediate development of corrective action. The SA may accept documented corrective action at the time of the Administrative Review, or the SFA may submit documented

corrective action as described in the Module: *Documented Corrective Action* found later in this Section.

Fiscal Action

The SA should explain how fiscal action is calculated. The SA has the option to discuss a potential claim amount. The SA should explain that withholding of payments results if the SFA does not take corrective action. If applicable, the SA should explain the SFA's right of appeal. (7 CFR 210.18(j))

If the SA will review the SFA's SSO during the upcoming summer, the SA should remind the SFA that there *may* be fiscal action resulting from the SSO review. If that is the case, the amount of fiscal action for the NSLP and SSO reviews must be combined to determine whether the $600 disregard in 7 CFR 210.19(d) can be applied to any overclaim.

Performance-Based Reimbursement

If Administrative Review findings initiate, fail to initiate, or terminate the SFA's receipt of the performance-based reimbursement, the SA must notify the SFA at the exit conference and in the Administrative Review Report. The SA must also tell the SFA when the performance-based reimbursement will be initiated or terminated.

If findings fail to initiate, or result in termination of, the performance-based reimbursement, the SA must provide technical assistance and ensure the SFA understands steps that must be taken to initiate or reinstate the performance-based reimbursement.

Cooperative Effort

The SA should acknowledge the cooperation of all persons involved in the review process, and inform the SFA as to when it can expect to receive the notification letter reporting review results.

Module: Administrative Review Report

Intent/Scope

After the review/exit conference, the SA must provide written notification of the review findings (i.e., the Administrative Review Report) to:

- the SFA's Superintendent (or equivalent in a non-public SFA) or authorized representative; and
- the Food Service Director.

The SA has the option to combine the written notification with the letter of claim adjustment/notice of appeal if the SFA has already completed corrective action.

Required Content

Required and suggested content items follow. An asterisk* indicates required items.

- Team composition and leader
- Appreciation and commendation to school personnel who participated in the review
- Restatement of purpose of review and description of review process
- Name and telephone number of SA contact person
- Review findings (including those uncovered after the exit conference)*
    - FNS recommends that, if findings are identified after the exit conference, the SA notify the SFA of the findings prior to issuing the Administrative Review report
- Whether the performance-based reimbursement will be initiated, maintained, or terminated based on review findings
    - If findings fail to initiate, or result in termination of, the performance-based reimbursement, the SA must provide technical assistance and ensure the SFA

understands steps that must be taken to initiate or reinstate the performance-based reimbursement

- The Corrective Action Plan identifying corrective actions, timeframes for the completion of corrective action, instructions to document corrective action taken by the SFA, and an indication that findings must be corrected system-wide*
- Timeframes for completion of the corrective action*
- Potential for fiscal action provided in general or specific terms*
- Date(s) of review and date of exit conference*
- Description of the SFA's right to appeal the denial of all or a part of the Claim for Reimbursement or withholding of funds
- Possibility of a follow-up review should corrective action not be completed or to verify corrective action was completed system-wide, as appropriate

Timeframes

The SA should issue the Administrative Review Report within 30 calendar days of the date the exit conference was conducted. In rare situations when an SFA is found to be significantly out of compliance with multiple program areas and/or the SA or SFA runs into extenuating circumstances, the report may take up to 60 calendar days.

Posting of the Administrative Review Report Summary

The SA is responsible for ensuring that information regarding Administrative Reviews is made easily accessible to all members of the public. SAs must publicly post a summary of the Administrative Review Report for each SFA on the SA's publicly available website. A summary of the report must be posted no later than 30 days after the SA provides the final results of the Administrative Review to the SFA. The SA must also make a copy of the final Administrative Review Report available to the public upon request. In addition, the SA has the discretion to strongly encourage that SFAs post a summary of the report for each SFA and make the report available to the public upon request. The review summary must cover access and reimbursement (including eligibility and certification review results), an SFA's compliance with

the meal patterns and the nutritional quality of school meals, the results of the review of the school nutrition environment (including food safety, local school wellness policy, and Smart Snacks in Schools), compliance related to civil rights, and general program participation. At a minimum, the public posting of the report would include the written notification of review findings provided to the SFA as required above.

Module: Documented Corrective Action

Intent/Scope

In order for the SA to close out the Administrative Review for an SFA, it must obtain documented corrective action from the SFA for any degree of findings in either the Critical or General Areas that the SA identifies during an Administrative Review. Documented corrective action should also include any program violations identified outside the scope of an Administrative Review.

Unless the SFA provides documented corrective action at the time of the Administrative Review, the SFA must send written notification and supporting documentation to the SA certifying that it has completed the corrective action required for each finding, as well as corresponding dates of completion.

The SA makes the determination as to whether/when the SFA satisfactorily corrected a problem.

Timeframes

The SFA must postmark or submit documented corrective action to the SA no later than 30 calendar days after the established deadline for completion of each required corrective action, or as otherwise extended by the SA.

Extension of Corrective Action Timeframes

The SA may extend the timeframes established for corrective action upon written request (either electronically or hard copy) of the SFA if extraordinary circumstances arise where a SFA is unable to complete the required corrective action within the specified timeframes.

Closing the Administrative Review

Upon receipt of the SFA's documented corrective action, the SA should determine whether the documentation is complete and resolves the finding(s) identified. Once the SA approves corrective action, it should send a closure letter to the SFA closing the review within 30 calendar days of receipt of the documented corrective action.

Section VIII: Fiscal Action

The Modules in this Section are:

- Overview of Fiscal Action
- Fiscal Action Formula
- Withholding Payments
- Overpayment Disregard
- Letter of Claim Adjustment and/or Withholding of Payment Including Notice of Appeal

Module: Overview of Fiscal Action

Intent/Scope

Claims for Reimbursement must accurately reflect the number of reimbursable meals served to eligible children, by type, for any given day. When conducting an Administrative Review, SAs must identify the SFA's correct entitlement and take fiscal action when any SFA claims or receives more Federal funds than earned under 7 CFR 210.7. SAs should contact their FNS Regional Office if they need additional help or clarification with fiscal action.

Fiscal action means the recovery of overpayment through direct assessment or offset of future claims, disallowance of overclaims as reflected in unpaid Claims for Reimbursement, submission of a revised Claim for Reimbursement, and correction of records to ensure that unfiled Claims for Reimbursement are corrected when filed. (7 CFR 210.19(c))

Each Section of the manual contains Module-specific information related to fiscal action, e.g., Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*. The SA must be familiar with the information included within those Modules in addition to the information in this Section.

General Information

Timeframes Covered by Fiscal Action

Review Period

The review period is the most recent month for which a Claim for Reimbursement was submitted, provided that it covers at least ten (10) operating days. The Claim for Reimbursement is considered to be submitted once it has been mailed or provided to the SA.

Day of Review

The day of review is the day(s) on which the on-site review of the individual sites selected for review occurs. For purposes of fiscal action, the meal counts will come from the entire month in which the day of review occurs.

Special Circumstances

- Nutrient Analysis Outside of the Review Period

  In some cases, a nutrient analysis may need to be conducted for a week outside the review period. For example, a SFA may not have menu documentation for the weeks in the review period. See Section III: *Meal Pattern and Nutritional Quality*, Module: *Dietary Specifications and Nutrient Analysis* for additional information on assessing and recording fiscal action for Dietary Specifications violations identified outside the review period.

Duration of Fiscal Action

Fiscal action must be extended back to the beginning of the school year or that point in time during the current school year when the infraction first occurred for all violations of Performance Standards 1 and 2. Based on the severity and longevity of the problem, the SA may extend fiscal action back to previous school years, as applicable. (7 CFR 210.19(c)(2)(ii)).

Exceptions to the duration of fiscal action are described below:

Performance Standard 1:

- If corrective action occurs, the SA may limit fiscal action from the point corrective action occurs back through the beginning of the review period. (7 CFR 210.18(m)) However, for purposes of fiscal action, the SA-established certification and benefit issuance adjustment factor must be applied to the review period and month of on-site review regardless of when corrective action occurs for these errors. Refer to Certification and Benefit Issuance errors, Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit*

Issuance for more information. ***This exception does not apply to SPOs. Refer to Fiscal Action, Section IX: Special Provision Options for more information.

- The SA need not take fiscal action for applications missing the names and signatures of an adult household member if corrective action occurs within timeframes specified by the SA. (7 CFR 210.19(c)(6))

Performance Standard 2:

- For food component violations under Performance Standard 2, the SA must take fiscal action and require the SFA and/or reviewed school to take corrective action for the missing component. If a Corrective Action Plan is in place, the SA may limit fiscal action from the point corrective action occurs back through the beginning of the review period.

If the SA finds any Performance Standard 2 lunch violations as described above, the SFA will not be eligible for the 6 cents per lunch reimbursement, as adjusted, with the beginning of the month following the on-site portion of the Administrative Review and, at SAs discretion, for the day of review month. SA must assess the severity and egregiousness of the violations identified in determining whether or not to terminate the 6 cent performance-based reimbursement. Performance-based reimbursement may resume beginning in the first full month the SFA demonstrates to the satisfaction of the SA that corrective action has taken place. (e.g. Review Period is March, Day of Review takes place April 15; performance-based reimbursement **must** be turned off beginning May 1 and **may** be turned off going back to April 1. Corrective Action occurs May 18, performance-based reimbursement **must** be turned back on starting June 1) Performance-based reimbursement is only earned for lunches; therefore, the performance-based reimbursement is only terminated for lunch violations.

Performance-Based Reimbursement

When the performance-based reimbursement is terminated for either the NSLP or Seamless Summer Option, it will remain turned off for **both** until corrective action occurs.

Fiscal Action Approach

The fiscal action formula, described below, results in a comparison between

- the SA's assessment of the reimbursement to which a school(s) is entitled in a closed Claim for Reimbursement, based on production records, invoices, eligibility documents, and observation; and
- the Claim(s) for Reimbursement made by the school(s) for the same closed claim.
- A "Closed Claim for Reimbursement" means any month for which a Claim for Reimbursement was submitted. The review period is a Closed Claim for Reimbursement.

Fiscal action can also be calculated for an open Claim for Reimbursement using the same basic formula approach. However, since meals observed by the SA during this time have not yet been claimed, fiscal action cannot be calculated to recover funds. Instead, fiscal action is calculated by adjusting the SFA's uncorrected meal counts to ensure that the Claim for Reimbursement, when submitted by the SFA, is adjusted to account for all errors identified by the SA.

- An "Open Claim for Reimbursement" means any month for which a Claim for Reimbursement has not been submitted. The day of review occurs during an Open Claim for Reimbursement.

Calculating Fiscal Action for an Open Claim for Reimbursement

SAs, in conjunction with the SFA, must ensure that any Claim for Reimbursement is correct when filed. This means that the open Claim for Reimbursement must correctly reflect any adjustments resulting from the Administrative Review.

To ensure the Claim for Reimbursement is correct when filed, the SA must:

- Obtain the site's proposed total meal counts, by type, for the open Claim for Reimbursement. These counts must include all days of operation from the Open Claim for Reimbursement. All meal disallowances identified during the on-site portion of the review must be recorded for fiscal action for the open Claim for Reimbursement.

- Apply the fiscal action formula, which takes into account adjustments for consolidation errors and non-reimbursable meals, and identify the site's correct meal counts for the open Claim for Reimbursement.
- Notify the SFA of the correct meal counts and require that the SFA's Claim for Reimbursement reflect the corrected meal counts. For example, the SFA proposed meal counts are 1000 free, 500 reduced, and 200 paid. After completing the fiscal action process the SA determines meal counts should be 950 free, 400 reduced, and 198 paid.
- SFA's assessed fiscal action under the open claim option must still be provided appeal rights; however, any fiscal action assessed would not be considered for the $600 disregard. Since this approach corrects SFA/site meal counts prior to submission of the final claim for reimbursement the application of the $600 disregard is not allowable.

Note: The approach (Closed and/or Open) used to assess fiscal action is up to SA discretion. For example, the SA may choose to assess fiscal action for the review period and the month of the on-site review following the closed claim for reimbursement approach.

Fiscal Action Formula

The Module: *Fiscal Action Formula* describes the method used to determine fiscal action for the NSLP and SBP. The SA must calculate fiscal action separately for each program reviewed. The *Fiscal Action Workbook* provides separate tabs for standard scenarios, special provision options, and other errors for each program. The formula described below can be used to calculate fiscal action to recover funds for one or more claim periods, or to correct claims before they are submitted for reimbursement.

