

Administrative Review Manual

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



U.S. Department of Agriculture
Food and Nutrition Service
School Meal Programs

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Table of Contents

Introduction to the Administrative Review	7
Overview of the Administrative Review Manual.....	8
Overview of the Administrative Review Process.....	11
Section I: Pre-visit Procedures	20
Section II: Meal Access and Reimbursement	27
Module: Certification and Benefit Issuance.....	28
Module: Verification	49
Module: Meal Counting and Claiming.....	57
Section III: Meal Pattern and Nutritional Quality	66
Module: Meal Components and Quantities.....	67
Module: Offer versus Serve	83
Module: Dietary Specifications and Nutrient Analysis.....	91
Addendum: Certifying a School Food Authority for Performance-Based Reimbursement During an Administrative Review	108
Section IV: Resource Management.....	111
Module: Risk Assessment for Resource Management	112
Module: Comprehensive Review – Maintenance of the Nonprofit School Food Service Account	Error! Bookmark not defined.
Module: Comprehensive Review — Paid Lunch Equity	Error! Bookmark not defined.
Module: Comprehensive Review — Revenue from Nonprogram Foods.....	Error! Bookmark not defined.
Module: Comprehensive Review — Indirect Costs.....	Error! Bookmark not defined.
Section V: General Program Compliance.....	145
Module: General Area — Civil Rights	146
Module: General Area — SFA On-site Monitoring.....	156
Module: General Area — Local School Wellness Policy and School Meal Environment	159
Module: Smart Snacks in School (All Foods and Beverages Sold in School).....	165
Module: General Area — Professional Standards	169
Module: General Area — Water Availability	175
Module: General Area — Food Safety, Storage, and Buy American.....	178

Module: General Area — Reporting and Recordkeeping	190
Module: General Area — SBP and SFSP Outreach	193
Section VI: Other Federal Program Reviews	196
Module: The NSLP Afterschool Snack Service	197
Module: Seamless Summer Option	202
Module: Fresh Fruit and Vegetable Program	211
Module: Special Milk Program.....	217
Section VII: Post-Review Procedures	220
Module: Administrative Review Exit Conference	221
Module: Administrative Review Report.....	223
Module: Documented Corrective Action.....	226
Section VIII: Fiscal Action	228
Module: Overview of Fiscal Action	229
Module: Fiscal Action Formula	240
Module: Withholding Payments	255
Module: Overpayment Disregard	258
Module: Letter of Claim Adjustment and/or Withholding of Payment Including Notice of Appeal.....	259
Section IX: Special Provision Options	260
Module: Special Provision Options 1, 2, and 3.....	261
Module: Community Eligibility Provision.....	275
Section X: Resources.....	285
Glossary of Terms.....	289
Authorities.....	304

Administrative Review Manual – Forms, Tools, Worksheets

1. Off-site Assessment Tool
2. On-site Assessment Tool
3. Site Selection Worksheet
4. Statistical Sample Generator
5. Meal Compliance Risk Assessment Tool
6. Dietary Specifications Assessment Tool
7. Nutrient Analysis and Validation Checklist
8. Nutrient Analysis Protocols
9. Resource Management Comprehensive Review Form
10. Resource Management Risk Indicator Tool
11. Fiscal Action Workbook
12. Non-reimbursable Meal Allocation Form
13. School Data and Meal Pattern Error Form (S-1)
14. Other Meal Claim Errors (S-2)
15. Eligibility Certification and Benefit Issuance Error Worksheet (SFA-1)
16. Other Eligibility Certification and Benefit Issuance Errors Worksheet (SFA-2)
17. SFA Data Summary Form (SFA-3)
18. Special Provisions Non-Base Year and CEP Claiming Percentage/Funding Level Summary Form (SFA-1A)
19. Community Eligibility Provision ISP and Claiming Percentage Validation Worksheet (SFA-2A)
20. Seamless Summer Option School Data and Meal Pattern Error Form (SSO S-1)
21. Seamless Summer Option Eligibility Certification Form (SSO S-2)
22. Supplemental Seamless Summer Option Administrative Review Form
23. Supplemental Afterschool Snacks Administrative Review Form
24. Supplemental Special Milk Program Administrative Review Form
25. Infant and Pre-K Meal Pattern On-Site Validation Checklist

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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 has provided 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, however, they are not required to do so. State agencies have the discretion to conduct procurement reviews on an alternate cycle. The alternate cycle may be longer than the current three-year cycle requirement. The three-year review requirement at 7 CFR 210.19 (a)(5) for SFAs that contract with food service management companies, must be maintained even if the State agency has an Administrative Review waiver and is operating under a four or five-year cycle for Administrative Reviews.

State agencies 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
<i>Section II: Meal Access and Reimbursement (Critical Area – Performance Standard 1)</i>	
100	Certification and Benefit Issuance
200	Verification
300	Meal Counting and Claiming
<i>Section III: Meal Pattern and Nutritional Quality (Critical Area – Performance Standard 2)</i>	
400	Meal Components and Quantities
500	Offer versus Serve
600	Dietary Specifications and Nutrient Analysis
<i>Section IV: Resource Management (General Areas)</i>	
700	Resource Management
<i>Section V: General Program Compliance (General Areas)</i>	
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
<i>Section VI: Other Federal Program Reviews (Critical and General Areas)</i>	
1700	The NSLP Afterschool Snack Service
1800	Seamless Summer Option
1900	Fresh Fruit and Vegetable Program
2000	Special Milk Program
<i>Section VII: Post-Review Procedures</i>	
No related forms	
<i>Section VIII: Fiscal Action</i>	
Forms have separate numbering system	
<i>Section IX: Special Provision Options</i>	
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 2018-2019. 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 to learn if the SFA must receive a comprehensive review of any Resource Management area. This 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 off-site prior to the review of Resource Management 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, the SA 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 or last audited school year (Resource Management (RM) review period). The State agency may choose to assess an

SFA's financial data for the current school year when reviewing the Paid Lunch Equity and/or Revenue from Nonprogram Foods. The State agency must indicate in each of the Resource Management review forms which review period the SFA is monitoring for each of the Resource Management review areas.

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 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 school food service 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., Pre-K-12 schools)
- Schools participating in Fresh Fruit and Vegetable Program, The NSLP Afterschool Snack Service, 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

Some SFAs have a combination of Special Provision Option sites and standard meal counting and claiming sites. In these situations, if all of the sites selected for review are Special Provision Option sites, the SA must replace at least one Special Provision Option site with a standard meal counting and claiming site. If the SFA operates a combination of Special Provision Option sites and standard meal counting and claiming sites, and only one site must be reviewed, the SA must conduct an Administrative Review for the standard meal counting and claiming site. 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

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 levels.

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.

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.

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 also require the SA to assess how unit(s) of the LEA, beyond 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 students certified as free or reduced price 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 certified 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 students certified for free or reduced price meals 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 (the household size and income used), and update the status of applications to account for transfers, withdrawals, benefit terminations, and other changes.

If one benefit issuance document is maintained at the SFA with the names of students certified 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 students certified for free and reduced price meals for review. The SA may elect to review either:

- All students certified for free and reduced price meals on the point-of-service benefit issuance documents for all schools in the SFA; or
- A statistically valid sample of all students certified for free and reduced price meals 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		Total # of students certified for free or reduced price benefits	SAMPLE SIZE	
	95%	99%		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 certified 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 meals. 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 <i>(Universe)</i>	B. Sample Size <i>(from table above)</i>	C. Sample Interval <i>(A / B)</i>	D. Random Starting Point <i>(First Student)</i>

- 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.
 - For example: If the start point (or Column D) is five and the interval (or Column C) is ten,, begin with the fifth student from the point-of-service benefit issuance document for students certified for free and reduced price meals. Select.S subsequent students at intervals of ten, for example: 5, 15, 25, 35, etc.
5. 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 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: 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 Manual for School Meals*.
- 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 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. The reviewer will enter the results of the certification and benefit issuance review on the SFA-1 and then transfer the totals to the SFA-3 Sections 4D and 4 E. These are the numbers that will be entered into the *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 as free that should be claimed at the reduced price
 - Meals claimed as free that should be paid
 - Meals claimed as reduced price that should be claimed free
 - Meals claimed as reduced price that should be paid
 - Meals claimed as paid that should be free or reduced price

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 Memorandum 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
- Instructions on how to 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 the 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 Manual for School Meals*. 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.

