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**SUBJECT: National School Lunch Program Verification Collection Report and Instructions (Revised)
NSLP – 51.9**

**TO: Authorized Representatives
School Nutrition Programs**

DATE: September 1, 2017

This revised memo replaces the 51.8 version. The purpose of this memo is to review the steps that the Local Education Agency must take for completing the annual verification of household applications requirement and reporting of verification data.

The USDA Local Education Agency (LEA) Verification Collection Report (form 742) is a summary of information collected by the LEA during the process of verifying applications for free and reduced-price meals, which must be completed and submitted to the Child and Adult Nutrition Services iCAN system on or before November 15. Please read the instructions for the Verification Collection Report. It is very important to ensure numbers are accurately reported.

Changes to Verification:

- SY15-16: Child and Adult Nutrition Services (CANS) moved the reporting of Verification Collection Report (form 742) to the iCAN on-line computerized reporting system
- SY13-14: The verification report changed significantly to break direct certification data into further detail
- Reauthorization of the Child Nutrition Programs (Public Law 111-296 – Healthy Hunger Free Kids Act of 2010) brought about a change in requirements of verification

Though verification activities are not required for all LEAs, reporting on the Verification Collection Report **is** required for all LEAs. The attached pages contain more information on verification activities and reporting. Please contact the CANS office by phone (605) 773-3413 or email DOE.SchoolLunch@state.sd.us with questions or to request assistance with Verification.

Verification Requirements

The Verification process:

- Confirms that applications for free and reduced-price meals received and approved by the school to provide free or low cost meals to students are correct
- Checks that students *certified as eligible* for free or reduced-price meals are, in fact, eligible and documentation is collected for those applications
- Is reported on the **FNS 742 Verification Collection Report** on the iCAN system under the main SNP Applications page
- Is explained in more detail in the USDA Eligibility Manual for School Meals Section 6 (<http://doe.sd.gov/cans/index.aspx> - under Documents/USDA Eligibility Manual)
- Is conducted in October annually
- Is reported on the iCAN system Verification Report no later than November 15

Verification reporting is required for all LEAs on the iCAN Verification Report.

Verification **activities are required:**

- For schools and agencies participating in the National School Lunch Program (NSLP) or School Breakfast Program (SBP)
- For LEAs that have an approved 'school lunch agreement' with Child & Adult Nutrition Services (CANS)
- When student eligibility is determined through the application process, not through direct certification conducted with an Assistance Program or with agencies or officials who documented Other Source Categorical Eligibility

Verification **activities are not required:**

- For children who have been certified under direct certification procedures, including children documented as eligible migrant, runaway, homeless, foster, and children enrolled in Head Start
- For children in RCCIs, except for applications for any non-residential, day students attending the institution
- In schools participating only in the Special Milk Program (SMP)
- In schools with non-pricing programs, which claim only the paid rate of reimbursement, where all children are served with no separate charge for food service and no special cash assistance is claimed
- In LEAs where **all schools** participate in CEP or in Provisions 1, 2, 3, except in the base years in Provision 1, 2, or 3 schools in which applications are taken for all children in attendance

Verification Overview

Verification is confirmation of eligibility for free and reduced price school meals. Verification is only required when eligibility is determined through the application process, not through *direct certification* conducted with an Assistance Program (SNAP, TANF, FDPIR) or with agencies or officials who documented Other Source Categorical Eligibility.

Verification must include confirmation of either income eligibility; or that the child or any member of the household is receiving assistance under SNAP, FDPIR, or TANF; or that the child is Other Source Categorically Eligible.

Verification may also include confirmation of any other information required on the application, such as household size.

The LEA may begin verification activities once the application approval process for the current school year is underway and there are approved applications on file. To do so, the LEA may project the number of approved applications (sample pool) that it anticipates will be on file on October 1.

The projected number is based on prior years' experience. However, the final sample pool is the actual number of approved applications on file as of October 1. **The sample size must be based on the October 1 sample pool.** Any estimates must be compared with the actual number of applications on file on October 1, and the sample pool and sample size must be adjusted accordingly. If October 1 falls on a weekend, use the next operating day to establish the sample pool.

With the exception of verification for cause, **LEAs must not verify more than or less than the standard sample size or the alternate sample size (when used), and must not verify all (100%) applications.**

Verification Completion Deadline

The LEA must complete the verification activities specified in this section no later than November 15 of each school year.

Establish Sample Pool

The sample pool uses the total number of approved applications on file as of October 1 of the current school year. LEAs may choose not to count applications for students in split-session kindergarten programs participating in the SMP when determining the verification sample pool.