To apply the formula in standard situations, the SA must obtain the following information during the off-site/on-site reviews:

- The number of meals claimed by the site, by type (free, reduced-price, and paid) (see S-1, lines 19 and 20).
- Upward or downward adjustments needed to the site's meal counts for the reviewed

schools, by type, due to counting or consolidation errors (see S-1, lines 13 and 17).

- The total number of non-reimbursable meals claimed by the reviewed sites (see S-1, lines 10, 11, 12, 14, 15, and 16).
- The total amount of undocumented or unallowable FFVP costs at the reviewed sites. (see S-1, line 21).
- The total amount of upward or downward adjustments to the site's after school snacks claim for reimbursement (see S-1, line 22).
- If reviewing SMP, the total amount of disallowances (see S-1, line 23).
- The SFA's count of reviewed students eligible for free and reduced-price meals (see SFA-1, line 4A).
- The SA's independent count of reviewed students eligible for free and reduced-price meals (see SFA-1, line 4B).

To apply the formula in Special Provision Option situations, the SA must obtain the following information during the Administrative Review:

- The total number of meals claimed by the site by type (see S-1, lines 19 and 20).
- The total upward or downward adjustments needed to the site's meal counts by type due to counting or consolidation errors (see S-1 lines, 13 and 17).
- The total number of non-reimbursable meals claimed by the site (see S-1, lines 10, 11, 12, 14, 15, and 16).
- The total amount of undocumented or unallowable FFVP costs at the reviewed sites (see S-1, line 21).
- The total amount of upward or downward adjustments to the sites Afterschool Snacks claim for reimbursement (see S-1, line 22).
- For Provision 2, the SFA's applied and SA's validated free, reduced, and paid claiming percentages(see SFA-1A, lines B and C).
- For Provision 3, the SFA's applied and SA's validated funding levels (see SFA-1A. lines D and E).

- For Community Eligibility Provision, the SFA's and SA's validated free and paid claiming percentages (see SFA-1A, lines B and C). Please note that only the free and paid fields will be entered.

NOTE: If the only eligibility determination errors made were from changing the determination from the reduced-price category to the free category then the SA has the discretion to do one of the following:

1) Not take fiscal action for the eligibility determination error amount, as indicated in the Fiscal Action Workbook; or

2) Adjust the closed Claims for Reimbursement upward provided that the households affected have been reimbursed for the difference in meal price between reduced-price and free meals for the meals the household purchased. The amount of the upward adjustment should be calculated outside of the Fiscal Action Workbook and be based on the number of students identified as categorized incorrectly and the number of meals that were served to these students. Before the upward adjustment to Claims for Reimbursements can occur the reimbursement to the affected households must be validated.

The SA should work in consultation with its FNS Regional Office on these situations. The actions described above will be documented as a finding as a part of the final Administrative Review report and the associated Corrected Action must be validated.

Consolidation Errors at SFA Level

SFA consolidation and meal claiming errors are recorded on the *Fiscal Action Workbook*. When recording consolidation errors in the Fiscal Action Workbook the SA only assesses the consolidation error once, either at the site level or at the SFA level, whichever is most appropriate. Refer to Section II: *Meal Access and Reimbursement*, Module: *Meal Counting and Claiming* for more information on the monitoring of meal counting and claiming.

Fiscal Action for SPOs: Special Provision Schools

- **For Provision 1 schools, Provision 2 and 3 schools establishing a Base Year, and for schools using Provision 2 or 3 in the SBP only**, the SA must follow the procedures described in Section II: *Meal Access and Reimbursement* for evaluating certification and benefit issuance in applying fiscal action. All free and reduced-price eligible students in the SFA will be included in the statistically valid sample or 100% certification and benefit issuance review.
- **For Provision 2 and 3 schools operating in a Non-Base Year and/or SFAs or schools operating CEP**, special accommodations are made for evaluation certification and benefit issuance when applying fiscal action. These accommodations and other requirements for reviewing these schools are described in Section IX: *Special Provision Options.*

Other Errors

Each Fiscal Action Workbook contains formulas to calculate fiscal action for non-standard situations and fields to record fiscal action for other program areas including FFVP and ASSP.

Note: Fiscal Action is recorded for the Special Milk Program (SMP) separately on its own tab included in the *Fiscal Action Workbook*.

Recalculation

Claims for Reimbursement must accurately reflect the number of reimbursable meals, by type, for any given day. If the SA identifies problems resulting in incorrect claims, the SA must identify the SFA's correct entitlement and apply fiscal action.

Generally, SAs have sufficient information to make appropriate adjustments to meal counts to ensure the meal counts reflect only reimbursable meals served to eligible students. However, there are situations in which SAs must recalculate meal counts based on additional or more reliable information in order to assess fiscal action.

Recalculation procedures

Obtaining a meal counting and claiming system that yields correct claims and obtaining a correct count of the number of reimbursable meals may pose challenges that require a partial or full recalculation.

- Partial recalculation — In situations in which a non-systemic problem is identified as resulting in unreliable or incomplete meal counts, the SA may conduct a partial recalculation. In this case, the SA may look at data from past serving days with similar menu items to re-establish the meal count, by type and/or the total meal count for the day of review. Once reliable data are obtained, the recalculated meal claims by category are then subject to the fiscal action formula.
- Full recalculation — In situations in which systemic problems exist and meal counts by type and/or total meal counts are unreliable or incomplete, the SA must conduct a full recalculation. In order to conduct a full recalculation, the SA must provide technical assistance and require corrective action, SFA-wide, to ensure the SFA understands and implements the corrective action, which results in an acceptable meal counting and claiming system. Depending on the severity of the problem, the SA may want to validate the corrective actions through a follow-up technical assistance visit.

  Once the SA is satisfied that the issues have been resolved, the SFA must provide meal counts for 30 consecutive operating days from the noncompliant site going forward. The total meal counts, by category, then need to be normalized to adjust for seasonal/monthly trends in participation by multiplying them by a normalization factor based on nationwide historical daily participation data. The *Fiscal Action Workbook* automatically calculates these recalculated and normalized claims based on the number of serving days in the claim period being recalculated. The recalculated meal claims by category are then subject to the standard fiscal action Formula.

This process will be applied to every closed claim for reimbursement from the current school year that is identified by the SA as being unreliable.

Note: When recalculation is required in the Afterschool Snacks or the Special Milk Program, the proper method of either full or partial recalculation should be used, depending on the violations identified.

Note: When recalculating and assessing fiscal action, the SA must not disallow more meals than were originally claimed.

Fiscal Year Integrity

When calculating fiscal action, SAs must calculate fiscal action for each fiscal year separately. The SA must maintain federal fiscal year integrity when taking the claim (i.e., the claim must be recovered from a period in the same fiscal year as the error(s) was identified).

60/90 Day Reporting

Fiscal action resulting from an Administrative Review does not have to comply with the 60/90 day claims reimbursement reporting requirements as defined in the *60/90 Guidance*, as amended.

Note:

- Violations identified in the off-site assessment are eligible for fiscal action; however, if not corrected by the completion of the on-site review, these violations will not be considered repeat violations as they have occurred within a single Administrative Review.
- The State Agency may not impose Federal fiscal action for federally allowable actions that are violations of State law. However, if a State opts to impose a State violation, they may do so, but they must make clear to the SFA that the fiscal action associated with the violations is State-imposed, not federally imposed.

Module: Fiscal Action Formula

Intent/Scope

The fiscal action formula listed below applies to any Claim for Reimbursement with errors in the following areas:

- Reimbursable meals
- Certification and benefit issuance
- Meal counting, consolidation, and claiming

General Information

The following terms are used in the Fiscal Action formula.

"Reimbursable meals" means meals meeting Program requirements. Refer to Section II: *Meal Access and Reimbursement*, and Section III: *Meal Pattern and Nutritional Quality* for more information.

"Reviewed school" means the school(s) selected for review using the school selection procedures identified in Section I: *Pre-Visit Procedures*.

"Reviewed students" are the students actually selected for the certification and benefit issuance review under Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*. If the SA opted to review eligibility determinations for 100 percent of the free and reduced-price students on the SFA's point-of-service benefit issuance document(s) for all schools under its jurisdiction, "reviewed students" would mean 100% of the free and reduced-price students on the SFA's benefit issuance documents. If the SA opted to review a statistically valid sample of the free and

reduced-price students on the benefit issuance documents for all schools under the SFA's jurisdiction, "reviewed students" would be the students selected for the sample. For example, the SA selected a sample of 450 student certifications for review, and these would be considered the reviewed students.

Calculating Fiscal Action: NSLP Standard and SBP Standard

This formula is used to calculate fiscal action using the NSLP Standard and SBP tabs of the *Fiscal Action Workbook*. This tab is used to calculate fiscal action for NSLP and SBP standard meal counting and claiming sites, to include base year Provision 2 or 3 sites.

Note: SAs must select the "Period" option (Review Period, Day of Review, Other, or All) in the NSLP Standard Tab for which fiscal action is being calculated. SAs have the option of completing the appropriate tabs of the Fiscal Action Workbook for all periods separately or by selecting the "All" option and entering all periods together.

Step 1: Establish SFA count of students eligible for free and reduced-price meals

The purpose of Step 1 is to identify the number of students the SFA has certified for free and reduced-price meals, respectively. This count is derived from the number of students reviewed for certification and benefit issuance. Refer to Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance*.

a) The SA must record the SFA's count of the number of reviewed students the SFA certified for free and reduced-price meals on the *Fiscal Action Workbook*, Block 1. (See SFA-1, line 4A)

For Example:
The SA conducted a statistically valid sample of the universe (i.e., the point-of-service benefit issuance document(s) for each school within the SFA). Therefore, of the 2,600 students receiving free or reduced-price meals within the SFA, the SA reviewed certification documentation for 335 eligible students (a 95 percent confidence level). (See Section II: *Meal Access and Reimbursement*, Module: *Certification and Benefit Issuance* for more information on statistically valid samples.)

SFA count of certified free = 250
SFA count of certified reduced-price = 85

Step 2: Establish SA count of students eligible for free and reduced-price meals

The purpose of Step 2 is for the SA to independently determine a count for the number of students correctly certified as eligible for free and reduced-price meals, based on the certification and benefit issuance documentation under review (i.e., the reviewed students).

The SA must record its count for the number of students correctly certified for free and reduced-price meals on the *Fiscal Action Workbook*, Block 2. (See SFA-1, line 4B)

For Example:

SA count of certified free = 210
SA count of certified reduced-price = 75

Step 3: Establish the certification and benefit issuance adjustment factor

The purpose of Step 3 is for the SA to determine the certification and benefit issuance adjustment factor. This factor is intended to adjust the number of reimbursable meals by benefit type to reflect the SA's determination of the number of students that should be certified as free or reduced-price. **Note**: This takes into consideration both the certification and benefit issuance process as outlined in Section II: *Meal Access and Reimbursement,* Module: *Certification and Benefit Issuance*.

The certification and benefit issuance adjustment factor is the ratio of the SA count of students certified as eligible for free or reduced-price meals, respectively, divided by the SFA count of students certified as eligible for free or reduced-price meals, respectively. The resulting ratio represents the certification and benefit issuance adjustment factor for free or reduced-price meals. Note that the calculation of the adjustment factor does allow for upward adjustments to credit the free and reduced-price meal count totals.

(a) Adjustment Factor for Free Meals — The certification and benefit issuance adjustment factor for free meals is automatically calculated and recorded on the *Fiscal Action Workbook* (Block 9B).

Number of students certified by the SA to be eligible for free meals
÷ Number of students certified by the SFA to be eligible for free meals
= Certification and benefit issuance adjustment rate for free meals

For Example:

210 students certified by SA for free meals
÷ 250 students certified by SFA for free meals
0.840 certification and benefit issuance adjustment factor for free meals

(b) Adjustment Factor for Reduced-Price Meals — The certification and benefit issuance adjustment factor for reduced-price meals is automatically calculated and recorded on the *Fiscal Action Workbook* (Block 9C).