Consistent with 7 CFR 210.18(l)(1) fiscal action, when part of corrective action, is applied SFA-wide. This is because the certification and benefit issuance review assesses compliance at the SFA level and not just at the reviewed schools. This ensures program integrity by assessing fiscal action for certification errors at all sites, as well as for systemic errors within the entire SFA. The memorandum *Additional Guidance for the Implementation of the Administrative Reviews in School Nutrition Programs Final Rule* (SP 56-2016) outlines the different ways that the State agencies can use the Administrative Review Fiscal Action Workbook to assess fiscal action SFA-wide. FNS has allowed State agencies flexibility in their approach to system-wide fiscal action. Information related to fiscal action and the flexibility offered is found in Section VIII, Fiscal Action, of this manual.

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:

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 SY2013-2014. 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 reimbursements, must be corrected.). Any corrections to the Free, Reduced, and/or Paid percentages/funding levels are required to be 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 base year review corrects previous SFA/site meal counts. 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.

Information related to Base Year Review of Special Provision 2 and 3 fiscal action is found in Section VIII, *Fiscal Action*, of this manual.

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 via direct certification through documented participation in an eligible Assistance Program or through a documented Other Source Categorical Eligibility designation 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)*, and/or 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... <i>(All timeframes should be adjusted to State timelines and reporting requirements)</i>	How to Complete Verification Review
<i>A timeframe prior to the completion of verification and the submission of the Verification Collection Report (FNS 742) for the current school year.</i>	<ul style="list-style-type: none"> • 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).
<i>A timeframe that falls before the Verification Collection Report (FNS 742) for the current school year has been submitted to the SASA but after verification has been completed by the SFA.</i>	<ul style="list-style-type: none"> • 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).
<i>A timeframe after the current school year Verification Collection Report (FNS 742) has been submitted.</i>	<ul style="list-style-type: none"> • 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 and/or
- 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

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.

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 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

This module also covers the requirement of SFAs to have a local meal charge policy. **As of July 1, 2017**, all SFAs operating the NSLP and/or SBP must have in place a written local meal charge policy to address situations when children participating at the reduced price or paid rate do not have funds to pay for their meal at the time of the meal service. The policy must be communicated to all households with children attending the SFA and all school or SFA-level

staff members responsible for the local meal charge policy's enforcement. State agencies and SFAs retain the authority to establish the specifics of their policies based on local conditions. For additional information, see *Unpaid Meal Charges: Local Charge Policy Requirement (SP 46-2016)* and *Unpaid Meal Charges: Guidance and Q&A (SP 23-2017)*.

The requirement to have a local meal charge policy falls under the General Areas of the Administrative Review.

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
- SAs are expected to assess the local meal charge policy requirement compliance off-site through the *Off-site Assessment Tool*. SAs are expected to:
 - Review a copy of the SFA’s current local meal charge policy
 - Review documentation demonstrating the local meal charge policy was communicated to all households at the start of the school year, and to all households that transfer into the SFA during the school year
 - Review documentation demonstrating the local meal charge policy was communicated to all school or SFA-level staff responsible for policy enforcement.

Note: SAs are not responsible for evaluating the content or quality of the SFA’s local meal charge policy. The SA is only responsible for confirming that the SFA has a written charge policy in place, and that the SFA meets the policy communication requirements outlined above. FNS will assist SFAs in the transition to meeting this new requirement by focusing on technical assistance during the Administrative Review during the first year that the local meal charge policy requirements are in place.

On-site Review Procedures

The SA’s on-site portion of the Administrative Review consists of conducting interviews with SFA staff, observing the meal service, examining documentation that supports the Claim for Reimbursement, 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. Documentation to support the Claim for Reimbursement includes internal edit checks and (as necessary) signed documentation from a State licensed healthcare professional to support meal modifications for children with disabilities, when the modified meal does not

meet the Program meal pattern. See the Memorandum, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs (SP 59-2016)* for more information.

The on-site portion of the Administrative Review examines both the day of review and the 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 day of review and the review period.

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, modified meals that do not meet the meal pattern for students with disabilities, 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.

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, including infants and preschoolers, in a single location, and if school age children are using self-service stations.

Review Procedures

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.

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, manufacturer's Product Formulation Statement (PFS)) for the school week under review. SFAs must also provide supporting documentation for modified meals served to students with

disabilities when the modifications do not meet the Program meal pattern requirements. Such meals are only eligible for Federal reimbursement when supported by a medical statement signed by a State licensed healthcare professional. The requirements for the medical statement are outlined in Memorandum, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs (SP 59-2016)* and *Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs (SP 32 CACFP 13 SFSP 15-2015)*.

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 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, manufacturer's product formulation statements, CN labels, and bid documentation — to ensure meal pattern compliance.

The SA may also consult the Food Buying Guide (FBG). Foods listed in the Food Buying Guide are not required to have a CN Label or a manufacturer's product formulation statement. The information in the FBG may be used to document how a food item credits. The SFA should document and provide the SA a copy of the FBG information that was used to determine the crediting.

If an SFA provides a CN label for crediting of meal components and quantities the SA must not request additional crediting information such as a manufacturer's product formulation statement. However, a CN Label may only provide information on how the product contributes

towards meal pattern requirements, but may not provide nutrient information. Therefore, State agencies may need to request nutrient information, separately from a CN label, for the nutrient analysis in other areas of the review.

Note: CN Labels copied with a watermark may also be used to document meal components and quantities. The watermarked CN Label must be attached to the Bill of Lading or invoice to show proof of purchase. For additional guidance please refer to Memorandum, *Administrative Review Process Regarding the Child Nutrition (CN) Label, Watermarked CN Label and Manufacturer's Product Formulation Statement* (SP27-2015; CACFP09-2015; SFSP12-2015).

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 a manufacturer's 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. If documentation is not available the SA must provide technical assistance and require corrective action, which may include ensuring that documentation requirements are met in order to confirm that all items are creditable.

There is a distinct Menu Worksheet for each age/grade group, and there are 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;
- 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); and
- As needed, records to support meal modifications outside the Program meal pattern for students with disabilities. Such meals are only eligible for reimbursement when supported by a medical statement signed by a State licensed healthcare professional.

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;
- ensure that signage is posted and students know how to select a reimbursable meal; and
- if the school reviewed has a preschool and /or infant meal program and they are not co-mingled (not being served in the same service area as K-5 students), complete the Infant and Pre-K Meal Pattern On Site Validation Checklist included with this manual. If they are co-mingled (served in the same service area) there is no need to complete the checklist. The Pre-K and Infant meal pattern updates are part of the Child and Adult Care Food Program: Meal Pattern Revisions Related to the Healthy, Hunger-Free Kids Act of 2010.

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, manufacturer's Product Formulation Statement) for the school week under review and complete the Menu Worksheet (or require the SFA to complete the Menu Worksheet). SAs must also examine supporting documentation for modified meals served to children with disabilities when the modifications do not meet Program meal pattern requirements. Such meals are only eligible for Federal reimbursement when supported by a medical statement signed by a State licensed healthcare professional. The requirements for the

medical statement are outlined in Memorandums, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs* (SP 59-2016) and *Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs* (SP 32 CACFP 13 SFSP 15-2015).

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 including Pre-K are being served in the same service area, the SA must determine how the meal service is structured to meet meal pattern requirements for each age/grade group. When preschoolers are being served in the same service area as K-5 students, the SA may use the flexibility to offer a single menu for those co-mingled grades, refer to *Flexibility for Co-Mingled Preschool Meals: Questions and Answers* (SP 37-2017). Additionally, if visual observation suggests that quantities offered are insufficient, the SA 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.

Please note that students with disabilities may require meal components and quantities that differ from the Program meal patterns. These meals are only eligible for reimbursement when the modification is supported by a medical statement signed by a State licensed healthcare

professional. For more information, see Memorandum, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs* (SP 59-2016).

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.

Note: SAs should refer to information regarding the meal pattern flexibilities that are allowed for and found in the Memorandum School Meal Flexibilities for School Year 2017-2018 (SP-32-2017) and to the Updated Preschool Meal Pattern in 7 CFR 220.26 when reviewing this area.

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.

Note: For SY 2018-2019, flavored or unflavored fat-free/low-fat milk is allowed without the need to demonstrate hardship.

If any milk substitutions are made for non-disability reasons, in order for the meals to be eligible for Federal reimbursement, the SA must ensure the substitutions meet substitutions meet FNS nutrient requirements, as outlined at 7 CFR 210.10(d)(3). Because the Nutrition Facts Label may not list all of the required nutrients, the school food service may

need to request documentation from the product manufacturer to confirm the presence of all required nutrients at the proper levels, and must maintain this documentation for review. For additional information, refer to 7 CFR 210.10(d) and 7 CFR 210.10(m); FNS Instructions 783-7, *Milk Requirement-Child Nutrition Programs* (revised, issued January 24, 1995); 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.