The sample pool depends on the number of approved applications, paper or electronic, and is not based on the number of children eligible for free and reduced priced benefits.

If applications are submitted for “mixed households,” which include children who are eligible based on income and others based on Other Source Categorical Eligibility, these applications are subject to verification and are included in the sample pool. Applications with case numbers that were not documented through direct certification are also subject to verification.

Once the sample pool is determined, the LEA calculates the sample size—the number of applications that must be verified. When calculating the sample size, all fractions or decimals are rounded upward to the nearest whole number. At least one application must always be verified.

With the exception of verification for cause, LEAs must not verify more than or less than the standard sample size or the alternate sample size (when used), and must not verify all (100%) applications. Verification conducted “for cause” is done in addition to the required verification sample size.

Application Selection Procedures

There are three sample sizes established for verification activities. The standard sample size must be used by LEAs unless they qualify to use one of the alternate sample sizes.

STANDARD SAMPLE SIZE is the lesser of:

- Three percent (3%) of all applications approved by the LEA for the school year, as of October 1 of the school year, selected from error prone applications; or
- 3,000 error prone applications approved by the LEA for the school year, as of October 1 of the school year

For sample sizes based on error prone applications, there may not be enough applications that meet this criterion. When this happens, the LEA must select, at random, additional approved applications to complete the required sample size.

In other situations, the number of error prone applications may exceed the required sample size. When this happens, the LEA must randomly select the required number of applications from all error prone applications.

QUALIFYING TO USE AN ALTERNATE SAMPLE SIZE: An LEA may annually qualify to use an alternate sample size based on lowered non-response rates.

- Lowered Non-Response Rate means that any LEA may use an alternate sample size for any school year when its non-response rate for the preceding school year is less than 20 percent
- For example, for SY 2014-2015, the LEA could have elected to use one of the alternate sample sizes because in SY 2013-2014, the LEA’s non-response rate was 18 percent

- **LEAs with a nonresponse rate of 20% or greater in the previous school year MUST USE THE STANDARD SAMPLE SIZE method**
 - **Contact the CANS office if you are unsure**

ALTERNATE SAMPLE SIZES that the LEA may qualify to use:

- Alternate One, where the sample size equals the lesser of:
 - Three percent (3%) of all applications approved by the LEA for the school year, as of October 1 of the school year, selected at random; or
 - 3,000 applications approved by the LEA for the school year, as of October 1 of the school year, selected at random

- Alternate Two, where the sample size equals the lesser of the sum of:
 - Either
 - 1,000 of all applications approved by the LEA, as of October 1 of the school year, selected from error prone applications; or
 - One percent (1%) of all applications approved by the LEA, as of October 1 of the school year, selected from error prone applications;
 - PLUS the lesser of:
 - 500 applications approved by the LEA, as of October 1 of the school year, which provide case numbers in lieu of income information; or
 - One-half of one percent (.05%) of applications approved by the LEA, as of October 1, of the school year that provide case numbers in lieu of income information

Complete the Confirmation Review: A preliminary review of applications selected for verification

Prior to conducting any other verification activity, the LEA must ensure that each application selected for verification is reviewed for accuracy by an individual who did not make the initial eligibility determination.

This requirement is waived if the LEA uses a technology-based system that demonstrates a high level of accuracy in processing an initial eligibility determination. The LEA must contact the State Agency to determine if its system qualifies them for this waiver.

LEAs are responsible for assuring that any automated certification and verification processes meet all regulatory requirements and policies, including the calculation of income frequencies, and that the software used is performing correctly and meets all requirements. LEAs utilizing software should double-check the determination for households that have multiple frequencies to confirm the correct eligibility determination is made. LEAs should work with the software company to obtain updated software.

Depending on the outcome of each confirmation review, the LEA takes one of the following actions:

No Change in Status	If the initial eligibility status was correct, the LEA verifies the application.
Status Change From Reduced Price to Free	The LEA:
	<ul style="list-style-type: none"> • Makes the increased benefits available immediately; • Notifies the household of the change in benefits; and
	<ul style="list-style-type: none"> • Verifies the application
Status Change From Free to Reduced Price	The LEA:
	<ul style="list-style-type: none"> • Does not change the child’s status; • Verifies the application
	<ul style="list-style-type: none"> • Notifies the household of the correct eligibility status after verification is complete and, if required, sends the household a notice of adverse action.
Status Change From Free or Reduced Price to Paid	The LEA:
	<ul style="list-style-type: none"> • Immediately sends the household a notice of adverse action; • Does not verify the application;
	<ul style="list-style-type: none"> • Selects a similar application, such as another error-prone application, for verification; and
	<ul style="list-style-type: none"> • Follows the confirmation review procedures for the newly selected application

If the household is determined ineligible for free or reduced-price meals, the household may reapply with income documentation.