Number of students certified by the SA to be eligible for reduced-price meals
÷ Number of students certified by the SFA to be eligible for reduced-price meals
= Certification and benefit issuance adjustment factor for reduced-price meals

For Example:

75 students certified by SA for reduced meals
÷ 85 students certified by SFA for reduced meals
0.882 certification and benefit issuance adjustment factor for reduced-price meals

Step 4: Determine the correct count of reimbursable meals at the reviewed school(s)

The purpose of Step 4 is to determine the total number of reimbursable meals at each site. To obtain the total number of allowable reimbursable meals, the SA must enter the uncorrected meal counts on the *Fiscal Action Workbook*, Block 4. (See S-1, lines 19 for day of review and 20 for review period.) These counts are then adjusted, by type, to reflect errors in consolidation. In addition, the SA must decrease the site's total meal count to reflect the

number of non-reimbursable meals claimed for reimbursement, e.g., meals that do not meet meal pattern requirements, meals served to adults or ineligible children, or second meals.

Note: SFAs may not claim second meals in the NSLP; however, the SFA may claim second meals in the SBP as long as the SFA does not plan and produce meals with the intention of claiming second meals.

Consolidation Errors— The SA must determine whether any consolidation errors occurred at the reviewed school. Refer to Section II: *Meal Access and Reimbursement*, Module: *Meal Counting and Claiming,* for more information. The SA must adjust the number of meals, by type, claimed by the site to reflect the correct count of meals. This may result in increases or decreases to the meal counts, by type. The SA must record the result of this calculation on the *Fiscal Action Workbook*, Blocks 5A and 5B. (See S-1, line 13 for day of review and S-1, line 17 for review period)

For Example:
For NSLP, the site claimed 13,050 meals (claimed 7,050 free; 4,000 reduced-price; and 2,000 paid) during the closed Claim for Reimbursement. The SA determined that a consolidation error occurred resulting in an error of 50 meals being overclaimed as free meals. Therefore, 50 meals must be subtracted from the sites' total free claim of 7,050. 7,050 total free meals claimed - 50 free meals identified by the SA as a consolidation error 7,000 SA count of total free meals

(a) Non-Reimbursable Meals— The SA must subtract the number of non-reimbursable meals (e.g., meals not meeting the meal pattern requirements, meals served to adults or ineligible children, and second meals claimed) from the total number of meals claimed by the site after consolidation errors are corrected. . The result of this calculation must be recorded on the *Fiscal Action Workbook*, Block 7. (See S-1, lines 10, 11, 12 and 14 for day of review and S-1, lines 14, 15 and 16 for review period)

For Example:
The total number of meals is 13,000 meals (7,000 free; 4,000 reduced-price; and 2,000 paid) during the closed Claim for Reimbursement. The SA determined that 1,000 meals were not reimbursable (e.g., meals not meeting the meal pattern requirements, meals served to adults or ineligible children, and second meals claimed). Therefore, 1,000 non-reimbursable meals subtracted from 13,000 total meals results in the SA determining that 12,000 is the correct number of total reimbursable meals. 13,000 total meals claimed - 1,000 non-reimbursable meals 12,000 SA count of total reimbursable meals

Step 5: Determine the number of reimbursable meals by benefit type

The purpose of Step 5 is to determine how many of the SA's corrected total number of reimbursable meals (Step 4) are free, reduced-price, and paid, respectively. The *Non-reimbursable Meal Allocation Form* can be used in this calculation, if needed.

(a) Reimbursable Free Meals — To determine the total number of reimbursable free meals, divide the number of free meals claimed by the total number of meals claimed. Multiply the result by the SA count of the total number of reimbursable meals from Step 4. The result of determining the SA count of reimbursable free meals is calculated automatically by the *Fiscal Action Workbook*, Block 8.

$$\left(\frac{\text{Free meals claimed}}{\text{Total number of meals claimed}}\right) \times \text{SA count of total number of reimbursable meals}$$
$$= \text{SA count of reimbursable free meals}$$

For Example:
(7,000 free meals claimed /13,000 total meals claimed) x 12,000 SA count of total reimbursable meals = 6,462 SA count of reimbursable free meals This means of the 12,000 reimbursable meals, 6,462 should be considered free meals.

(b) Reimbursable Reduced-Price Meals — To determine the number of reimbursable reduced-price meals, divide the number of reduced-price meals claimed by the total number of meals claimed. Multiply the result by the SA count of the total number of reimbursable meals from Step 4. The result of determining the SA count of reimbursable reduced-price meals is calculated automatically by the *Fiscal Action Workbook*, Block 8.

$$\left(\frac{\text{Reduced-price meals claimed}}{\text{Total number of meals claimed}}\right) \times \text{SA count of total number of reimbursable meals} = \text{SA count of reimbursable reduced-price meals}$$

For Example:

(4,000 reduced-price meals claimed /13,000 total meals claimed) x 12,000 SA count of total reimbursable meals = 3,693 SA count of reimbursable reduced-price meals

This means of the 12,000 reimbursable meals, 3,693 should be considered reduced-price meals.

Step 6: Establish the SA reimbursable meal count, by category

The purpose of Step 6 is to determine the meal count for free, reduced-price, and paid meals, respectively, based on the certification and benefit issuance adjustment factor (Step 1).

The SA must apply the certification and benefit issuance adjustment factor for free and reduced-price meals, respectively (Step 1), to the SA count for the number of reimbursable free and reduced-price meals, respectively (Step 2), to adjust the reimbursable meals for each benefit category for the review period. The count for the number of paid meals is derived by subtracting these two calculations from the total SA count of reimbursable meals (Steps 1 and 2).

Note: The certification and benefit issuance adjustment factor is required to be applied to all reviewed sites. When calculating fiscal action for non-reviewed sites and the application of the adjustment factor is not appropriate, select the "non-reviewed" option on the *Fiscal Action Workbook*, Block 9A.

(a) Free Meal Count — Multiply the certification and benefit issuance adjustment factor for free meals, *Fiscal Action Workbook*, Block 9B,) by the number of reimbursable meals as determined by the SA for the free category, *Fiscal Action Workbook*, Block 8 The product of this calculation is the maximum number of free meals allowed to be claimed.

The maximum number of free meals the SFA may claim is automatically calculated by the *Fiscal Action Workbook*, Block 10.

Certification and benefit issuance adjustment factor for free meals
x SA's count of reimbursable free meals
= Maximum number of meals to be claimed free

For Example:

0.840 certification and benefit issuance adjustment factor for free meals
x 6,462 SA' s count for reimbursable free meals
5,429 meals to be claimed free

(b) Reduced-Price Meal Count — Multiply the certification and benefit issuance adjustment factor for reduced-price meals, *Fiscal Action Workbook*, Block 9C, by the number of reimbursable meals as determined by the SA for the reduced-price category, *Fiscal Action Workbook*, Block 8. The product of this calculation is the maximum number of reduced-price meals allowed to be claimed.

The maximum number of reduced-price meals the site may claim is automatically calculated by the *Fiscal Action Workbook*, Block 10.

Certification and benefit issuance adjustment factor for reduced-price meals
x SA's count of reimbursable reduced-price meals
= Maximum number of meals to be claimed reduced-price

For Example:

0.882 certification and benefit issuance adjustment factor for reduced-price meals
x 3,692 SA' s count for reimbursable reduced-price meals
3,259 meals to be claimed reduced-price

(c) Paid Meal Count — Subtract the maximum number of free meals and the reduced-price meals from the SA count of reimbursable meals. The difference is the maximum number of paid meals allowed to be claimed.

The maximum number of paid meals the site may claim is automatically calculated by the *Fiscal Action Workbook*, Block 10.

SA count of the total number of reimbursable meals
– SA count of the number of reimbursable free meals
– SA count for the number of reduced-price meals
= Maximum number of paid meals the site may claim

For Example:

12,000 SA count of total number of reimbursable meals
– 5,429 meals to be claimed free
– 3,259 meals to be claimed reduced-price
3,312 meals to be claimed paid

Step 7: Establish fiscal action

The purpose of Step 7 is to determine the amount of fiscal action to assess due to consolidation errors, non-reimbursable meals, and certification and benefit issuance errors.

The SA must determine the school's claim with the SA's corrections in order to determine the amount of fiscal action it assesses. The SA must use the reimbursement rate the site receives and enter it on the *Fiscal Action Workbook*, Block 11 for this calculation. Therefore, if the site receives the Severe Need Breakfast rate, NSLP's high reimbursement rate, and/or the additional six cents for meeting the dietary specifications, the SA must use the total amount of reimbursement per meal in these calculations.

(a) School claim — Multiply the site's count of the number of free, reduced-price, and paid meals claimed for the review period (Block 4) by the respective rate of reimbursement. The product is the amount of reimbursement claimed, by category, for the site for the review period. This amount is automatically calculated by the *Fiscal Action Workbook,* Block 12.

For Example:

For NSLP, the site received the NSLP's high rate with the 6-cent additional reimbursement for school year 2012-2013; therefore, the site's reimbursement rates for school year 2012-2013 were: Free = $2.94; Reduced-Price = $2.54; Paid = $0.35

Free:
7,050 free meals claimed
x $2.94 free reimbursement rate
$20,727 Total reimbursement for free meals

Reduced-Price:
4,000 reduced-price meals claimed
x $2.54 reduced-price reimbursement rate
$10,160 Total reimbursement for reduced-price meals

Paid:
2,000 paid meals claimed
x $0.35 paid reimbursement rate
$700 Total reimbursement for paid meals

(b) SA corrected claim — Multiply the SA count of the maximum number of free meals, reduced-price meals, and paid meals the site may claim, *Fiscal Action Workbook*, Block 10, by the respective rate of reimbursement. The product is

the correct amount of reimbursement, by category, earned by the site for the review period.

This amount is automatically calculated by the *Fiscal Action Workbook*, Block 13.

For Example:

Free:
5,429 free meals validated by SA
X $2.94 free reimbursement rate
$15,961.26 Corrected reimbursement for free meals

Reduced-Price:
3,259 reduced-price meals validated by SA
X $2.54 reduced-price reimbursement rate
$8,277.86 Corrected reimbursement for reduced-price meals

Paid:
3,312 paid meals validated by SA
X $0.35 paid reimbursement rate
$1,159.20 Corrected reimbursement for paid meals

(c) Fiscal action — Subtract the SA corrected amount of reimbursement, *Fiscal Action Workbook*, Block 13,from the school Claim for Reimbursement, *Fiscal Action Workbook*, Block 12, . The difference is the total amount of fiscal action. This amount is automatically calculated by the *Fiscal Action Workbook*, Block 14.

For Example:

Free:
$15,961.26 SA corrected reimbursement for free meals
- $20,727 Sites(s) claimed reimbursement for free meals
($4,765.74) difference for free meal reimbursement (SFA Overclaim)

Reduced-Price:
$8,277.86 SA corrected reimbursement for reduced-price meals
- $10,160.00 Site(s) reimbursement for reduced-price meal
($1,882.14) difference for reduced-price meal reimbursement (SFA Overclaim)

Paid:

$1,159.20 SA corrected reimbursement for paid meals
- $ 700.00 Site(s) claimed reimbursement for paid meals
$459.20 difference for paid meal reimbursement (SFA Underclaim)

Step 8: Calculate Fiscal Action for Other Federal Program Errors

The purpose of Step 8 is to determine and apply the amount of fiscal action to apply for errors in the FFVP and afterschool snacks. ****This step is only applicable to the NSLP Standard Tab as FFVP and afterschool snacks are not calculated with the SBP Standard Tab.**

a) FFVP – The SA must calculate the amount of fiscal action to apply by summing the total amount of underclaim/overclaims and/or any unallowable program costs from the SFAs FFVP claim for reimbursement. (See the S-1, line 21 for day of review and review period) Enter this amount on the *Fiscal Action Workbook*, Block 15.

b) Afterschool Snacks– The SA must calculate the amount of fiscal action to apply by adding or subtracting any differences in the SFAs meal counts by type from the SA validated meal counts by type. (See the S-1, line 23 for the day of review and the review period) Enter the meal count differences by type on the *Fiscal Action Workbook*, Block 16A. The reimbursement rates claimed for the ASP by the site must then be entered into Block 16B.

Step 9: Total Fiscal Action

The total amount of fiscal action for each individual site is automatically calculated listed on *Fiscal Action Workbook*, Block 17. The total amount of fiscal action, combined for every site, is automatically calculated and listed in *Fiscal Action Workbook,* Block 3.

Calculating Fiscal Action: Other Fiscal Action Workbook Tabs

There are several additional tabs contained within the *Fiscal Action Workbook*. Each will be used only for a specific situation based on the program being reviewed and whether recalculation is required.