The nutrient requirements for fluid milk substitutions do not apply to cases of disability. SFAs will receive reimbursement for meals that substitute fluid milk products that do not meet the nutrient requirements, provided the substitution is supported by a written medical statement signed by a State licensed healthcare professional. See FNS Memorandum SP 59-2016, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs* and FNS Memorandum SP 32-2015, *Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs*.

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 food component in a reimbursable meal 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 FNS Memorandum 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 FNS Memorandum SP 30-2012, *Grain Requirements for the National School Lunch Program and School Breakfast Program* and the *Whole Grain Resource for the National School Lunch and School Breakfast Programs*, available on FNS PartnerWeb.

Note: Based on Section 747(a) of the Appropriations Act, for SY 2017-2018, SAs may offer exemptions from the whole grain-rich requirements in the NSLP and SBP if an SFA can demonstrate hardship(s) in procuring, preparing, or serving compliant whole grain-rich products that are accepted by students.

SFAs that receive an exemption are considered compliant with the whole grain-rich requirements during an Administrative Review if the grain offerings are consistent with the exemption granted by the SA and at least half of the grains offered weekly are whole grain-rich. However, at a minimum, SFAs must comply with the SY 2013-2014 requirement to offer at least half of the grains which meet the whole grain-rich criteria. For additional information, see [SP 32-2017, School Meal Flexibilities for School Year 2017-2018](#).

Menu Substitutions

SFAs are encouraged to consider cultural, religious, and ethical preferences when planning and preparing meals. Accommodating student preferences helps to maintain participation in the NSLP and SBP. Variations, whether on an experimental or continuing basis, must be consistent with the food and nutrition requirements specified in Program regulations (7 CFR 210.10 and 7 CFR 220.8) in order for the meals to be eligible for reimbursement. 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 as long as the daily and weekly requirements are met.

Accommodations for Children with Disabilities

SFAs must comply with USDA regulations regarding nondiscrimination at 7 CFR Parts 15, 15a, and 15b. This includes ensuring children with disabilities have an equal opportunity to benefit from the NSLP and SBP. Certain physical or mental impairments require meal modifications that do not follow the required Program meal pattern. Meal modifications outside the meal pattern are reimbursable, provided the request is supported by a medical statement signed by a State licensed healthcare professional. If a meal modification for a child's disability can be made within the meal pattern requirements, FNS does not require a medical statement. See FNS Memorandum SP 59-2016, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs* and 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(OVS) and Family Style Meal Service* and FNS Instruction 783-9, rev 2, *Family Style Meal Service in the Child and Adult Care Food Program*. When reviewing a preschool, please note that FNS does not allow OVS for preschoolers, rather it encourages Family Style Meal Service.

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 FBG. FNS Memorandum 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 school food service 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 FNS Memorandum SP 54-2014, *Administrative Reviews and Certification for Performance-Based Reimbursement in SY 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 SFAs to accept documentation such as invoices and/or food inventory tracking records as acceptable documentation in recreating missing production records. SFAs 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. This only applies to the K-5 6-8, and 9-12 meal patterns since preschools implementing the updated Pre-K meal pattern are following new requirements. If an unallowable milk type is offered in preschool, they must be provided technical assistance (rather than fiscal action).
- 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 grain foods containing more than 2% non-creditable grains 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 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 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.

Note: Whole grain-rich errors will only be cited as a missing meal component if no grain components were offered at all during the period of time being reviewed.

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 SY 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. Offer versus Serve gives students more control over the foods they consume, and may help SFAs reduce plate waste and improve student’s perceptions of the NSLP and SBP. . At the high school level, Offer versus Serve is required in the NSLP and optional in the SBP. At the elementary and middle school levels, Offer versus Serve is optional in both the NSLP and SBP. Offer versus Serve is encouraged for any site/meal service where it can be accommodated. Offer versus Serve is not appropriate for snack service or preschool age students. 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, and point-of-service staff must ensure students select enough components/items to make a reimbursable meal.

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

- The school offers the appropriate food components/items on all reimbursable meal service lines;
 - Five food components (milk, fruits, vegetables, grains, and meats/meat alternates) in the NSLP.
 - Four food items from three food components (milk, fruits, and grains) in the SBP.
- 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 three food items (in SBP) in the proper quantities to make a reimbursable meal;

- Students select - at least a ½ cup of fruit and/or vegetable as part of their food components/items; and
- Food service staff members at the point-of-service are trained and accurately recognize a reimbursable meal, including appropriate quantities.

It is essential that food service staff understand the importance of offering all of the food required by the meal patterns to all students. As it is not enough to have the food available to students stored away in a cooler, for example, as a strategy to reduce plate waste, in the event a student asks for the meal components or food items. Not offering all of the components to each child directly conflicts with the Offer versus Serve requirements.

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.

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 Offer versus Serve implementation is difficult (e.g., pre-packaged lunches in high schools, and alternate meal service locations). When implementation of the Offer versus Serve requirement becomes difficult in high schools such as on field trips, the SA must approve the alternate service method. 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

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

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 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 required for a reimbursable meal
- Staff properly distinguish reimbursable meals from a la carte purchases
- Students understand how to select a reimbursable meal, and understand they can select more than the minimum number of food components and items required for a reimbursable meal (i.e., students can select all five food components that are offered at lunch)
- 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.
- SFAs that participate in Offer versus Serve ensure all required food components/items are made available to all children.
- SFAs cannot accommodate a child's disability by simply asking the child to exclude a food component/item from their selection. Children with disabilities must have the same opportunity to select all required food components/items

Step 2: Observe During the Meal Service

During the meal service observation, the SA must:

- Determine whether the school offers the appropriate food components/items on all reimbursable meal service lines:
 - Five food components (milk, fruits, vegetables, grains, and meats/meat alternates) in the NSLP
 - Four food items from three food components (milk, fruits, and grains) in the SBP
- Determine whether the meals selected by students contain a minimum of three food components (in the NSLP) or a minimum of three food items (in the SBP) as the students exit the meal service line
- Determine whether each reimbursable meal contains at least ½ cup of fruits and/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 know how to select a reimbursable meal under Offer versus Serve
- Determine whether food service staff/cashiers understand what constitutes a reimbursable meal in Offer versus Serve and that water does not count as one of the required components/food items

Fruit and Vegetable Requirements

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) for a meal to be reimbursable under Offer versus Serve.

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 must select the full amount (1 cup total) of at least one of the components (fruit or vegetable). An example is included in the text box to the right.

More details can be found in FNS Memorandum 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.

Alternate Meal Service Locations

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

Lunches Consumed Off-site

In high schools, Offer versus Serve can be omitted for lunches consumed off-site, such as on field trips, with approval from the SA. Meals served off-site must meet regular Program meal pattern requirements, outlined at 7 CFR 210.10(m) and 7 CFR 220.8(m). See FNS Instruction 786-8, *Reimbursement for Off-Site Meal Consumption*, for additional guidance.

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).

Non-reimbursable meals

Meals that contain fewer than three different food components (in the NSLP) or three food items (in the SBP) are not reimbursable under Offer versus Serve.

Under Offer versus Serve, meals with less than ½ cup of fruits and/or vegetables are not reimbursable. The SA must disallow/reclaim meals with less than ½ cup of fruits and/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/food items, or meals that do not include a ½ cup of fruit and/or vegetable, are recorded on Question 401.
- Meals that contain a fruit and/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 (in the NSLP) or at least three food items (in the SBP), in the required quantities, including at least ½ cup of a fruit and/or vegetable...

If areas of noncompliance 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 (in the NSLP) or three food items (in the SBP) (including ½ cup of fruit

and/or vegetable) but declines milk, and the cashier sends the student back to get milk, the cashier's action should be cited as an opportunity for technical assistance . Students are not required to select milk in Offer versus Serve.