Contacting the Household

When a household is selected for verification and is required by the LEA to submit documents or other forms of evidence to document eligibility, the household must be sent a letter or an email, if the parent or guardian contact information is known, informing them of their selection and of the types of information acceptable to the LEA. When the LEA uses agency records or direct verification to confirm eligibility, a letter informing the household of its selection for verification is not required, as verification is completed.

The letter must include the following:

- That the household was selected for verification;
- A modified Use of Information Statement as follows:
 - *The Richard B. Russell National School Lunch Act requires the information requested in order to verify your children’s eligibility for free or reduced price meals. If you do not provide the information or provide incomplete information, your children may no longer receive free or reduced price meals*
- The full USDA Nondiscrimination Statement

- The types of acceptable information that may be provided to confirm current income, including pay stubs, award letters from assistance agencies for benefits such as social security or SSI, and support payment decrees from courts;
- Proof that a child or any household member is receiving benefits under Assistance Programs instead of providing income information or that a child is Other Source Categorically Eligible; that documentation of income or receipt of assistance may be provided from any point in time between the month prior to application and the time the household is required to provide income documentation;
- Information must be provided by a date specified by the LEA and that failure to do so will result in termination of benefits;
- Name of determining official who can answer questions and provide assistance; and
 - The household must be able to contact the LEA or school official who can either assist them directly or who can refer the caller to a specific person for help
- A no-cost to the household telephone number

When the LEA uses agency records or direct verification to confirm eligibility, a letter informing the household of its selection for verification is not required, since the household will not have to provide documents.

Provide No-Cost to the Household Telephone Number for Assistance or Questions

For verification inquiries, the LEA must provide a telephone number that is available at no cost to the household. The LEA may establish a toll-free number or allow the household to reverse the charges if any household in that LEA are outside the local calling area. The LEA may also provide different telephone numbers for each local calling area within the LEA.

Verification Notification Letter Templates & Other Resources

Additional Resources are posted on the CANS Memos website:

<http://doe.sd.gov/cans/memos.aspx>

Letter Templates: Available for use in verification activities available templates include:

- Letter to Household-Notification of Verification
- Letter Household may have Assistance Program Office Complete
- Letter Household may have Employer Complete
- Letter Household may have SNAP Office Complete
- Letter Household may have Social Security Office Complete
- Letter to Assistance Program
- Letter to Household-Notification of Adverse Action
- Letter to Household-Notification of Continued Benefits
- Verification Tracker Form (Optional)

- Documenting your school’s verification process is required. We have provided an *optional* tracking worksheet to track your progress with each application pulled for verification. Please attach one worksheet to each application. If you use this, do not send the form to CANS; keep it on file with the verified applications.
- Acronyms and Definitions: Contains a list of terms commonly used in Verification.
- Expanded Instructions: Expanded instructions for completing FNS 742 Verification Collection Report.

Written Evidence

Written evidence is the primary source of eligibility confirmation for all households, including TANF, FDPIR, Other Source Categorical Eligibility Programs, and foster child households. Written evidence is most often pay stubs from employers or award letters from welfare departments or other government agencies submitted to the verifying officials as confirmation of eligibility.

Acceptable written evidence for **income eligible households** contains the name of the household member, amount of income received, frequency received, and the date the income was received. For example, a pay stub with no dates would be insufficient.

Acceptable written evidence for **children who are receiving benefits from an Assistance Program** is an official letter or notice indicating that the child or any household member is receiving benefits from that program. For example, a notice of eligibility is sufficient.

Follow-up Activities for Non-response

The LEA must make *at least one follow-up attempt* to contact the household when the household does not adequately respond to the request for verification. The required follow-up attempt may be in writing (including to the parent or guardian’s e-mail) or by telephone or text message and the LEA must document that a contact was attempted. LEAs must ensure the Limited English Proficiency households are provided adequate language assistance and understand the need to respond to the verification request.