- *NSLP Standard SSO and SBP Standard SSO (Standard Seamless Summer)* - is intended for sites operating NSLP and/or SBP under the Seamless Summer Program. When completing this tab, follow the same steps outlined in the **NSLP Standard and SBP Standard Tab** sections.

  Note: When the using the *NSLP Standard SSO and SBP Standard SSO* tab for sites that claim all students free, select the Non-reviewed Site option in block 9A in the workbook.

- *NSLP Standard RECAL and SBP Standard RECAL (Standard Recalculation)* - is intended for sites operating NSLP and/or SBP in standard situations, to include base year Provision 2 or 3 sites, which require full recalculation. These tabs are similar in process to that of the **NSLP and SBP Standard Tabs**, however, there are additional steps added in order to complete the full recalculation process. The additional steps required are:

  a. Block 5: Number of Meals Claimed by the SFA at the Reviewed Site for the 30-Consecutive-Operating-Day Recalculation Period – Record meal count totals by category from the 30 day recalculation period. S-1, Line 24C and/or 25C.
  b. Block 8: Month Being Recalculated – Must select the month requiring full recalculation. S-1, Line 24A and/or 25A.
  c. Block 9: Nominalization Factor (See Recalculation) – This field automatically calculates and displays the nominalization factor based on the month entered in Step 8.
  d. Block 10: Operating Days – Must entering the number of operating days in the month requiring recalculation, S-1, Line 24B and/or 25B.

e. Block 11: Normalized and Recalculated Meal Counts – This field automatically calculates and displays the total number of allowable meals by category which have been adjusted based on the nominalization factor and number of operating days.

- *NSLP P2/CEP and SBP P2/CEP (Provision 2 Non-Base Year and Community Eligibility Provision)* – is intended for sites operating NSLP and/or SBP under Provision 2 in non-base years and sites operating the Community Eligibility Program. These tabs are similar to that of the **NSLP and SBP Standard Tabs**; however, there are slight variations to the data and steps needed to calculate fiscal action in these types of sites. The differences are:
  a. Block 2: For these tabs you will enter the ***total*** number meals claimed by the reviewed site, aggregate total and not by category.
  b. Blocks 6A and 6B: Instead of entering and applying the Certification and Benefit Issuance Adjustment Factor, as these are sites in non-base years or operating the CEP, the SFA claiming percentages and SA validated claiming percentages are recorded.

- *NSLP P2/CEP RECAL and SBP P2/CEP RECAL (P 2 Non-Base Year and CEP Recalculation)* - is intended for sites operating NSLP and/or SBP under Provision 2 in non-base years and sites operating the Community Eligibility Provision which require full recalculation. These tabs are similar in process to that of the **NSLP P2/CEP and SBP P2/CEP Tabs**, however, there are additional steps added in order to complete the full recalculation process. The additional steps required are:

  a. Block 2: Meal Count for 30-Day Recalculation Period – Record meal count **totals** from the 30 day recalculation period. S-1, Line 24C and/or 25C.
  b. Block 5: Month Being Recalculated – Must select the month requiring full recalculation. S-1, Line 24A and/or 25A.

c. Block 6: Nominalization Factor (See Recalculation) – This field automatically calculates and displays the nominalization factor based on the month entered in Step 8.
d. Block 7: Operating Days – Must entering the number of operating days in the month requiring recalculation, S-1, Line 24B and/or 25B.
e. Block 8: Normalized and Recalculated Meal Counts – This field automatically calculates and displays the ***total*** number of allowable meals which have been adjusted based on the nominalization factor and number of operating days.

- *NSLP P3 and SBP P3* (Provision 3 Non-Base Year) – is intended for sites operating NSLP and/or SBP under Provision 3 in non-base years. These tabs are similar to that of the **NSLP and SBP Standard Tabs**; however, there are slight variations to the data and steps needed to calculate fiscal action in these types of sites. The differences are:
    a. Block 2: Start by entering the total amount of funds claimed by the site, since Provision 3 sites operate on a set funding level to be claimed each month (calculated from base year data).
    b. For the tracking of fiscal action by meal category type, Block 4 contains the number of meals by category claimed at the site. This number can be compared to the maximum number of reimbursable meals (adjusted for errors) that is automatically calculated and recorded in Block 6. Any difference in these meal counts can be used for accessing fiscal action.

- *SMP (Special Milk Program)* – is intended for sites operating the Special Milk Program. Steps needed to complete this tab are:

    a. Block 2: Enter the milk reimbursement rate.
    b. Block 3: Enter the total number of non-reimbursable milks. S-1, Line 23.
    c. Block 4: Total fiscal action is automatically calculated and recorded.

- *Fiscal Action Summary* – is the final tab which shows the total cumulative amount of fiscal action for all sites by program area. This tab is automatically calculated using the data imputed from all other tabs contained within the *Fiscal Action Workbook.*

Module: Withholding Payments

Intent/Scope

The SA must withhold program payments in the following situations:

- The SFA fails to submit documented corrective action by the established due date, including approved extensions, for a Performance Standard 1 or Performance Standard 2 error
- The SFA submits documented corrective action by the established due date; however, the SA finds that corrective action for a Critical Area in fact was not completed

The SA may withhold program payments in the following situation:

- The SA finds a Critical Area error at the SFA on a previous review, and the SFA continues to have the same error for a same cause

When the SA determines that it is not in the best interest of the program to withhold 100 percent of program payments, it may withhold a minimum of 40 percent. Factors that the SAs may consider when determining the amount to withhold include:

- The ability of the SFA to continue to provide meals to students during the time it takes to complete corrective action
- The willingness of the SFA to complete corrective action on a timely basis. For example, the SA may give additional consideration when circumstances beyond the SFA's control cause a delay in required corrective action beyond the established due dates and approved extensions. (7 CFR 210.18(l)(3))

FNS Approval

The SA may withhold less than 40 percent of program payments when FNSRO determines that it is in the best interest of the program (7 CFR 210.18(l)(3)). The SA must submit a written request to FNSRO that includes the following information:

- The name of the SFA
- The date(s) of the Administrative Review and any follow-up reviews, if applicable
- A description of the Critical Area violation(s) identified during the Administrative Review, required corrective action, and the SFA response
- Results of any follow-up review(s)
- The withholding percentage requested
- The SA's rationale for withholding less than 40 percent of program payments, including the adverse effect that a higher withholding amount would have on the SFA

Failure to Withhold

FNSRO may suspend the program or withhold program payments and State Administrative Expense funds, in whole or in part, for those SAs failing to withhold program payments as required in 7 CFR 210.18(l)(4).

Discretionary Withholding

The SA may withhold payments for General Areas of Review violations. For example, discretionary withholding of payments may be appropriate if:

- The SFA does not complete and submit corrective action within established timeframes
- The SFA does not take corrective action as specified in the documented corrective action.

In the absence of the SFA submitting documentation required to complete the Administrative Review, program compliance cannot be satisfactory verified by the SA, therefore withholding of program payments would be appropriate. (7 CFR 210.24)

FNSRO approval for discretionary withholding of payments is not required. (7 CFR 21018(l)(iv))

SFA Notification

The SA must provide the SFA with the right to appeal any decision to withhold payments. The contents of the notification must parallel the information in the module, *Letter of Claim*

Adjustment and/or Withholding of Payment Including Notice of Appeal located later in this section. (7 CFR 210.18(q))

Effective Date

Withholding of program payments must begin immediately upon notification to the SFA. The SA must withhold payments for any original or upward adjusted claim, regardless of the date submitted to the SA. The SA may process downward adjustments to previously paid claims during the withholding period.

Duration

The SA must promptly release withheld program payments in the proper amount when the following is complete:

- The SFA completes all required corrective action
- The SA receives documentation of corrective action
- The SA completes any required follow-up review
- The SA determines the corrective action was successful (7 CFR 210.18(l)(2))

Claim Submissions during Withholding

Since the SFA continues to earn program payments during a period of withholding, the SFA must continue to submit Claims for Reimbursement on a timely basis.

Reporting Requirements

FNS-777 SAs must report withheld payments as an unliquidated obligation on the *Financial Status Report,* FNS-777. The SAs must also identify any portion of unliquidated, obligated funds resulting from withholding of payments in the footnote section of the form.

FNS-10 Include meal count data from withheld claims on the appropriate monthly *Report of School Program Operation*, FNS-10.

Module: Overpayment Disregard

Intent/Scope

The SA may disregard an overclaim if the overclaim does not exceed $600 per program, i.e., NSLP (including SSO, FFVP and Afterschool Snacks), SBP, and SMP. The disregard may be made once per federal fiscal year for any review or activity. However, the SA may not disregard an overclaim where there is substantial evidence of criminal law violations or civil fraud statutes.

The SA must use a written notification of potential or actual disregard when the claim amount is $600 or less. The letter should include:

- Date of review
- Appreciation for response to review findings, if applicable
- Statement of claim amount, how it was determined, and the basis for the claim
- Name and telephone number of SA contact person

There is no $600 disregard for a Claim for Reimbursement that has yet to be submitted. The $600 disregard also does not apply to closed claims for sites in the base year when fiscal action is required to fix the meal counts when a Provision 2 or 3 base year review is being conducted in conjunction with the Administrative Review.

Module: Letter of Claim Adjustment and/or Withholding of Payment Including Notice of Appeal

Intent/Scope

Upon receipt of the SFA's documented corrective actions, the SA must send the SFA a notice letter that details the grounds on which the denial of all or a part of the Claim for Reimbursement or withholding payment is based. This notice must be sent by **certified mail, return receipt requested**. (7 CFR 210.18(j))

Required Content

The required content is as follows:

- Explain in detail why all or a part of the Claim for Reimbursement has been denied and/or payment has been withheld.
- Include a statement indicating that the SFA may appeal through state appeal procedures, if established, or enclose a copy of 7 CFR 210.18(q) of the regulations for appeal procedures. Appeal rights must be provided for any proposed fiscal action for the review period, month in which the on-site review takes place, and all other claim periods.
- Inform the SFA of the entity to which the appeal should be directed.

Suggestions for Additional Content

The suggested additional content is as follows:

- Date of review
- Appreciation for response to review findings
- Statement of claim adjustment amount, including meal count adjustments, how it was determined, and the basis for the claim
- SA recovery procedures
- Name and telephone number of SA contact person

Section IX: Special Provision Options

Modules contained within this Section include:

- Special Provision Options 1, 2, and 3
- Community Eligibility Provision

Module: Special Provision Options 1, 2, and 3

Introduction

To reduce administrative challenges, local educational agencies LEAs/SFAs with a high percentage of free and reduced-price certifications may elect to use a Special Provision Option (SPO). Determining compliance with the requirements associated with each option requires some modification of the Administrative Review requirements. This Module addresses those modifications as they relate to Special Provision Options 1, 2 and 3.

- ***Provision 1 – Reducing certification to once every 2 years:*** Schools may reduce annual notification of program availability and certification of children eligible for free meals to once every 2 consecutive school years. Schools continue to take daily meal counts of the number of meals served to children by type as the basis for calculating reimbursement claims. Provision 1 is only available in schools where at least 80 percent of the children enrolled are eligible for free or reduced-price meals.
- ***Provision 2 – Reducing certifications to once every 4 years and claiming based on derived percentages***: Schools must serve meals to all participating children at no charge for a period of 4 years. During the first year, or base year, the school makes eligibility determinations and takes meal counts by type. During the next 3 years, the school makes no new eligibility determinations and counts only the total number of reimbursable meals served each day. Reimbursement during these years is determined by applying the percentages of free, reduced-price, and paid meals served during the corresponding month of the base year to the total meal count for the claiming month. The base year is included as part of the 4 years. Additional 4-year extensions to Provision 2 are possible when certain conditions are met. Schools electing this Provision must pay, with funds from non-Federal sources, the difference between Federal reimbursement and the cost of serving lunches/breakfasts at no charge to all participating students.

Provision 3 – Reducing certifications to once every 4 years and claiming based on prior funding levels: Schools must serve meals to all participating children at no charge for a period of 4 years. Provision 3 schools do not make additional eligibility determinations. Instead, they receive the level of Federal cash and commodity support paid to them for the last year in which they made eligibility determinations and meal counts by type; this is the base year. For each of the 4 years, the level of Federal cash and commodity support is adjusted to reflect changes in enrollment and inflation. The base year is not included as part of the 4 years. Additional 4-year extensions to Provision 3 are possible when certain conditions are met. Schools electing this Provision must pay, with funds from non-Federal sources, the difference between Federal reimbursement and the cost of serving lunches/breakfasts at no charge to all participating students.