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

If this error is not a one-time error, and determined systemic, training the SFA in Offer versus Serve should be included in the Corrective Action Plan. The SA must provide technical assistance to the SFA for food component/item 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 and/or vegetables. Other meal pattern errors are captured under the *Meal Components and Quantities* module. Meals that contain less than ½ cup fruits and/or 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) and 7 CFR 220.8(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 meal compliance 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 meal compliance 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

Either SA must conduct a targeted menu review, in accordance with one of the options described in Step 3, for the school determined to be at the highest risk. 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. The school operating the SBP only 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. Please note that infant and pre-k meals following the CACFP meal pattern are not included in the Dietary Specifications and a nutrient analysis is not required. In case of noncompliance they should be offered technical assistance. For others, 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 component and quantity 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 <i>Dietary Specifications Assessment Tool</i>
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 <i>Menu Planning Tools for Certification for Six Cent Reimbursement</i>	State must submit methodology to FNS for approval Approvals are granted to SAs			

Dietary Specifications Assessment Tool

The *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 the 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 pages outline the four options that the SA may select 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* (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*.
- Review of food storage on the day of the review to check labels.
- Evaluation of menus, production 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 Facts 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
- Information about how the products contribute toward meal pattern requirements (often in the form of a CN Label, CN Label copied with a watermark along with the Bill of Lading, or a manufacturer's Product Formulation Statement, but not all three documents)
- As needed, medical statements (signed by a State licensed healthcare professional) supporting meal modifications for children with disabilities, when modifications do not meet the Program meal pattern requirements ((Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal

Programs (SP 59-2016) and Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs (SP 32 CACFP 13 SFSP 15-2015)).

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
- Information about how the products contribute toward meal pattern requirements (often in the form of a CN Label or a product formulation statement, but not both.)
- As needed, medical statements (signed by a State licensed healthcare professional) supporting meal modifications for students with disabilities, when modifications do not meet the Program meal pattern requirements (*Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs (SP 59-2016)* and *Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs (SP 32 CACFP 13 SFSP 15-2015)*).

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 will remain 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 the meal service, and must 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: Under Section 747(b) of the Appropriations Act, Sodium Target 1 (as defined in 7 CFR 210.10(f)(3) and 220.9(f)(3)) remains in place for SY 2017-2018. Schools that meet Sodium Target 1 are in compliance with the regulatory sodium limits. For additional information, see [SP 32-2017, School Meal Flexibilities for School Year 2017-2018](#).

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. A minimal amount of naturally occurring *trans* fat — found in products such as beef, lamb, and dairy products made with whole milk — permitted. 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 in the product.

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 is provided and corrective action is required. 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 the corrective action — 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-*

Example:

Review period: March

Day of Review: April

Non-compliance with the 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).

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.

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 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 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 an SFA as eligible to receive the performance-based reimbursement.

Site Selection

To select review schools, SAs conducting certification during an 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., Pre-K, 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

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 FNS has chosen to use the word "expenditure" for consistency with Federal regulations. In all other areas of the Resource Management (RM) Section FNS has chosen to use the word "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 requirement 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. (7 CFR 210.14(f))

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. (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 200)

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 (RM) 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 a more in-depth review of specific resource management areas via the *Resource Management (RM) Comprehensive Review Form* to those SFAs that demonstrate an increased risk of potential noncompliance and/or noncompliance with resource management requirements.

Review Procedures

Using the Off-site Assessment Tool

Questions 700-712 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 SA must indicate in the *Off-site Assessment Tool* if the SFA should answer Q700-712 based on its financial management practices during the previous school year or the last audited school year (Resource Management (RM) Review Period). If sufficient financial data is available, the State agency may choose to examine financial documentation from the current school year when assessing an SFA’s compliance with the Paid Lunch Equity and/or Revenue from Nonprogram Foods rather than data from the previous or last audited

school year. State agencies have the discretion to establish deadlines with their SFAs for the collection of the resource management information in the *Off-site Assessment Tool* so that the SFA may receive a risk assessment in a timely manner. 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. In addition to securing SFA answers to Q700-712 in the *Off-site Assessment Tool*, the State agency may require SFAs to provide detailed comments in the Tool and/or documentation supporting its answers. 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.

The information derived from the *Off-site Assessment Tool* will be added into the *Resource Management Risk Indicator Tool* by the SA.

Using the Resource Management Risk Indicator Tool

The Resource Management Risk Indicator Tool

identifies which SFAs need further review or are at risk for noncompliance in the resource management areas.

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). 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. After the SFA completes the *Off-site Assessment Tool* and provides its information to the SA, the SA must indicate on the *Resource Management Risk Indicator Tool* the review periods it is assessing for each resource management area and transfer the SFA's answers into the

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.

Resource Management Risk Indicator Tool by selecting the appropriate answer in the drop down menu provided with each question to determine if a further comprehensive review is necessary in any of the RM areas. If a comprehensive review of a RM area is needed, the *Resource Management Risk Indicator Tool* will assess a “risk indicator” based on the SFA’s answer to the RM question. 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. While the *Resource Management Risk Indicator Tool* is designed to assess potential risk, it is not intended to be a comprehensive evaluation. Additional evaluation may be required to determine whether problems actually exist. As a best practice, State agencies are encouraged to utilize SFA comments included in the *Off-site Assessment Tool*, additional SFA financial data that may be collected, FNS or State agency tools the SFA may complete (PLE Tool, Nonprogram Foods Revenue Tool), and/or other financial documentation to validate the SFA’s answers in the *Off-site Assessment Tool* prior to the SA completing the *Resource Management Risk Indicator Tool* on behalf of SFAs receiving an Administrative Review. Follow up and validation is also strongly encouraged for SFAs that have a history of financial mismanagement and/or for SFAs whose answer(s) changed significantly from their last Resource Management review to the current review. For instance, a State agency should ensure that an SFA receiving an Administrative Review understood Q706-708 if the SFA charged far below the target weighted average paid lunch price during its previous AR but indicates in the *Off-site Assessment Tool* for its current review that it charged the target weighted average paid lunch price at all sites. Similarly, for question 709 follow up by the State agency should occur if, for instance, the SFA sold a wide array of nonprogram food items during its previous administrative review but indicates in the *Off-site Assessment Tool* that it doesn’t sell any nonprogram foods during a subsequent administrative review. Further, if the SA has concerns that the SFA may not have answered the RM questions in the *Off-site Assessment Tool* accurately or if an on-site administrative reviewer observes that answers provided by the SFA were inaccurate (e.g, the SFA indicated in its *Off-site Assessment Tool* that it didn’t sell adult meals but an on-site reviewer observing the SFA’s meal service sees adult meals being served to teachers), the State agency should follow up with the SFA to determine why the questions

weren't answered appropriately. The SA should not carry over the SFA's incorrect answer(s) into the *Resource Management Risk Indicator Tool* but instead include the correct answer(s) in the Tool, note why the SA's answer differs from the SFA's in the comments section(s) and assess the need for a RM comprehensive review accordingly. The SA has the discretion to conduct a comprehensive resource management review of any or all RM areas even if no risk indicators were triggered during the off-site assessment. If a SA has concerns about an SFA's financial management practices, FNS strongly encourages the SA to conduct a comprehensive review of one or more resource management areas.

Risk Assessment Procedures for On-site vs. Off-site Comprehensive Reviews

When resource management comprehensive reviews are conducted on-site, all resource management risk assessments must occur off-site prior to the SA's on-site review of resource management. The State agency has the discretion to determine how far in advance of an SFA's on-site review the SA reviewer must conduct the off-site resource management risk assessment.

The resource management risk assessment procedures are generally the same as above for SAs that conduct required RM comprehensive reviews off-site and those that conduct the reviews separately from the rest of the on-site Administrative Review. In these instances, however, the on-site Administrative Review does not include a comprehensive RM review since the review of this area is taking place at another time or off-site so it is not necessary to conduct the off-site RM risk assessment prior to the on-site review of the other Administrative Review areas. SAs must still gather information electronically, via hard copy or verbally from the SFA off-site to ensure they have the data they need to complete the *Resource Management Risk Indicator Tool* and determine if a comprehensive RM review of one or more of the four areas is necessary. If a comprehensive review of any area(s) is required, the State agency may conduct the review off-site.

All documentation, including invoices and other materials needed to conduct a comprehensive review of allowable costs, may be gathered and reviewed off-site. However, SAs 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.

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. 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 all of the four RM areas or if the *Resource Management Risk Indicator Tool* was not completed off-site by the SFA prior to the resource management review.