- The LEA must inform the household that failure to provide adequate written evidence or to designate an adequate collateral contact will result in termination of benefits (see Eligibility Manual Chapter 6 for more information on collateral contacts)
- The follow-up contact must attempt to obtain the missing written evidence or obtain collateral contact information
- If the collateral contact is unwilling or unable to provide the requested information, the LEA must contact the household to complete the verification process

The LEA must make a follow-up attempt when the household:

- Does not respond to the initial request for verification;
- Submits insufficient or obsolete written evidence;

- Does not designate collateral contacts; and
- Collateral contacts are unable or unwilling to provide the requested evidence

If, after at least one follow-up attempt, the household responds and provides all needed evidence, verification is considered complete for this household:

- If there is no change in benefits; or
- When the household is notified that its benefits will be increased; or
- When notice of adverse action is sent

If the household does not respond, verification is considered complete for this household when notice of adverse action is sent.

If, after at least one follow-up attempt, the LEA is unable to continue its verification activities because the household fails to provide adequate written evidence or knowledgeable collateral contacts, verification is considered complete for this household when the notice of adverse action is sent.

LEAs are encouraged but not required to conduct additional follow-up attempts if a household fails to provide adequate documentation after the required follow-up. If the household does not respond or fails to provide adequate documentation after the required follow-up and, if applicable, additional follow-ups, verification is considered complete for the household when notice of adverse action is sent.

When a household tells you they will not respond to verification:

If a family selected for verification verbally tells you that they are no longer eligible and do not intend to submit documentation, that is considered a response. Please confirm with the family that they understand that failure to submit the required documentation will result in the termination of free or reduced price benefits.

Document this conversation and response in your verification files; include whom the conversation was with and the date of the conversation. Verification is considered complete when the notice of adverse action is sent.

When Verification is Considered Complete

The following demonstrates how an LEA determines whether or not the household adequately responded and whether follow-up is required.

- The household submits either adequate written evidence or collateral contact corroboration of income or categorical eligibility: verification is considered complete for this household
- The household submits either adequate written evidence or collateral contact corroboration of income which indicates that the children should receive either a greater or lesser level of benefits: verification is considered complete for this

household when the household is notified that its benefits will be increased or decreased and the notice of adverse action is sent

- The household indicates, verbally or in writing, that it no longer wishes to receive free or reduced price benefits: verification is considered complete when the notice of adverse action is sent
- The application provided case numbers and it is determined that no household member is receiving benefits from an Assistance Program: verification is considered complete when the notice of adverse action is sent

Making Substitutions in the Verification Sample

After completing the confirmation reviews, the LEA may, on a case-by-case basis, replace up to 5% of applications selected. Applications may be replaced when the LEA believes that the household would be unable to satisfactorily respond to the verification request.

Any application removed must be replaced with another approved application selected on the same basis, that is, an error-prone application must be substituted for a withdrawn error-prone application. The newly selected application must then have confirmation review.

When an application is selected for verification and, prior to hearing back from the household in question, that household is found on a direct certification list, the application does not have to be replaced in the verification sample pool.

Questions and Answers

1. **What is verification for the school meals programs?**

Verification is confirmation of eligibility for free and reduced price school meals. Verification is only required when eligibility is determined through the application process, not through direct certification conducted with an Assistance Program or with agencies or officials who documented Other Source Categorical Eligibility.

Verification must include confirmation of either income eligibility; or that the child or any member of the household is receiving assistance under SNAP, FDPIR, or TANF; or that the child is Other Source Categorically Eligible.

Verification may also include confirmation of any other information required on the application, such as household size.

2. **How do State agencies report verification information?**

State agencies will submit a consolidated electronic file to FNS that transmits the required verification information for each LEA under its administration. The State Agency will analyze the consolidated data, determine if there are potential problems, and formulate corrective actions and technical assistance activities that will support the objective of certifying only those children eligible for free or reduced price meals. The

availability of this information at the State level will permit State agencies to target more rigorous oversight activities to LEAs whose verification activities result in high termination rates.

3. **What information regarding the verification process should be kept?**

All verified applications must be readily retrievable and include all documents sent to and submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official that indicate which documents were submitted by the household and the date of submission. It is acceptable to have the documents stored using the school filing system and have, for example, a computerized list that can be sorted to determine location of applications and their supporting documents for easy retrieval.

Part §245.6a(h) requires LEAs to retain copies of the information reported and all supporting documents. In addition, original documents or copies of all relevant correspondence between the household selected for verification and the school or LEA must be retained.

REMINDER: As with all applications, the information gathered is confidential and only the few persons directly involved with the verification process should have access to the information. All information is required to be kept confidential and in a secure location.