Intent/Scope of Monitoring

The requirements of the *Administrative Review Manual* apply to the review of an SFA's administration of SPOs. While Administrative Review activity typically occurs at the SFA (district level), some aspects may also occur at the school or SA level (e.g., if the SA applies the claiming percentages to the SFA's meal counts).

This Module covers the additional steps required to monitor SFAs implementing Special Provision 1, 2, or 3 at some or all of their sites in both base and non-base years. Some procedures, such as certification and benefit issuance and recordkeeping, may differ depending on whether a school is in a base or non-base year. These differences in administrative review procedures are discussed below.

Review Procedures

Site Selection

The SA must use normal site selection procedures for schools in the SFA. Refer to Section I: *Pre-Visit Procedures, Site Selection Procedures.*

For schools operating Provision 1 or for schools in the base year of Provision 2 or 3, no special targeting for site selection is necessary since meal counting and claiming procedures in these schools mirror those of standard meal counting and claiming schools (see Section II: *Meal Access and Reimbursement*).

If the school selection procedures do not result in the review of a Provision 2 or 3 school in a Non-Base year, the SA must conduct an abbreviated review in at least one school per SPO type (i.e. Provision 2 and Provision 3).The scope of an abbreviated review is discussed later in this Module.

There are no additional site selection requirements if all sites within the SFA are operating one or more SPOs.

Pre-visit Review Procedures for Provision 1 Schools and Provision 2/3 Base Year Schools Selected for Review

- **Follow the Administrative Review Manual** – The SA must use the *Off-site Assessment Tool*, including Section IX, *Special Provision Options*, to obtain the procedures the SFA uses in administering the SPO.

- **Conduct the Certification and Benefit Issuance Review –** The review may be conducted off-site or on-site. For more information, refer to *On-site Review Activities for Base Year and Non-Base Year Schools Selected for Review, Step 2* below.

Pre-visit Review Procedures for Provision 2 and 3 Non-Base Year Schools Selected for Review

- **Use the Off-site Assessment Tool**

For Non-Base Year SPOs, the SA must use the *Off-site Assessment Tool*, including Section IX, *Special Provision Options*, to obtain the procedures the SFA used to determine their claiming percentages and/or funding levels during the base year. The SA must also obtain information on the procedures used by the SFA to apply the claiming percentages to non-base year's monthly Claim for Reimbursements.

NOTE: For Provision 2 and 3 sites, the SA must ensure that the claiming percentages and/or funding levels are established independently for both SBP and NSLP.

- **Conduct the Certification and Benefit Issuance Review Process –** Students attending sites in a non-base year must be excluded from the certification and benefit issuance review. For more information, refer to *On-site Review Activities for Base Year and Non-Base Year Schools Selected for Review, Step 2* below.

On-site Review Activities for SPO Sites Selected for Review

Step 1: Confirm Off-site Assessment Tool

The SA must verify the SFA information received from the *Off-site Assessment Tool*, including *Section IX, Special Provision Options*. The reviewer must ensure that the procedures described in the *Off-site Assessment Tool* match what is occurring on-site.

Step 2: Conduct the Certification and Benefit Issuance Review

The SA must proceed with the certification and benefit issuance review following procedures set forth in the *Administrative Review Manual*, and the adjustments described below:

- **For Provision 1 schools, Provision 2 and 3 schools establishing a Base Year, and for schools using Provision 2 or 3 in the SBP only**, the SA must follow the procedures described in Section II: *Meal Access and Reimbursement* for evaluating certification and benefit issuance in applying fiscal action. All free and reduced-price eligible students in the SFA will be included in the statistically valid sample or 100% certification and benefit issuance review, including students in a Provision 1 school or a Provision 2 or 3 base year school. Note: Verification will be assessed during the certification and benefit issuance review and during the general area review of eligibility and verification procedures. Refer to *Step 5* below.

  Note: For Provision 1 schools operating in the second year, the SA must ensure the correct Income Eligibility Guidelines are used when reviewing certification and benefit issuance for those students in their second year of free certification.

- **For Provision 2 and 3 schools operating in a Non-Base Year and/or SFAs**, the SA must exclude students enrolled at these schools from the certification and benefit issuance review. There are no additional certification procedures to review. The review of the SFA/school's claiming percentages are addressed in *Step 3* below. Note: SAs are not required to assess verification for Provision 2 or 3 schools operating in non-base years.

When performing a base year review in conjunction with the Administrative Review, the following table describes how to determine samples for completion of the reviews. For additional information on conducting Provision 2 Base Year Reviews, please see SP 46-2015, *Review of Special Provision Options 2 and 3 Base Year*.

	District-wide?	# of Samples	Sample Make-Up	F.A. Process
Prov 2 & 3 SBP & NSLP	**Yes**	**1**	**All students enrolled (Free/Reduced/Denied Certifications)**	**Base Year Adj Calculation**
Prov 2 & 3 SBP & NSLP	**No**	**2**	**B.Y. Sample: All students enrolled in the schools operating SPO 2 or 3 (Free/Reduced/Denied Certifications)** **AR Sample: All students enrolled in schools operating the SBP & NSLP except for those enrolled at sites operating SPO 2 (i.e. sample 1) (Free/Reduced Certifications)** *****Student names should not appear on both samples***	**B.Y. Sample: Base Year Adj. Calculation** **AR Sample: Fiscal Action Workbook**
Prov 2 & 3 SBP Only	**Yes**	**2**	**B.Y. Sample: All students enrolled in the schools operating SPO 2 or 3 for SBP (Free/Reduced/Denied Certifications)** **AR Sample: All students enrolled in schools operating the SBP & NSLP (Free/Reduced**	**B.Y. Sample: Base Year Adj. Calculation** **AR Sample: Fiscal Action Workbook**

			Certifications) *****Student names from the B.Y. Sample may be included in the AR Sample***	
Prov 2 & 3 SBP Only	**No**	**2**	**<u>B.Y. Sample:</u> All students enrolled in the schools operating SPO 2 or 3 for SBP (Free/Reduced/Denied Certifications)** **<u>AR Sample:</u> All students enrolled in schools operating the SBP & NSLP (Free/Reduced Certifications)** *****Student names from the B.Y. Sample may be included in the AR Sample***	**<u>B.Y. Sample:</u> Base Year Adj. Calculation** **<u>AR Sample:</u> Fiscal Action Workbook**

Step 3: Validation of Claiming Percentages and/or Funding Levels

- **If a Provision 2 or 3 school under review is in the Base Year,** the SA will not validate claiming percentages or funding levels, as those levels are established during the base years and applied in non-base years. However, as mentioned above in *Pre-Visit Review Procedures,* the SA must complete the Off-site Assessment Tool and determine whether SPO schools have acceptable processes to establish accurate claiming percentages and funding levels.

NOTE: If systemic errors identified during the on-site review required full recalculation, the SA must require the SPO site(s)/SFA to conduct another base year in a subsequent school year.

- **If a Provision 2 or 3 school under review is in the Non-Base Year**, at a minimum, the SA must obtain the base year claiming percentages and funding levels and verify that they were properly applied to the review period and month of the on-site review in the non-base year being reviewed.

  NOTE: If errors with the application of claiming percentages and/or funding levels are identified, SAs must require as part of a Corrective Action Plan that the SFA provide documentation for every closed Claim for Reimbursement from the current school year showing that the claiming percentages and/or funding levels were applied correctly at every non-base year site (reviewed and non-reviewed) in the SFA.

  The SA has the discretion to expand the scope of review to prior school years. This would apply to any non-base year school selected for review under the Administrative Review site selection procedures or selected as one of the additional sites for the abbreviated review, described above under *Site Selection*.

Step 4: Recordkeeping

The SFA/school must retain records for all SPO schools, as follows:

- **Records for Provision 1** must be retained for three years after submission of the final Claim for Reimbursement for the fiscal year to which they pertain.

- **Base Year records for Provisions 2 or 3,** which support subsequent years' reimbursement, must be retained during the entire period the SPO is in effect, including all extensions. Since claims for the base year and all subsequent years are based on base year data, recordkeeping is essential. In addition, records documenting the verification activities from the base year must be retained during the entire period the SPO is in effect, including all extensions.

  Additionally, such records must be retained for three years after submission of the final Claim for Reimbursement for the last fiscal year that used the base year data.

- **Non-Base Year records for Provisions 2 or 3** must be retained for three years after submission of the final Claim for Reimbursement for the fiscal year to which they pertain.

If a SA determines that the SFA/school has not maintained the required records for a participating site, the SA must require the school to return to standard application and meal counting procedures, unless otherwise approved by FNS.

Step 5: All Other Critical and General Areas of Review

When evaluating the SFA for compliance with both critical and general areas of review as part of the Administrative Review, the SA must review all required areas and complete all required forms as specified by the *Administrative Review Manual*.

Step 6: Recording Review Findings

The SA must ensure the following forms are completed as applicable:

- Administrative Review **Off-site Assessment Tool** – Questions #2100 - 2111
- Administrative Review **On-site Assessment Tool** – Questions #2112 - 2116

- Administrative Review School Data and Meal Pattern Error and Other Meal Claim Errors Forms (**S-1, S-2**) – Used to record **all** Special Provision Option (SPO) site data.
- Eligibility Certification and Benefit Issuance Error and Other Eligibility Certification and Benefit Issuance Errors Worksheets (**SFA 1, SFA-2**) – Used to record all **Base Year** Special Provision Option (SPO) site Certification and Benefit Issuance errors.
- Special Provisions Non-Base Year and CEP Claiming Percentage/Funding Level Summary Form (**SFA-1A**) – Used to record all Special Provision Option site (or group of sites) SFA- and SA-validated claiming percentages/funding levels.
- *Fiscal Action Workbook* – Used to complete fiscal action process for all SPO **Base and Non-Base Year** sites, including those requiring Full Recalculation.

Abbreviated Review

As mentioned above, under *Review Procedures, Site Selection*, if the school selection procedures do not result in the review of a SPO in a non-base year, the SA must select at least one site per SPO type (i.e. Provision 2 or Provision 3) and conduct an abbreviated review of the application of claiming percentages and/or funding levels for the review period, at a minimum.

- **For Provisions 2 or 3** – Only the meal counting and claiming system will be reviewed to verify that the claiming percentages and/or funding levels determined from the base year were applied correctly to the current school year's monthly Claim for Reimbursement. The SA may limit this evaluation to the Claim for Reimbursement for the review period.

  If violations to the application of the claiming percentages/funding levels are identified from this abbreviated review, the SFA will be required as part of its Corrective Action Plan to correct the deficiencies identified at the non-compliant site(s) and submit documentation for every non-base year SPO site showing that the claiming percentages/funding levels calculated during the base year are applied correctly in the

non-base year for every closed Claim for Reimbursement from the current school year in which the review occurs.

When issues of severe non-compliance are identified during the abbreviated review, FNS strongly encourages the SA to conduct a full on-site Administrative Review of the non-compliant sites.

NOTE: The abbreviated review can be conducted as part of the off-site review at the SA's discretion.

Technical Assistance/Corrective Action

Technical assistance must be provided and corrective action required as specified in the *Administrative Review Manual* and as described in this section.

Corrective action must be applied SFA-wide for all violations, including benefit issuance and certification errors, at reviewed and non-reviewed sites, if applicable. If systemic errors identified during the on-site review of a base year school(s) required full recalculation, the SA must require the SPO school/SFA to conduct another base year in a subsequent school year.

The SA, in consultation with FNSRO, must give the SFA an adequate timeframe to complete the certification and benefit issuance process. Generally, FNS expects corrective action to occur as soon as practicable in the current school year. However, if it has been determined in the best interest of program management for the SFA not to complete the standard certification process for the current school year, the SA must ensure that the SFA implements all required corrective action and uses the SA-validated claiming percentages and/or funding levels for submitting Claims for Reimbursement for the remainder of the current school year.

If violations to the application of the claiming percentages for Provision 2 non-base year are identified in reviewed schools or through the abbreviated review, the SFA will be required, as part of its Corrective Action Plan, to:

- correct the deficiencies identified at the reviewed sites; and

- submit documentation for every SPO site (including all SPO non-reviewed sites) showing that the claiming percentages calculated during the base year approval are applied correctly for every closed Claim for Reimbursement from the current school year in which the review occurs.