Using the Resource Management Comprehensive Review Form

The *Resource Management (RM) Comprehensive Review Form* should be used when conducting a comprehensive review of SFAs that receive one or more risk indicators within one of the four resource management areas. As previously noted, SAs may add questions to *the Resource Management Comprehensive Review Form* to take a closer look at specific SFA financial activities and to assess compliance with state laws and regulations pertaining to financial

management. The scope of the resource management comprehensive review is described in greater detail for each resource management area in the modules in this section. As indicated previously, any findings identified during the course of the resource management review, even if corrected by the SFA during the course of the RM review, must be followed up with corrective action and technical assistance for the entire RM review period (previous school year or last audited school year unless otherwise indicated) and current school year, if necessary. If needed, corrective action must include the SFA's adoption of internal controls to ensure noncompliance does not occur in the future. If noncompliance is identified during the RM review period, State agencies have discretion to examine financial documents from the current school year to determine if additional corrective action is necessary. Refer to the modules that follow for more information.

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 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 (e.g., July-September) in which an SFA's Administrative Review AR will occur. This should 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*. If necessary, SA financial management staff should also be included during the course of any resource management comprehensive review.

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. 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. Required corrective action and/or technical assistance must be recorded in the applicable comments sections in the *Off-site Assessment Tool*, *On-site Assessment Tool*, or *Resource Management Comprehensive Review Form*.

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 and 2 CFR 200.302, 2 CFR 200.303 and 2 CFR 200 Subpart E which pertain to internal controls and allowable costs.

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 allocable set forth in 2 CFR 200 Subpart E. 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; and
 - Revenues must not be used to purchase land and/or buildings, or to construct buildings, unless approved by FNS.
- Limit **net cash resources** to three months' average expenditures, or have a process or SA 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.

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 SFA's Statement of Revenues and Expenses, a balance sheet, general ledger, and/or other similar documents. The SA must assess the information in accordance with the guidance below.

Documents for the Resource Management comprehensive review should be taken from the Resource Management review period unless otherwise noted by the State agency

Nonprofit School Food Service Account and the Year End Available Balance:

The SFA must follow and document an annual process to identify revenue excess or shortfall . To monitor compliance, the SA should use the SFA's Statement of Revenues and Expenses (may also be called an Income Statement, P&L, etc.) for the RM Review Period to identify the following:

Fund Balance or Carryover + Total Revenues – Total Expenses = Revenue Shortfall or Excess

- *Step 1 — Total Nonprofit Food Service Revenues:* Determine the SFA's available revenues for the RM review period. 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 Revenues and Expenses, the general ledger, or other similar documentation. 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 Expenses:* Determine the SFA's total operating and nonoperating expenses incurred in the operation or improvement of the nonprofit food service during the RM review period. Operating expenses may include administrative expenses such as salaries, fringe benefits, professional services, cleaning, repairs, maintenance and depreciation. 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 — Year End Balance:* Calculate the SFA's year end balance using the values from Step 1 and Step 2:

Total Current Revenue (Step 1) - Total Current Expenses (Step 2) = Year End Balance (Step 3)

Once the State agency reviewer has calculated the SFA's year end balance, the State agency will determine if the SFA operated at a deficit, requiring a transfer of funds into the nonprofit school food service account. A transfer of funds to cover a revenue shortfall is allowable but could indicate the need for the SFA to better assess its food costs, identify ways to reduce food costs and/or labor, improve efforts to solicit student meal preferences to increase

participation, or other activities to generate more revenues and/or reduce costs for the food service.

Nonprofit School Food Service Account and Net Cash Resources

Net cash resources are defined under 7 CFR 210.2 as consisting of all monies, as determined in accordance with the State agency's accounting system, that are available to or have accrued to an SFA's nonprofit school food service at any given time, less cash payable. Net cash resources may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities. 7 CFR 210.14(b) requires SFAs to limit their net cash resources in its nonprofit school food service account to no more than three months' average expenditures.

In order to calculate the SFA's net cash resources, the reviewer should take the following steps:

Step 1a — Calculate net cash resources:

Using the SFA's year-end Balance Sheet (or comparable documentation) for the RM review period, subtract the SFA's current liabilities from its current assets (excluding inventories) to obtain the SFA's net cash resources.

Step 2a – Calculate net adjusted total operating expenses:

Using the SFA's Statement of Revenues and Expenses (or comparable documentation) for the RM review period, determine the SFA's total operating expenses (minus depreciation).

Step 3a – Calculate average monthly expenses:

Divide the total operating expenses (calculated in Step 2a) by the number of the SFA's operating months (typically 9 or 10 months) to obtain the SFA's average monthly expenses.

Step 4a: Calculate average expenses for 3 month period:

Multiply the SFA's average monthly expense amount by 3 to obtain the SFA's 3 month average monthly expenses.

Step 5a — Determine the SFA's Compliance with Net Cash Resources Requirements:

If the annual net cash resources amount in Step 1a is less than the three months' average expenditure amount as determined in Step 4a, 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 to carry an excess balance temporarily.

State agencies should document its calculations in the *Resource Management Comprehensive Review Form* and answer the corresponding questions for this section.

Internal Controls

Federal requirements under 2 CFR 200.303 require non-Federal entities, such as states and SFAs, to establish and maintain effective internal control over the Federal funds they receive that provides reasonable assurance that they are in compliance with Federal statutes, regulations and the terms and conditions of the Federal award. Internal controls may include processes that help ensure, for instance, that financial transactions are properly recorded and accounted for, in order to permit the preparation of reliable financial statements and Federal reports, maintain accountability over assets and demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Questions are included in the *Resource Management Comprehensive Review Form* to assess the types of internal controls that SFAs have implemented and to help identify additional safeguards that SFAs should consider adopting. Because Federal regulations do not mandate which internal controls are necessary at the SFA level, technical assistance rather than corrective action should be provided, as needed, for this section of the RM review. However,

State agency reviewers may determine when reviewing other sections within the resource management review module that noncompliance identified at the SFA level may be a result of insufficient internal controls, such as a lack of training or oversight, and that stronger internal controls must be implemented as part of the SFA's corrective action. For instance, if the State agency reviewer finds that an SFA spent food service monies on unallowable costs, corrective action must include reimbursement of the unallowable costs to the nonprofit school food service account and the adoption of more rigorous internal controls, such as requiring annual allowable cost training for staff authorized to submit food service receipts for payment.

In addition to implementing sufficient internal controls, State agencies are required under 7 CFR 210.19(a)(1) to ensure that school food authorities account for all revenues and expenditures of their nonprofit school food service. SFAs that provide nonreimbursable meals to students free of charge should be able to accurately track the number of nonreimbursable meals they serve to ensure that the nonprofit school food service account is reimbursed for the total cost of these meals per FNS Policy Memo SP 23-2017. Questions are included under the Internal Controls section of the Maintenance of the Nonprofit School Food Service review area to help State agencies determine if SFAs have procedures in place to track nonreimbursable meals provided for free to students. SFAs that do not track nonreimbursable meals sufficiently and/or have a process to reimburse the nonprofit school food service for the cost of the meals should receive corrective action and technical assistance.

Allowable Costs

Overview

Federal regulations under 7 CFR 210.14(a) require all SFA food service operations to principally benefit schoolchildren and all of the revenue in the SFA's nonprofit school food service account must be used solely for the operation or improvement of the food services. For this reason, State agencies must ensure that only allowable costs are charged to the nonprofit school food service account. 2 CFR 200 Subpart E provides more details about how to assess costs and their allowability. In general, charges to the nonprofit school food service account must be:

- Reasonable: A reasonable cost must follow State and Federal regulations and must follow restraints imposed by generally accepted sound business practices. For example, as a best practice, reasonable costs should follow an “arms-length” standard, meaning programs costs should be in line with the price that the item or service would cost on the open market.
- Necessary: Costs that are not necessary for program purposes or that do not otherwise satisfy Federal cost principles and program regulations are unallowable.
- Allocable: Costs must be assigned to the programs, functions, and activities that benefited from the SFA having incurred the cost.

In addition, 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. Certain expenses, such as capital expenditures for improvements to land, buildings or equipment which materially increases their value or useful life are unallowable. The SA must evaluate the SFA’s compliance with allowable cost restrictions during the Maintenance of the Nonprofit School Food Service comprehensive review by examining the SFA’s practices surrounding bad debt, equipment purchases and by reviewing a sample of expenditures to ensure the SFA did not spend nonprofit food service account funds on unallowable costs.

Bad Debt

FNS Policy Memos SP 23-2017 and SP 29-2017 provide guidance to State agencies and SFAs concerning the problem of unpaid meal charges at school districts and best practices for

resolving the challenges. SFAs may not use or provide nonprofit school food service account funds to reduce or “zero out” outstanding food service balances. During a comprehensive review of allowable costs, State agencies should ensure that SFAs encumbered with bad debt have a process to ensure that nonprofit school food service account revenues are not used to pay off bad debt.