4. **How is *lowered non-response rate* defined?** (Eligibility Manual Chapter 6)

Any LEA may use an alternate sample size for any school year when its non-response rate for the preceding school year is less than 20 percent.

- For example, for SY 2015-2016, the LEA could have elected to use one of the alternate sample sizes because in SY 2014-2015, the LEA's non-response rate was 18 percent.
- **The State agency will send an email notification early in the new school year to the LEA when a standard sample size must be used by the LEA.**

5. **What is an *independent review of applications*?**

Beginning in SY 2014-15, LEAs designated by the State agency as demonstrating high levels of, or a high risk for, administrative error associated with certification and benefit issuance are required to conduct a second review of applications. (See Eligibility Manual Chapter 3: Processing Applications: Independent Review of Applications for more information).

A second review of applications requires a re-evaluation of the eligibility determination made by the original determining official, based on the information provided by the household on the application. The second review must determine whether the application is complete with:

- Signature of an adult household member;

- Last four digits of a social security number or an indication of “none;”
- Names of all household members, including the children for whom the application is made; and
- Identification of:
 - Income amount received by each household member, identified by the individual who receives it
 - Applicable Assistance Program and program case number, for applications based on categorical eligibility with an Assistance Program
 - The application program, for applications based on Other Source Categorical Eligibility

The second review must also confirm that the application was correctly approved based on current income eligibility information, as applicable, and that the master list or roster of children’s names correctly records their eligibility.

The second review of applications must be completed before the household is notified of eligibility and must not result in the delay of an eligibility determination. LEAs required to conduct a second review of applications are still required to notify households of the child’s eligibility determination within 10 operating days of receiving the application. See *SP 44-2014: Questions and Answers Related to the Independent Review of Applications*.

6. Why should high non-response rates trigger more rigorous oversight activities?

A high non-response rate resulting from verification activities is one indicator that there could be an underlying problem with the LEAs certification actions such as a need for making additional foreign language materials available or the need to use direct certification more fully.

7. What are ameliorative actions?

Ameliorative means to make better or to improve. *Ameliorative actions* are those efforts undertaken by the State Agency in LEAs where there were high non-response rates, such as additional technical assistance or corrective action steps. The determination of what constitutes appropriate ameliorative actions is made by the State Agency based on factors developed by the State Agency such as a statewide comparison. The corrective action and technical assistance required by this rulemaking is not directed toward the verification termination rate per se, but rather toward other issues. That may include ensuring that LEAs are using direct certification to its fullest, providing appropriate translations for any Limited English Proficiency (LEP) populations, providing appropriate follow-up to households when there is no response to a verification request, and/or addressing defective certification or verification practices and procedures.

8. What if a family reapplies after a reduction or termination of benefits?

Households affected by a reduction or termination of benefits may reapply for benefits at any time during the school year. However, if benefits to a household have been

terminated because of failure to complete the verification or verification for cause process and the household reapplies in the same school year, the household is required to submit income documentation or proof of participation in Assistance Programs at the time of reapplication. These are not considered new applications.

9. How do you report students who reapplied and were re-approved for benefits after being terminated for non-response?

Students from families who were terminated from the benefits due to not responding and then later reapplied and were re-approved for benefits after being terminated for non-response cannot be counted as having responded. They are reported in section 5-8, line 4, "Did not respond, changed to paid" on the Verification Form 742.

10. What income thresholds are used for selecting error-prone applications when the income is weekly, biweekly, or bimonthly?

Applications with income within \$1200 of the annual limit or \$100 of the monthly limit for free or reduced price meals. The equivalent thresholds for weekly, biweekly, and twice monthly incomes are determined by dividing the annual limit by the number of times per year the income is received. Therefore, the thresholds would be \$23.08 for weekly income ($\$1200/52$), \$43.16 for bi-weekly income ($\$1200/26$), and \$50 for twice-monthly income ($\$1200/24$). For simplicity, an LEA may use rounded thresholds of \$24 for weekly income and \$44 for bi-weekly income when selecting error-prone applications. LEAs may not round the calculated thresholds down because that would exclude applications that the statute defines as error prone.

11. What if an application is selected for verification, but the household transfers out of the school district before the information can be verified?

If a household selected for verification transfers out of a school district before the information can be verified, verification cannot be completed. To meet the minimum verification requirements, a new application must be selected.

12. What if an application is selected for verification and the house hold is found on the direct certification list before the household responds to the verification request?

When an application is selected for verification and, prior to hearing back from the household in question, that household is found on a direct certification list, the application does not have to be replaced in the verification sample pool.