When meal counting and claiming procedures are identified as yielding erroneous total meal counts or meal counts by category, the SA must require Full or Partial Recalculation as applicable to the degree of violation identified.

For all other review area errors, the SA should ensure corrective action is implemented, as applicable, for the type of error identified.

The SA must ensure the SFA understands the importance of operating all aspects of the SPO in compliance with FNS requirements while providing the SFA with detailed Corrective Action Plans that will ensure that the SFA is in compliance with all program requirements. The SA should also encourage the SFA to participate in any SPO training opportunities that may be available.

Fiscal Action

The SA must assess fiscal action as specified in each section of the *Administrative Review Manual.* The SA must also observe the following:

1. *Certification and Benefit Issuance*

For Provision 2 and 3 Schools in the Base Year:

If certification errors are identified, the SA must follow the Certification and Benefit Issuance Module and use the Base Year Adjustment Calculation. This calculation must be applied to all closed Claims for Reimbursement for all sites establishing a base year for Provisions 2/3. By adjusting meal counts during the base year, the resulting claiming percentages and funding levels that are used in subsequent non-base years will be based on the adjusted and corrected meal counts claimed during the base year. While the base year review can be conducted in conjunction with the Administrative Review, the review corrects previous SFA/site meal counts and the $600 disregard does not apply to closed claims for sites in the base year when fiscal action is required to fix the meal counts.

Fiscal action must be assessed at non-reviewed Provision 2 and 3 base year sites to adjust meal counts and ensure that claiming percentages and/or funding levels used in non-base years are calculated correctly.

Note: The SA will follow the procedures detailed in the "*Special Provision Option Base Year Review*" memo for situations in which the SFA has sites that established base years prior to school year 2013/14.

For Provision 2 and 3 Schools in a Non-Base Year:

- Any certification errors identified during the administrative review will not be applied to the Provision 2 or 3 schools in a non-base year, for the calculation of fiscal action.
- Complete the *Fiscal Action Workbook*, NSLP and SBP Standard tabs for standard claiming sites selected for review for NSLP and SBP.
- Complete the *Fiscal Action Workbook*, NSLP and SBP P2/CEP and/or NSLP and SBP P3 tabs for Provision 2 or 3 schools in a non-base year selected for review.

For Schools Operating Provision 2 or 3 for SBP Only (Standard Counting and Claiming for NSLP):

If certification errors are found, the reviewer will complete the fiscal action process as follows:

Standard Claiming for NSLP and Provision Schools in Base Year SBP:

Complete the *Fiscal Action Workbook*, NSLP and SBP Standard tabs for all standard claiming and Provision schools base year sites for NSLP and SBP selected for review, applying any resulting adjustment factor from the certification and benefit issuance review.

Standard Claiming for NSLP and Provision 2 or 3 in Non-Base Year SBP:

- Complete the *Fiscal Action Workbook*, NSLP Standard tab for all standard claiming sites.
- Complete the *Fiscal Action Workbook*, SBP P2 and CEP, and/or SBP P3 tabs for all Provision non-base year SBP-only sites selected for review.

2. Recordkeeping

When Provision 1 records, Provision 2 or 3 base year and/or non-base year records are not retained as required, the SA **may**, at its discretion, disallow some or all meals served at each site/SFA that failed to **maintain all required documentation.**

Module: Community Eligibility Provision

Introduction

To reduce administrative challenges, LEAs/SFAs with a high percentage of free and reduced-price certifications may elect to use a Special Provision Option (SPO). Determining compliance with the requirements associated with each option requires some modification of the Administrative Review requirements. This Module addresses those modifications as they relate to the Community Eligibility Provision (CEP):

- ***Community Eligibility Provision (CEP) – Eliminating household applications in high poverty LEAs and schools and claiming based on derived percentages:*** Schools must agree to serve free lunches and breakfasts to all students and agree to cover with non-Federal funds any costs of providing free meals to all students above amounts provided in Federal assistance. Reimbursement is based on claiming percentages derived from the percentage of identified students multiplied by a factor of 1.6. The term "identified student percentage" (ISP) generally refers to the percent of enrolled students directly certified. The claiming percentages established for a school in the first year are guaranteed for a period of four school years and may be increased if the identified student percentage rises for that school. CEP is only available to LEAs and schools with an ISP that is greater than or equal to 40 percent as of April 1 of the year prior to participating in CEP.

NOTE: Refer to FNS Memo SP 19-2016, Community Eligibility Provision: Guidance and Updated Q&As on the FNS PartnerWeb for additional information on CEP.

Intent/Scope of Monitoring

The requirements of the *Administrative Review Manual* apply to the review of an SFA's administration of CEP. While Administrative Review activity typically occurs at the SFA (district level), some aspects may also occur at the school or SA level (e.g., if the SA applies the claiming percentages to the SFA's meal counts).

This Module covers the additional steps required to monitor SFAs implementing CEP at one or more sites.

Review Procedures

Site Selection

The SA must use normal site selection procedures for schools in the SFA. Refer to Section I: *Pre-Visit Procedures, Site Selection Procedures.*

If the school selection procedures do not result in the review of a CEP school, the SA must conduct an abbreviated review in at least one CEP school. The scope of an abbreviated review is discussed later in this Module.

There are no additional site selection requirements if all sites within the SFA are operating CEP.

Pre-visit Review Procedures for CEP Schools Selected for Review

- **Use the Off-site Assessment Tool**

  For CEP schools, the SA must use the *Off-site Assessment Tool*, including Section IX, *Special Provision Options*. The SA must also determine whether any adjustments to the

ISP have been made since the most recent ISP was established and also whether the resulting claiming percentages are correct and are properly applied.

NOTE: For CEP sites, a claiming percentage for the free and paid meal categories is established and applied to both the SBP and NSLP Claims for Reimbursement equally. However, the SA must ensure for CEP sites that the SBP and NSLP meals counts are not combined when applying the free and paid meal count percentages to the monthly Claims for Reimbursement.

- **When conducting the Certification and Benefit Issuance Review Process –** Students attending sites operating CEP must be excluded from the certification and benefit issuance review. For more information, refer to *On-site Review Activities for CEP Schools Selected for Review, Step 2* below.

On-site Review Activities for CEP Sites Selected for Review

Step 1: Confirm Off-site Assessment Tool

The SA must verify the SFA information received from the *Off-site Assessment Tool*, including *Section IX, Special Provision Options*. The reviewer must ensure that the procedures described in the *Off-site Assessment Tool* match what is occurring on-site.

Step 2: Conduct the Certification and Benefit Issuance Review

Since not all schools may be participating in CEP, the SA must proceed with the certification and benefit issuance review following procedures set forth in the *Administrative Review Manual*, and the adjustments described below:

- **For SFAs or schools operating CEP**, the SA must exclude students enrolled at CEP schools from the certification and benefit issuance review as applications are not taken from households when a site/school is participating in CEP. The review of the SFA/school's claiming percentages are addressed in *Step 3* below.

  Note: SAs are not required to assess verification for SFAs/schools operating CEP.

- **For CEP schools,** the SA must review the certification documentation used to determine the ISP and claiming percentages that were submitted for the most recent ISP.

  The certification documentation may include direct certification lists, documentation for extension of eligibility, and lists from homeless/migrant liaisons (see SP 19-2016 for more information on acceptable certification documentation). The documentation required to evaluate the ISP comes from the April 1st certification documentation from the previous school year, which is used to establish the claiming percentages in the current school year.

  The certification documentation review must include obtaining the list of all students used to derive the ISP and selecting at minimum 10% of student names at random* to verify that those students can be found on source documentation that certifies free eligibility. If more than 10% of the randomly selected sample cannot be properly verified on source documentation, the SFA must be required, as part of their Corrective Action Plan, to provide source documentation for every student used to establish the free claiming percentage.

*As part of the certification documentation review for CEP schools, State agencies may select 10% of identified student names at random or a statistically valid sample (see chart below).

Sample Size Chart			
Total # of students in	SAMPLE SIZE (99%)	Total # of students in the	SAMPLE SIZE (99%)

the SFA ISP calculation		SFA ISP calculation	
1-100	All	1251-1500	450
101-250	75%	1501-1750	475
251-500	60%	1751-2000	490
501-750	50%	2001-3000	525
751-1000	380	3001-4000	560
1001-1250	420	4001-5000	580
		5000+	590

Note: State agencies can select 10% of student names at random or a statistically valid sample.

Step 3: Validation of Claiming Percentages

When a CEP school is under review, the SA must ensure that the correct claiming percentages for free and paid meals was used (complete the SFA-2A).

At a minimum, the SA must verify that the claiming percentage identified for the most recent ISP was properly applied to the review period and month of the on-site review from the current school year. The SA may review certification documents for the ISP and validate the claiming percentages as part of the off-site assessment.

If violations to the application of the claiming percentages are identified, the SFA will be required as part of its Corrective Action Plan to correct the deficiencies identified at the non-compliant site(s) and submit documentation for every CEP site showing that the claiming percentages calculated during the latest ISP are applied correctly in the current school year for every closed Claim for Reimbursement from the current school year in which the review occurs.

Step 4: Recordkeeping

The SFA/school must retain records for all SPO schools, as follows:

- **For CEP**, LEAs/schools must retain those records used in the development of the ISP (e.g., records for the initial CEP election year and all records from the year any updates are made to the ISP) during the entire period the SPO is in effect, including all extensions. In addition, this documentation and all other documentation must be retained for three years after submission of the final Claim for Reimbursement for the last fiscal year of CEP.

If a SA determines that the SFA/school has not maintained the required records for a participating site, the SA must require the school to return to standard application and meal counting procedures, unless otherwise approved by FNS.

Step 5: All Other Critical and General Areas of Review

When evaluating the SFA for compliance with both critical and general areas of review as part of the Administrative Review, the SA must review all required areas and complete all required forms as specified by the *Administrative Review Manual*.

Step 6: Recording Review Findings

The SA must ensure the following forms are completed as applicable:

- Administrative Review **Off-site Assessment Tool** – Questions #2100 - 2111
- Administrative Review **On-site Assessment Tool** – Questions #2112 - 2116
- Administrative Review School Data and Meal Pattern Error and Other Meal Claim Errors Forms (**S-1, S-2**) – Used to record **all** Special Provision Option (SPO) site data.

- Special Provisions Non-Base Year and CEP Claiming Percentage/Funding Level Summary Form (**SFA-1A**) – Used to record all Special Provision Option (SPO) site (or group of sites) SFA- and SA-validated claiming percentages/funding levels.
- Community Eligibility Provision Individual Student Percentage Validation Form (**SFA-2A**) – Used to record ISP information from the validation review of **CEP** sites.
- *Fiscal Action Workbook* – Used to complete fiscal action process for all SPO **Non-Base Year** sites to include CEP sites, including those requiring Full Recalculation.

Abbreviated Review

As mentioned above, under *Review Procedures, Site Selection*, if the school selection procedures do not result in the review of a CEP site the SA must select at least one CEP site and conduct an abbreviated review in order to review the certification documentation used to determine the ISP and claiming percentages that were submitted for the most recent ISP.

The certification documentation may include direct certification lists, documentation for extension of eligibility, and lists from homeless/migrant liaisons (see SP 19-2016 for more information on acceptable certification documentation). The documentation required to evaluate the ISP comes from the April 1st certification documentation from the previous school year, which is used to establish the claiming percentages in the current school year.

The certification documentation review must include obtaining the list of all students used to derive the ISP and selecting at minimum 10% of student names (or a statistically valid sample as discussed in On-site Review Activities for CEP Sites Selected for Review, *Step 1)* at random to verify that those students can be found on source documentation that certifies free eligibility. If more than 10% of the randomly selected sample cannot be properly verified on source documentation, the SFA must be required, as part of their Corrective Action Plan, to provide source documentation for every student used to establish the free claiming percentage.

If violations to the application of the claiming percentages are identified from this abbreviated review, the SFA will be required as part of its Corrective Action Plan to correct the deficiencies identified at the non-compliant site(s) and submit documentation for every CEP site showing that the claiming percentages calculated during the latest ISP are applied correctly in the current school year for every closed Claim for Reimbursement from the current school year in which the review occurs.

When issues of severe non-compliance are identified during the abbreviated review, FNS strongly encourages the SA to conduct a full on-site Administrative Review of the non-compliant sites.

NOTE: The abbreviated review can be conducted as part of the off-site review at the SA's discretion.