Equipment Purchase Review

In addition, under certain circumstances, prior approval from the State agency is needed before costs may be incurred. 2 CFR 200.439 requires non-Federal entities, such as SFAs, to obtain approval from the State agency for equipment purchases of \$5,000 or more. State agencies may impose a capitalization level more restrictive than \$5,000, in which case the State’s lower threshold applies and their SFAs must receive prior approval before purchasing equipment costing above the State’s capitalization level. States may implement pre-approved equipment lists, with FNS approval, that allow their SFAs to purchase equipment included on the lists without seeking further prior approval. For additional information, see FNS Policy Memo SP 31-2014, “State Agency Prior Approval Process for School Food Authority (SFA) Equipment Purchases.” State agencies conducting an unallowable cost review of their SFAs will review whether or not equipment purchases made by the SFAs with funds from their nonprofit school food service account met the allowable cost requirements.

Allowable Costs Review

In addition to examining certain equipment purchases, the State agency must evaluate the SFA’s compliance with allowable cost restrictions by:

- Reviewing a sample of expenses by selecting expenses from the detailed general ledger report for the RM review period 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 information 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 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 and that they are only paid from the nonprofit school food service account for the hours they worked in the school food service.
 - 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.

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 and examine invoices for those charges that may be unallowable. For instance, if the reviewer identifies that an SFA was pre-approved to use nonprofit school food service account funds to purchase equipment but also purchased items not included on the State agency's pre-approved equipment list or used nonprofit school food service funds to make improvements to the school building that should have been covered by the school district, the State agency would assess a finding and required corrective action, such as repaying the nonprofit school food service account for the unallowable costs. Other examples of unallowable cost could include using nonprofit school food service account funds to pay bad debt associated with uncollectable unpaid meal charges. The reviewer must interview SFA staff about any questionable items identified and request additional information, such as invoices to substantiate the expenses, and require corrective action, as needed.

Rather than limiting the review of expenses to one full month or 10 percent of expenses, State agencies have the discretion to expand the size of their review to additional months during the RM review period. Further, as noted, the 10% sample of a variety of expenses for the RM review period is a minimum; State agencies may choose to sample a larger percentage of expenses to better ensure that reviewed SFAs are limiting their nonprofit school food service account expenditures to allowable costs. State agencies that conduct procurement reviews of their SFAs in the same year as they conduct Administrative Reviews of the same SFAs will gather a “vendor paid list” or detailed general ledger from the SFA for the previous school year. SAs have discretion to evaluate charges on the vendor paid list for a longer period of time than one month. As a best practice, SFAs conducting procurement reviews should streamline their request for review documents from the SFA to ensure different reviewers, such as an RM reviewer and a procurement reviewer, aren’t asking for the same documents. SAs should also ensure that findings identified as part of procurement reviews are communicated to the SA’s resource management reviewer(s) and vice versa as there may be overlap of findings in the area of allowable costs. For instance, if a procurement review conducted before the RM allowable cost review identifies that equipment was secured by the SFA noncompetitively, the purchase may be unallowable and the SFA may be required to repay the nonprofit school food service account for the cost of the equipment, the SA may be able to determine during an RM comprehensive review that the nonprofit school food service account was repaid.

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 or last audited school year) and for the current school year, if necessary.

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 require the LEA to 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 (PLE) Resource Management area. 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 (HHFKA) of 2010 (Public Law 111-296). The HHFKA required SFAs that, on average, charge for paid lunches less than the difference between the federal reimbursements for free and paid lunch to either gradually adjust paid lunch prices upward or provide non-Federal funds to cover the difference. This requirement is intended to ensure that SFAs provide sufficient funds to the nonprofit school food service account for paid lunches. Additional details are provided in 7 CFR 210.14(e). When conducting a review of paid lunch equity when the RM review period selected by the SA is either the previous school year or last audited school year, the SA must evaluate the prices the SFA charged 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.

If, however, the State agency chooses to review the current school year for the PLE rather than the previous or last audited school year, the SA must only determine, when conducting comprehensive reviews under the PLE, if its SFAs had zero or positive nonprofit school food service account balance as of January 31, 2018. This shortened comprehensive review process for PLE reviews using current school year data is due to the passage of the FY 2018 Consolidated Appropriations Act (Public Law 115-141) which only requires SFAs with a negative balance in their nonprofit school food service account to raise their paid lunch prices in accordance with 7 CFR 210.14(e) provisions. This flexibility is only provided for SY 2018-2019. More details are provided in FNS Policy Memo SP 12-2018.

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.

Review procedures for State agencies reviewing the SFA's current school year:

If a State agency chooses to review its SFAs' implementation of the PLE for the current school year, the State agency must obtain a balance sheet or comparable documentation that the SFA used to determine if its nonprofit school food service account had a negative balance as of January 31, 2018 and validate that the SFA was exempt from raising its paid lunch price(s). If the SFA did not use the Paid Lunch Equity Tool or a comparable mechanism to determine if it

needed to raise its paid lunch price(s) for SY 2018-2019 despite having a negative balance as of January 31, 2018, the SA must require corrective action and technical assistance. Corrective action may consist of requiring the SFA to complete the PLE Tool for SY 2018-2019 and raise its paid lunch prices during the school year, if necessary, and/or transfer non-Federal funds into the nonprofit school food service account to support paid lunch prices. The SA may also require the SFA to provide documentation to the SA validating that the SFA transferred the necessary non-Federal funds into the nonprofit school food service account and/or raised its paid lunch prices.

If the SFA receiving a comprehensive PLE review had a negative balance in its nonprofit school food service account as of January 31, 2018 and used the PLE Tool or a comparable mechanism to assess its need to raise its paid lunch prices, the State agency reviewer should use the review procedures below for the previous or last audited school year to determine if the SFA completed its assessment correctly and added non-Federal funds to its nonprofit school food service account and/or raised prices, as needed, to comply with the PLE requirements.

Review procedures for State agencies reviewing the SFA's previous or last audited school year (RM review period):

The State agency must first determine if the SFA used the PLE Tool or a comparable mechanism in the year prior to the RM review period to determine if the SFA needed to raise its paid lunch price and/or provide non-Federal funds to the nonprofit school food service account for the RM review period. If the SFA did not use the Paid Lunch Equity Tool or a comparable mechanism to determine if it needed to raise its paid lunch price(s) during the RM review period, the SA must require corrective action and technical assistance. Corrective action may consist of determining if the SFA had a positive or zero balance in its nonprofit school food service account as of January 31, 2018. If so, no further corrective action would be necessary, but technical assistance should be provided to ensure that the SFA understands the PLE requirements. If the SFA had a negative balance as of January 31, 2018, the State agency may require the SFA to complete the PLE Tool for SY 2018-2019 and raise its paid lunch prices during the school year, if

necessary, and/or transfer non-Federal funds into the nonprofit school food service account to support paid lunch prices. The SA may also require the SFA to provide documentation to the SA validating that the SFA transferred the necessary non-Federal funds into the nonprofit school food service account and/or raised its paid lunch prices. State agencies should contact their FNS Regional Office if further guidance is needed in light of the current PLE flexibilities included in Public Law 115-141.

If the SFA has completed the PLE Tool or a comparable mechanism for the RM review period, the SA must validate the SFA's completed *Paid Lunch Equity Tool* as follows:

Step 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.

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

- The SFA's calculations for the RM review period used to determine if the SFA needed to increase its paid lunch price. This could be a SFA-completed Paid Lunch Equity Tool or alternative documentation
- All paid lunch prices and the respective number of paid lunches served for October of the School Year prior to the RM Review Period.
- Total paid lunches claimed in the second preceding school year (needed if using non-federal funds)

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

Step 4: Determine if and how the SFA raised its paid lunch prices, if a price increase was 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).

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))

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

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 and to review the previous school year or last audited school year (RM review period) or the current school year. The review procedures are the same if the SA is reviewing the previous school year, last audited school year or the current school year.

To review the SFA's compliance with the Revenue from Nonprogram Foods requirements, the SA must:

1. Identify the categories of nonprogram food and beverages provided by the SFA.
2. Ensure that the SFA was reimbursed for food and beverages it may have purchased for internal or external entities (catering)
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, *of Adult Meals in the National School Lunch and School Breakfast Programs*. Further, the SA will assess if adult meals are provided free of charge to teachers, parents, etc. if the SFA had a sufficient process in place to recover the full cost of the adult meals. For CEP schools that serve adult meals and do not collect cash at the point of service and/or otherwise do not identify at the point of service the number of adult meals taken (if the general fund reimburses the nonprofit school food service account for the full cost of the meals), the State agency reviewer must determine if the nonprofit school food service account is being reimbursed sufficiently for those meals. For example, a CEP school that serves meals to adults but does not collect cash at the point of service and tells the adults taking meals to simply "settle up their bill at the office" without a way to capture the names of the adults served would not have sufficient internal controls to ensure that adult meal payments are provided to the nonprofit school food service account and corrective action would be necessary.
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. This could occur 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 specific nonprogram food revenues were transferred into its nonprofit school food service account;
- Priced adult meals below the cost of producing those meals or did not collect payment for them in a reliable manner;
- 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 20-2016;
- 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 Memorandum SP 06-2016, *Nonprofit School Food Service Account Nonprogram Food Revenue Requirements* to help SFAs and SAs 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.

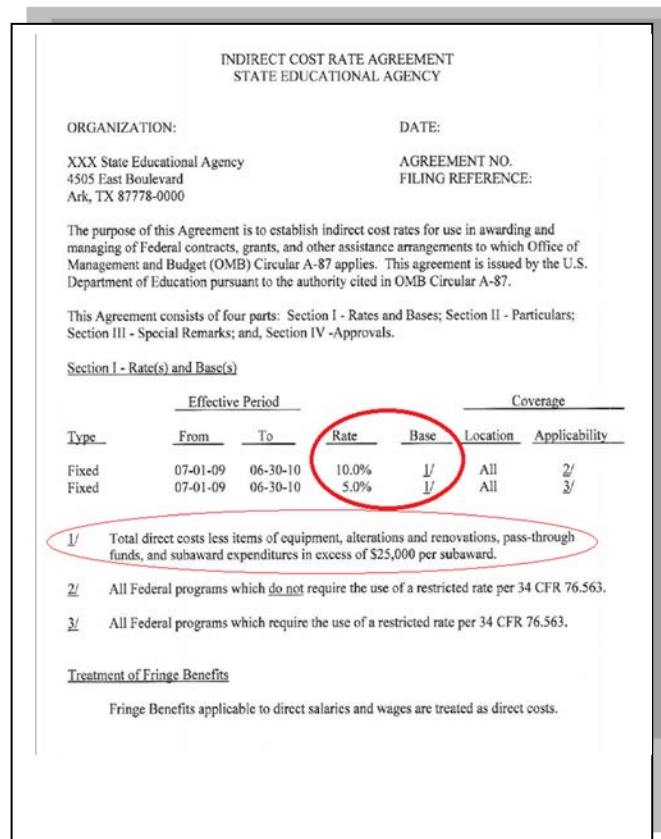
The SA must review the following information during the Administrative Review:

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



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)

Type	Effective Period		Rate	Base	Coverage	
	From	To			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.

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 on 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 Availability
- Food Safety
- Reporting and Recordkeeping
- School Breakfast and Summer Food Service Programs 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 The NSLP Afterschool Snack Program), the SBP, and the 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 non-discrimination statement is used for Program materials?*

State or local agencies, and their subrecipients, must post the following Nondiscrimination Statement. The nondiscrimination statement must accompany any new printed materials and any web-based materials referencing FNS programs:

"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, audiotope, 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 participants 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.

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 LEA, 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);;
 - Theta Food Distribution Program on Indian Reservations (FDPIR);
 - Temporary Assistance for Needy Families (TANF), if the State program meets Federal standards; or
 - When known to the LEA, households will be notified of any child’s eligibility for free meals based on the individual child designation as Other Source Categorically Eligible,
- No further application is required for free meal benefits, if the household was notified by the LEA that all children in the household were directly certified;
- A child or other household member’s receipt of benefits from an Assistance Program (SNAP, FDIPR, or TANF) extends eligibility for free benefits to all children who are members of the household. If any child in a household receiving Assistance Program benefits was not listed on the eligibility notice, the household should contact the LEA or school to have benefits extended to that child.

The SA may prepare the public release on behalf of its SFAs. In this case, the release must specify the responsibilities the SA will assume and must reference the schools covered by the public release.

Note: RCCIs are not required to submit a public release unless their enrollment includes day students.

802) What services does the SFA provide to households comprised of persons with Limited English Proficiency (LEP)?

SFAs are required to take reasonable steps to ensure meaningful access to FNS program information and services to persons with LEP. See FNS Memorandum SP 37-2016, *Meaningful Access for Persons with Limited English Proficiency in the School Meal Programs: Guidance and Q&As*; 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 methods of receiving and processing complaints are largely at the SFA's discretion. However, the methods must meet the following requirements:

- The SFA's procedures must note whether an allegation is made verbally or in person;;
- The SFA staff member receiving the allegation must transcribe the complaint;
- The SFA's procedures for receiving a complaint cannot prevent a complaint from being accepted; and
- The SFA's 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, FNSRO, FNS Office of Civil Rights, or the USDA Office of Civil Rights.

805) *What procedures are in place for accommodating students with disabilities?*

SFAs must make substitutions to NSLP and SBP meals to accommodate students with disabilities that restrict their diet. SFAs will receive reimbursement for accommodations outside the Program meal pattern, provided the accommodation request is supported by a medical statement signed by a State licensed healthcare professional. 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); FNS Memorandum SP 59-2016, *Policy Memorandum on Modifications to Accommodate Disabilities in the School Meal Programs*; and FNS Memorandum SP 32 CACFP 13 SFSP 15-2015, *Statements Supporting Accommodations for Children with Disabilities in the Child Nutrition Programs*.

806) *When was the SFA's most recent civil rights training for staff who interact with program applicants or participants (i.e., cafeteria staff, determining officials) 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 that each SFA with more than one school operating the NSLP performs at least one on-site review. This on-site review must evaluate the lunch counting and claiming system used by the school and must observe the general areas of review that are readily observable in each school under its jurisdiction.

The SA must also ensure that each SFA with more than one school operating the SBP performs at least one on-site review. The on-site review must evaluate the breakfast counting and claiming system used by the school and must observe the readily-observable general areas of review. A minimum of 50 percent of the schools operating the SBP under the SFA's jurisdiction must be 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, review the timeline to determine whether or not 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, Section 204 of the Healthy, Hunger Free-Kids Act added a Section 9A to the Richard B. Russell National School Lunch Act (NSLA) to expand the scope of wellness policies.

Note: The scope of monitoring may require the SA to assess how unit(s) of the LEA, other than the school food service, implement(s) their respective local school wellness policy responsibilities..

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 triennial assessment on the implementation of the local school wellness policy; and
- how the policy compares to model policies..

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 local school wellness policy implementation, transparency, public input, and public 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. Examples of other school-based activities, may include (but are not limited to) improving the dining environment, giving students more time to consume their meals, and/or ensuring food is not used as a reward.
- Nutrition guidelines for all foods available on the school campus
- A plan for measuring local school wellness policy implementation
- Designation of one or more officials in charge of the local school wellness policy

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 posted on the school's 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 must be reviewed and updated on a periodic basis. The frequency of updates to the local school wellness policy local school wellness policy is not specified by FNS, as the need to update will vary based on the content and structure of the plan. 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 and guardians, 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://teamnnutrition.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: FNS will assist LEAs in the transition to these new requirements by focusing on

technical assistance during Administrative Reviews to facilitate implementation of the local school wellness policy requirements.

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 the meal service and other sources may sell water 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 for exempt fundraisers 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, food item specifications, 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, the 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, the entrees are initially offered in the NSLP/SBP.

Reviewers are encouraged to observe the points-of-sale-at the time operation, i.e., when foods/beverages are sold 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, job postings, 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 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), including the 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 Tooling 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 Tracking 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 1200-120909 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. These questions 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: 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 1212-1219).

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 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 Availability

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 equal 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 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. The SA must also ensure that all selected schools comply with the Buy American provision and policy referenced in this Module.

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)
- 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 origin of agricultural food components
- Review a variety of foods by component category to assess if the food is produced or processed domestically, and if domestically processed, done so substantially using domestic agricultural commodities
- Communicate the results of the compliance with the Buy American provision and review elements to the SA staff conducting procurement reviews of that SFA. The staff conducting procurement reviews will then, on their procurement review, need to closely review whether solicitation and contract documents include requirements for domestic foods. However, the review of compliance with Buy American on the AR can be completed as a separate review from the procurement review and is not contingent upon the procurement review. Please see findings and corrective action sections.