Technical Assistance/Corrective Action

Technical assistance must be provided and corrective action required as specified in the *Administrative Review Manual* and as described in this section.

If violations to the application of the claiming percentages for CEP schools are identified in reviewed schools or through the abbreviated review, the SFA will be required, as part of its Corrective Action Plan, to:

- correct the deficiencies identified at the reviewed sites; and
- submit documentation for every CEP site (including non-reviewed sites) showing that the claiming percentages calculated for the most recent ISP are applied correctly for

every closed Claim for Reimbursement from the current school year in which the review occurs.

When meal counting and claiming procedures are identified as yielding erroneous total meal counts or meal counts by category, the SA must require Full or Partial Recalculation as applicable to the degree of violation identified.

If the review of the calculation of ISPs results in errors that place the CEP participating site(s) below the minimum ISP requirement for CEP eligibility, the participating site(s) must be required to return to normal meal counting and claiming. The SFA would be given an adequate timeframe to complete the certification process in accordance with SP 24-2012: *Interim Review Guidance for States with Local Educational Agencies Electing the Community Eligibility Option*. If, in the fourth year of the CEP cycle, the ISP is found to be below 40% but above 30%, the SA has the discretion to allow the SFA or site to continue claiming at the state-identified claiming percentage. To continue on a new cycle, the SFA would need to have an ISP of 40% or higher as of April 1st of the fourth year. However, the SFA would not qualify for the grace year option (as described in SP 19-2016).

For all other review area errors, the SA should ensure corrective action is implemented, as applicable, for the type of error identified.

The SA must ensure the SFA understands the importance of operating all aspects of the SPO in compliance with FNS requirements while providing the SFA with detailed Corrective Action Plans that will ensure that the SFA is in compliance with all program requirements. The SA should also encourage the SFA to participate in any SPO training opportunities that may be available.

Fiscal Action

The SA must assess fiscal action as specified in each section of the *Administrative Review Manual.* The SA must also observe the following:

1. Certification and Benefit Issuance

For Schools/SFAs operating CEP:

- Any certification errors identified during the Administrative Review at standard operating sites will not be applied to the CEP sites for the calculation of fiscal action.
- Complete the *Fiscal Action Workbook*, NSLP and SBP Standard tabs for standard claiming sites selected for review for NSLP and SBP.
- Complete the *Fiscal Action Workbook*, NSLP and SBP P2/CEP and/or NSLP and SBP P3 tabs for Provision 2/3 schools in a non-base year and/or CEP sites selected for review.

2.Recordkeeping

When ISP records under CEP are not retained as required, the SA **may**, at its discretion, disallow some or all meals served at each site/SFA that failed to **maintain all required documentation.**

Section XI: Resources

The Resource in this Section are:

- Reference Guide: Forms and Tools

Recommended Prior to On-site Review	Required Prior to On-site Review	After completion of Off-site Assessment Tool and prior to On-site Review	On-site Review	Post Review
DATES: These activities should be conducted at least 4-6 weeks prior to the on-site review	These activities **must** be conducted at least 4 weeks prior to the on-site review	Within 4-6 weeks of start of on-site review	While on-site	Within 30 calendar days after on-site review (unless otherwise noted)
Select/identify sites that will receive on-site reviews for NSLP O **Determine the number of sites/ identify sites that will receive:** **SBP review** **FFVP review** **ASP review** **SMP review** A MP RM G O **Complete Off-site Assessment Tool** Use data already on file and request any necessary information from SFA; work collaboratively with SFA to complete • Consider using specialized staff to complete appropriate sections A **Request Benefit Issuance Document from SFA**	RM **Request Resource Management Information for Off-site Assessment Tool** RM **Complete Resource Management section of the Off-site Assessment Tool** This information must be completed by the SA a minimum of 4 weeks prior to the start of the on-site review RM **Complete the Resource Management Risk Indicator Tool** RM **Determine whether a comprehensive RM Review will be conducted in any Resource Management area** If a comprehensive RM review will be conducted, notify SFA of any additional documentation that must be submitted	A MP RM G O **Assess any areas of non-compliance based on off-site assessment** A MP RM G O **Prepare in advance for possible technical assistance needs at SFA** RM **Conduct a comprehensive RM review, if necessary** The SA may conduct the comprehensive review either on-site or off-site, with the exception of allowable costs, which must be reviewed on-site MP **If using the Dietary Specifications Assessment Tool (Option 1) for Targeted Menu review, complete Off-site section of Dietary Specifications Assessment Tool** to determine the initial risk level for the selected site	A MP G O **Complete On-site Assessment Tool** **Record errors on S-1 SFA-2** RM **Conduct a comprehensive RM review, if necessary** The comprehensive review may be conducted off-site instead, with the exception of allowable costs, which must be reviewed on-site MP **If using the Dietary Specifications Assessment Tool (Option 1) for Targeted Menu Review, complete the On-site section of the Dietary Specifications Risk Assessment Tool** to determine the validated risk level. If determined high risk, refer to the Nutrient Analysis and Validation Checklist	**Conduct Exit Conference with SFA** **Record errors on SFA-1** **Issue Administrative Review Summary Report** A MP RM G O **Establish Corrective Action deadline, if necessary** A MP RM G O **Receive, review, respond to documented Corrective Action from SFA** **Use Fiscal Action Workbooks to calculate any needed fiscal action** **Determine whether onsite follow-up is necessary** MP **Complete nutrient analysis/validation process (if required)**

Recommended Prior to On-site Review	Required Prior to On-site Review	After completion of Off-site Assessment Tool and prior to On-site Review	On-site Review	Post Review
A **Select students for Certification/ Benefit Issuance Review** MP **Use Meal Compliance Risk Assessment Tool** to rank selected sites and **determine the site that will receive the Targeted Menu Review** MP **Request Meal Pattern Compliance Documentation from SFA** Allow sufficient time for SA review of Meal Compliance Documentation prior to on-site review. Meal Pattern Compliance documentation includes menus, production records, USDA Foods Information Sheets and other related materials (e.g., CN labels, standardized recipes) that show meals meet requirements. MP **Assess Compliance with Meal Pattern Requirements** Review meals and snacks at each site selected for review to assess compliance with		MP **If validating a SFA-conducted nutrient analysis (Option 2) for Targeted Menu Review, gather any additional documentation necessary and begin validation procedures.** MP **If conducting a nutrient analysis (Option 3), gather any additional documentation necessary and begin data entry procedures.**	MP **If validating a SFA-conducted nutrient analysis (Option 2) for Targeted Menu Review, examine menu documentation with the SFA,** refer to the Nutrient Analysis and Validation Checklist, and **complete the On-site section of the Dietary Specifications Risk Assessment Tool** MP **If conducting a nutrient analysis (Option 3) for Targeted Menu Review, examine menu documentation with the SFA,** refer to the Nutrient Analysis and Validation Checklist, and **complete the On-site section of the Dietary Specifications Risk Assessment Tool**	O **Conduct SSO review (if applicable).** Issue SSO report as addendum to Administrative Review report. (SSO reviews will likely occur outside the range of dates covered in this timeline).

Recommended Prior to On-site Review	Required Prior to On-site Review	After completion of Off-site Assessment Tool and prior to On-site Review	On-site Review	Post Review
meal components and quantities. MP **Be mindful of Offer vs. Serve (OVS) policy** when reviewing meal compliance documentation. Perform optional OVS edit check. MP **If planning a targeted menu review using FNS-approved Menu Planning Tools for Certification for Six Cents Reimbursement (Option 4),** submit proposed methodology to FNS for approval prior to Administrative Review. O **Determine if the SFA operates the Seamless Summer Option (SSO).** If so, determine when SSO will be operating and schedule SSO review.				

Glossary of Terms

A la carte means food items available for cash sale independent of the reimbursable meal.

Administrative Review means the comprehensive off-site and on-site evaluation of all SFAs participating in the Program. The term "Administrative Review" is used to reflect a review of both Critical and General Areas, and includes other areas of program operations determined by the SA to be important to Program performance, with FNS approval.

Alternate meal service location means anywhere outside the typical food service area/cafeteria. Alternate meal locations include places such as classrooms, in-school suspension areas, and grab & go stations.

Average daily participation (ADP) means the average number of children, by eligibility category, participating in the Program each operating day. These numbers are obtained by dividing (a) the total number of free lunches claimed during a reporting period by the number of operating days in the same period; (b) the total number of reduced-price lunches claimed during a reporting period by the number of operating days in the same period; and (c) the total number of paid lunches claimed during a reporting period by the number of operating days in the same period.

Base year is a term used with Special Provision 2 and Provision 3. For Provision 2, the base year is the last school year for which eligibility determinations were made and meal counts by type

were taken and during which all meals were served at no charge, or the last year in which a school conducted a streamlined base year period. It is the first year, and is part of Provision 2's four-year cycle. For Provision 3, the base year is the last complete school year for which eligibility determinations were made and meal counts by type were taken, or the last year in which a school conducted a streamlined base year period. The Provision 3 base year immediately precedes and is not included in the four-year cycle.

Benefit issuance means the link in the accountability system between the eligibility determination and the benefit delivery.

Categorical eligibility means any child who is a member of a SNAP, FDPIR household, or TANF assistance unit that is automatically eligible for free meals or free milk. Such households must provide current SNAP, TANF, or FDPIR case numbers on the application. Based on information retained by the LEA, children may be determined categorically eligible from documentation of foster children, Head Start, homeless, runaway, and migrant status, as specified in 7 CFR 245.6.

Certification/benefit Issuance means the process used to determine a student's eligibility for free or reduced-price meal benefits and the method used to apply the correct meal benefit level for the student at the Point-of-service. The review of the certification documents may include a review of a household's application for meal benefits, direct certification information, or other source documentation. The review of the benefit issuance documents may include a review of a roster or medium of exchange (any type of ticket, token, ID, name or number) used in the process of providing a meal benefit.

Child means (a) a student of high school grade or under as determined by the State educational agency, who is enrolled in an educational unit of high school grade or under as described in the definition of "School", including students who are mentally or physically disabled as defined by the State and who are participating in a school program for the mentally or physically disabled; or (b) a person under 21 chronological years of age who is enrolled in residential child care

institution; or (c) for purposes of afterschool snacks, a child means an individual enrolled in an afterschool care program operated by an eligible school, who serves children up to 18 years of age or who turn 19 during the school year.

Child Nutrition Act of 1966 means a law enacted by Congress in 1966 (42 USC 1773 et seq.) to strengthen and expand domestic food service programs for children under the authority of the Secretary of Agriculture. These programs include Special Milk and School Breakfast Programs and State Administrative Expense Funds (SAE).

Child nutrition programs include the National School Lunch Program (7 CFR 210) (including the Fresh Fruit and Vegetable Program, the Seamless Summer Option, and afterschool snacks), Special Milk Program (7 CFR 215), School Breakfast Program (7 CFR 220), and the Food Distribution Program, as it relates to the donation of food to schools participating in the Child Nutrition Programs.

Civil rights means no child shall be denied benefits or be otherwise discriminated against because of race, color, national origin, age, sex, or disability. SAs and SFAs must comply with 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; 7 CFR 15, 15a, and 15b; and FNS Instruction 113-1, *Civil Rights Compliance and Enforcement – Nutrition Programs and Activities.*

Claim for Reimbursement means the claim submitted to a SA or FNSRO (where applicable) on a monthly basis by a SFA for reimbursement for meals served under the Child Nutrition Programs.

Closed Claim for Reimbursement means any month for which a Claim for Reimbursement was submitted.

Code of Federal Regulations (CFR) means the codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal Government. Child nutrition regulations are contained in Title 7 of the CFR.

Corrective action means actions required to correct any violation identified under the Administrative Review and must be applied to all schools in the SFA, as appropriate, to ensure that previously deficient practices and procedures are revised system-wide. Corrective action may include correction of incorrect practices and training.

Critical areas mean Performance Standard 1 and Performance Standard 2, measures of performance under the Administrative Review, as described in 210.18(g).

Cycle menu means a set of food components and food items that are different for each day during a cycle and repeats.

Day(s) means calendar day(s) unless otherwise specified.

Day of Review is the day(s) on which the on-site review of the individual sites selected for review occurs.

Direct certification means the process of establishing children's categorical eligibility for benefits by obtaining documentation directly from the State or local SNAP, TANF, or FDPIR office that the children are from households currently receiving SNAP, TANF, or FDPIR benefits. Households determined eligible for benefits through direct certifications are not required to submit a free and reduced-price application to the school.

Direct verification means using records from public agencies to verify income and/or student eligibility. Direct verification may be completed at the State or local level or through a joint effort at both levels. LEAs are not required to conduct direct verification. However, any SFA

that wishes to conduct direct verification must contact their SA for assistance with establishing a direct verification method. For further information, please consult FNS' *Eligibility Manual for School Meals*.

Documented corrective action means written documentation provided by the SFA to the SA describing the actions taken to correct violations and the dates of completion. Documented corrective action may be provided at the time of the review or may be submitted to the SA within specified timeframes.

Edit checks means the procedure used by the SFA to compare each school's daily counts of free, reduced-price, and paid lunches against the product of the number of children in that school currently eligible for free, reduced-price, and paid lunches, respectively, times an attendance factor.

Eligibility certification means the process used to determine a child's eligibility for benefits based on a free and reduced-price application submitted by a household or through other certification documentation.

Entrance conference means the initial meeting between the SA and the SFA to discuss pre-review and review content and post-review procedures.

Exit conference means a meeting at the close of a review to communicate findings to appropriate officials.

Family means a group of related or unrelated individuals, who are not residents of an institution or boarding house, but who are living as one economic unit.

Finding: Identification of non-compliance with program regulations, FNS Instructions, and/or policy memoranda. Each finding is associated with a required corrective action.

First in, first out (FIFO) means an inventory accounting method by which the first items placed in inventory (i.e., foods and other meal service goods) are the first items used in meal preparation and production.

Fiscal action includes, but is not limited to, the recovery of overpayment through direct assessment or offset of future claims, disallowance of overclaims as reflected in unpaid Claims for Reimbursement, submission of a revised Claim for Reimbursement, and correction of records to ensure that unfiled Claims for Reimbursement are corrected when filed. It also includes disallowance of funds for failure to take corrective action to meet the meal requirements.

Fiscal year (FY) means a period of 12 calendar months beginning October 1 of any year and ending with September 30 of the following year. This period represents the Federal Fiscal Year. A State may have designated a periods other than October 1 through September 30 as its fiscal year. The Administrative Review uses the Federal Fiscal Year.

Food(s) of minimal nutritional value means the four categories of foods and beverages under 7CFR 210.11 and 220.12 (soda water, water ices, chewing gum, and certain candies) that cannot be served in areas where reimbursable meals are served and/or consumed unless the specific food item has been exempted from its foods of minimal nutritional value category by the Food and Nutrition Service.

Food and Nutrition Service (FNS) means the agency under the United States Department of Agriculture responsible for administering the National School Lunch, School Breakfast, Special Milk, and other nutrition and food assistance programs.

Food Distribution Program on Indian Reservations (FDPIR) means a nutrition assistance program administered by FNS that provides donated UDSA Foods to needy families residing on Indian reservations.

Food production record means the documentation of what was prepared and served. This documentation is necessary to support the claim for reimbursable meals and to identify information needed for the nutrient analysis.

Food service management company (FSMC) means a commercial enterprise or a nonprofit organization that is or may be contracted with by the SFA to manage any aspect of the school food service.

Free lunch means a lunch served under the Program to a child from a household eligible for such benefits under 7 CFR 245 and for which neither the child nor any member of the household pays or is required to work in the school or in the school's food service.

Free milk means milk served under the regulations governing the Special Milk Program for which neither the child nor any member of his family pays or is required to work in the school or in the school's food service. See 7 CFR 215 for more specific guidance.

Fresh Fruit and Vegetable Program (FFVP) means a USDA program under the National School Lunch Act that provides funding to States to make free fresh fruits and vegetables available in eligible elementary schools.

General areas mean the areas of review as specified in 7 CFR 210.18(h).

Hazard Analysis and Critical Control Points (HACCP) means a systematic preventive approach to food safety and pharmaceutical safety that addresses physical, chemical, and biological hazards as a means of prevention rather than finished product inspection.

Household (see Family)

Incomplete meal means any meal that does not meet the meal pattern and nutritional specification requirements set forth in 7 CFR 210 and 220, as applicable.

Limited English Proficient means an individual or household that does not speak English as their primary language and has a limited ability to read, speak, write, or understand English.

Local educational agency (LEA) means a public board of education or other public or private nonprofit authority legally constituted within a state having administrative control of schools.

Local school wellness policy means a comprehensive LEA-wide policy that establishes goals and guidelines for nutrition education, physical activity, nutrition promotion, and other school-based activities to promote student wellness, prevent and reduce childhood obesity, and provide assurance that school meal nutrition guidelines meet the minimum federal school meal standards.

Lunch means a meal that meets the National School Lunch Program requirements for specified age/grade groups of children as designated in 7 CFR 210.10.

Meal component/food component means one of the required food groups that comprise a reimbursable meal: meats/meat alternates, grains, vegetables, fruits, and milk.

Medium of exchange means cash or any type of ticket, token, ID, name, biometric identifier, or number that eligible students exchange to obtain a meal.

Miscategorization occurs when a determining official has approved a student in a category other than the one supported by either a SNAP, TANF, or FDPIR number, or by the household size and income information provided by the household.

National School Lunch Act means the legislation that established the National School Lunch Program (NSLP) (42 USC 1751 et seq.) in 1946.

National School Lunch Program (NSLP) means the Program under which participating schools operate a nonprofit lunch program in accordance with 7 CFR 210. General and special cash assistance and donated food assistance are made available to schools in accordance with 7 CFR 210.

Non-base year means any year outside the base year, including the extension years for Provision 2 and Provision 3 schools.

Non-systemic error means an error in which the contributing factors are unusual or not part of the normal operating procedure, and the system does not require changes to achieve accurate results.

Observation: Identification of a weakness in program operations or management that does not rise to the level of a finding. Each observation is associated with a suggestion.

Offer versus serve (OVS) means a provision that allows students to decline a specific number of food components/food items depending on the menu planning approach used.

Open Claim for Reimbursement means any month for which a Claim for Reimbursement has not been submitted.

Operating days are those days when lunches are served under the National School Lunch

Program.

Overclaim means the portion of a SFA's Claim for Reimbursement that exceeds the Federal financial assistance that is properly payable.

Overt identification means when students receiving free or reduced-price benefits are openly or physically identified by students or adults as receiving meals at the free or reduced-price rate.

Paid lunch means a lunch served to children who are either not certified for or elect not to receive the free or reduced-price benefits offered under 7 CFR 245.

Participation factor means the percentages of children approved by the school for free, reduced-price, and paid lunches, respectively, who are participating in the Program. The free participation factor is derived by dividing the number of free lunches claimed for any given period by the product of the number of children approved for free lunches for the same period times the operating days in that period. A similar computation is used to determine the reduced-price and paid participation factors. The number of children approved for paid lunches is derived by subtracting the number of children approved for free and reduced-price lunches for any given period from the total number of children enrolled in the reviewed school for the same period of time, if available. If such enrollment figures are not available, the most recent total number of children enrolled shall be used. If SFA participation factors are unavailable or unreliable, State-wide data must be employed.

Participation rate means the ratio of free, reduced-price, and paid meals served to the total number of meals served.

Performance Standard 1 means the standard requiring that all free, reduced-price, and paid meals claimed for reimbursement are served only to children eligible for free, reduced-price,

and paid meals, respectively; and counted, recorded, consolidated, and reported through a system which consistently yields correct claims. (7 CFR 210.18(g))

Performance Standard 2 means the standard requiring that reimbursable lunches must meet the meal requirements in 7 CFR 210.10, as applicable to the age/grade group reviewed. Reimbursable breakfasts must meet the meal requirements in 7 CFR 220.8 and 220.23, as applicable to the age/grade group reviewed. (7 CFR 210.18(g))

Point-of-service means the point in the food service operation where a determination can accurately be made that a reimbursable free, reduced-price, or paid lunch has been served to an eligible child.

Recalculation means a method for determining the number of lunches that are eligible for reimbursement in schools that do not have reliable reimbursable meal data.

Reduced-price lunch means a lunch served under the Program: (a) to a child from a household eligible for such benefits under 245; (b) for which the price is less than the SFA designated full price of the lunch and that does not exceed the maximum allowable reduced-price specified under 245; and (c) for which neither the child nor any member of the household is required to work in the school or in the school's food service.

Reimbursable meal means a meal meeting the USDA meal pattern requirements, served to an eligible student, and priced as an entire meal rather than based on individual items. Such a meal qualifies for reimbursement with Federal funds.

Reimbursement means Federal cash assistance, including advances paid or payable to participating schools for lunches meeting the requirements of 210.10 and served to eligible children.

Residential child care institution (RCCI) means any distinct part of a public or nonprofit private institution that (1) maintains children in residence, (2) operates principally for the care of children, and (3) if private, is licensed by the State or local government to provide residential child care services under the appropriate licensing code.

Review period is the most recent month for which a Claim for Reimbursement was submitted, provided that it covers at least ten (10) operating days.

Reviewed school means the school(s) selected for review using the school selection procedures.

Reviewed students are the students selected for the certification and benefit issuance review.

School means: (a) An educational unit of high school grade or under, recognized as part of the educational system in the State and operating under public or nonprofit private ownership in a single building or complex of buildings; (b) any public or nonprofit private classes of preprimary grade when they are conducted in the aforementioned schools; or (c) any public or nonprofit private residential child care institution, or distinct part of such institution, that operates principally for the care of children, and, if private, is licensed to provide residential child care services under the appropriate licensing code by the State or a subordinate level of government, except for residential summer camps which participate in the Summer Food Service Program for Children, Job Corps centers funded by the Department of Labor, and private foster homes.

School Breakfast Program (SBP) means the program authorized by Section 4 of the Child Nutrition Act of 1966, which provides meals to children in the morning hours served at or close to the beginning of the child's day at school and that meets the nutritional requirements set out in 7 CFR 220.8.

School food authority (SFA) means the governing body that is responsible for the administration of one or more schools, and has the legal authority to operate the Program therein or be otherwise approved by FNS to operate the Program.

School year (SY) means a period of 12 calendar months beginning July 1 of any year and ending June 30 of the following year.

Seamless Summer Option (SSO) means an option under the National School Lunch Program and School Breakfast Program that allows schools to provide breakfasts and lunches to children in low income areas during the summer months and other school vacation periods.

Self-service station or **self-service food bar** means any place in the food service operation where students serve themselves.

Site means the physical location where Program meals are offered to children.

Special Milk Program (SMP) means the program under which participating schools receive cash assistance for each half-pint of milk served in accordance with 7 CFR 215.

Special Provision Options (SPOs) are alternative provisions to the normal requirements for annual determinations of eligibility for free and reduced-price school meals and daily meal counts by type (free, reduced-price and paid meals) at the point of service. These provisions are intended to reduce paperwork at the local level.

State agency (SA) means (a) the State educational agency; (b) any other agency of the State that has been designated by the Governor or other appropriate executive or legislative authority of the State and approved by the Department to administer the Program in schools, as specified in 7 CFR 210.3(b); or (c) the FNSRO, where the FNSRO administers the Program as specified in 7 CFR 210.3(c).

Student with disabilities means any child who has a physical or mental impairment as defined in 7 CFR 15(b)(3) of USDA's nondiscrimination regulations.

Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp Program, operates under the Food Stamp Act of 1977.

Supplemental Nutrition Assistance Program household means any individual or group of individuals that is currently certified to receive assistance as a household under the Supplemental Nutrition Assistance Program.

Systemic error means an error that occurs when any of the contributing factors are built into the process and would likely recur if the process is not changed.

Technical assistance means help or advice provided to the SFA or school, by the SA or FNS, to improve program operations.

Temporary Assistance for Needy Families (TANF) means the State funded program under Part A of Title IV of the Social Security Act that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995. This program is commonly referred to as Temporary Assistance for Needy Families, although States may refer to the program by another name.

Underclaim means the Claim for Reimbursement submitted by a SFA that requests less than the amount deemed properly reimbursable.

United States Department of Agriculture (USDA) means the Federal agency designated by Congress to administer the NSLP, SBP, and SMP.

Verification means confirmation of eligibility for free or reduced-price benefits under the NSLP or SBP. Verification includes confirmation of income eligibility and, at State or local discretion, may also include confirmation of any other information required in the application, which is defined as documentation in 7 CFR 245.2.

Authorities

(Intentionally blank)