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. 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 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 – 14111 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 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

See SP 38-2017, *Compliance with and Enforcement of the Buy American Provision in the National School Lunch Program*.

Each SFA is required to purchase food that is produced or processed domestically, and if domestically processed, done so substantially using domestic agricultural commodities (7 CFR 210.21(d)). Substantially means over 51 percent, by weight or volume, of the final processed product consists of domestic agricultural commodities. For products procured by SFAs for use in the Child Nutrition Programs, the food component of the product would be the agricultural commodity. Therefore, any product processed by a responsive vendor must have over 51 percent of the agricultural food component of the product, by weight or volume, be domestic. Water is not a food component or agricultural commodity under the Child Nutrition Programs.

Often labels fail to reflect information to determine compliance. To ensure contractor compliance, SFAs, in their solicitations and contracts are encouraged to obtain a certification statement for vendors/manufacturers which may include: "We certify that (***insert product name***) is processed in the United States and contains at least (**X%**) of its agricultural food component, by weight or volume, from the United States." SFAs must include space for the supplier to fill in the name of the product and its percentage of the domestic agricultural food component contained therein.

Products from Guam, American Samoa, Virgin Islands, Puerto Rico, and the Northern Mariana Islands are allowed under the Buy American provision as these products are from the territories of the United States. Although Hawaii is exempt from the Buy American provision, recipient agencies in Hawaii are required to purchase food products grown in Hawaii in sufficient quantities to meet school meal program needs (7 CFR 210.21 (d)(3)). The same applies to Puerto Rico under 42 USC 1760(n)(4).

There are limited exceptions to the Buy American provision which allow for the purchase of products not meeting the domestic standard (i.e., are non-domestic) in circumstances when use of domestic products is truly not practicable. An alternative or exception may be utilized as long as documentation justifying an exception is maintained. Exceptions must be documented and must be done so before utilizing an exception. Examples of ways to document communications between SFAs and their food supplier regarding exceptions include emails, documentation of telephone communications, etc. However, alternatives to purchasing non-domestic food commodities or products should be considered first. Documentation must be maintained for three years as required in 7 CFR 210.23(d).

In addition to considering alternatives, reasons for any exceptions must be provided as to why the domestic product is being substituted with a non-domestic commodity or product. One resource SFAs and State agencies may use when considering alternatives is the market news reports available from the Agricultural Marketing Service (AMS). AMS provides free, unbiased price and sales information on [agricultural commodities](#).

To determine compliance with the Buy American provision, the SA must select a variety of agricultural food components in various on and off-site storage facilities at the reviewed SFA/schools, as applicable, to assess if the foods received by the SFA are over 51% domestic. 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 number of

agriculture food components per the categories 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 agricultural food components to review will be determined based on the SFA storage facility practices used:

- If the majority of agricultural food components used are located at individual schools only, the SA will review at each reviewed school 2-3 items in each agricultural food component category below;
- If the majority of agricultural food components used are located at an SFA's off-site storage facility only, the SA will review at the SFA's off-site storage facility 2-3 items in each agricultural food component category below; or
- If agricultural food components used are located at a combination of places both on-site at schools and at the SFA's off-site storage facilities, the SA will review 1-2 items in each agricultural food components category below for each school reviewed and 1-2 items in each agricultural food component category below at the SFA's off-site storage facilities.

Food Component Categories:

- Bakery, pasta, and other miscellaneous components, such as:
 - grain components delivered ready to serve; and
 - wheat flour, cornmeal, or other grain flours, used to prepare grain components such as pasta, bread etc.;
- 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, including but not limited to:

- produce;
- Dairy such as cheese, yogurt, and milk; and
- food components that may be thawing for future meal service;

The SA should deem a school compliant with this review element if the SA's review of agriculture food components does not identify any non-domestic produced food or processed food products received by the SFA, or if non-domestic agricultural foods are identified, documentation exists to support exceptions to the Buy American requirements. SFAs should consider and document alternatives that were considered. If the SFA has non-domestic agricultural food components and lacks documentation to support any exceptions, the SA must deem the school noncompliant with this review element. Non-domestic food components must be documented in the comments section of the *On-Site Assessment Tool* and communicated to the SA staff conducting the procurement review. The SA must provide technical assistance, establish a finding, and issue appropriate required corrective action. Where appropriate, corrective action may include reviewing food deliveries for contractor compliance; monitoring to ensure the correct domestic food components contracted for are delivered; and prior to accepting foods, ensuring that an alternative domestic food component, or an exception to purchase non-domestic foods, has been approved for delivery. Further corrective action includes developing policies and procedures for monitoring and ensuring compliance.

Note: For example, the reviewer should determine if the agricultural food components selected for review include information about whether the food is domestic. If the food package does not identify its origin at all or in the case of processed foods that its agricultural food components is over 51% domestic by weight or volume, the SFA may be out of compliance if an exception for non-domestic agricultural commodity or product was not first approved and documented by the SFA. Corrective action would include requiring monitoring by the SFA to ensure the correct domestic food components contracted for are delivered and prior to

accepting foods, ensuring that an alternative domestic food component, or an exception to purchase non-domestic foods, has been approved for delivery.

Note: SAs should communicate any findings to the SA staff conducting the procurement review. The staff doing procurement reviews will then need to closely review whether solicitation and contract documents include specifications for domestic foods, certifications of domestic content, and whether the SFA monitors contracts to ensure contractor compliance. Please note further that a finding in this area of the AR will not mean an automatic finding on the procurement review as the reviews are separate; however, there will be a finding in the procurement review if food solicitation and contract documents did not specify domestic foods, or certification of domesticity, etc., especially if such was a corrective action required by the AR.

Note: Documented USDA Foods are presumed to be domestic; however, processed end products that contain USDA Foods must meet the over 51% domestic, by weight or volume, requirement.

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.

For the Buy American portion of this module, corrective action may include:

- Requiring the review of food deliveries for contractor compliance;
- Monitoring to ensure the correct domestic food components contracted for are delivered;
- Prior to accepting foods, ensuring that an alternative domestic food component, or an exception to purchase non-domestic foods, has been approved for delivery; and/or
- Developing policies and procedures for monitoring and ensuring compliance with the Buy American provision.

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 school 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 1500-15022 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 1500-1502 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 – School Breakfast and Summer Food Service Programs 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).

At the beginning of each school year, when free and reduced price meal applications are sent to households, the SFA must notify families of the availability of the SBP. 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 academic 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 Questions 1600-1601 of the *Off-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 notify families of the availability of school breakfasts 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 academic 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:

- The NSLP Afterschool Snack Service
- Seamless Summer Option
- Fresh Fruit and Vegetable Program
- Special Milk Program

Module: The NSLP Afterschool Snack Service

Intent/Scope of Monitoring

The SA's review of the NSLP Afterschool Snack Service is intended to ensure participating sites serve students nutritionally-balanced snacks, provide appropriate educational or enrichment activities, and count and claim snacks accurately. The SA must examine documentation for each site selected for the Administrative Review that operates the NSLP Afterschool Snack Service. On-site observation of the afterschool snack service is at the SA's discretion.

The SA determines the NSLP Afterschool Snack Service compliance by collecting information about the operation of the snack service and comparing findings to Performance Standard 1, Performance Standard 2, and the General Areas, as applicable.

If a site selected for an Administrative Review does not operate the NSLP Afterschool Snack Service, the SA does not conduct this review.

Review Procedures

The SA review of the NSLP Afterschool Snack Service 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 site eligibility
- Ensure an accurate counting and claiming system is in place
- Ensure snacks meet snack service and nutritional requirements (7 CFR 210.10(o))
- Confirm the SFA conducts self-monitoring activities twice per year (7 CFR 210.9(c)(7))
- Make certain food safety and civil rights requirements are met (7 CFR 210.13(c) and 210.23(b), respectively)

Site Eligibility

The SA must ensure that:

- Sites serve snacks in an approved afterschool care program that offers educational or enrichment activities.
- At area eligible sites, 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 as eligible for free or reduced price meals. See SP 08 CACFP 04 SFSP 03-2017, *Area Eligibility in Child Nutrition Programs* for more information.
- Schools serve snacks only after the end of the regular 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 through the NSLP:

- **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 at no charge 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 documentation.

Counting & Claiming

The SA must ensure that:

- The site maintains documentation to support the number of snacks it serves daily and maintains Claims for Reimbursement
- The sites has safeguards in place to ensure that it claims only one snack per child per day for reimbursement. Additional snacks may be provided, but may not be claimed for reimbursement.
- The site's snack orders, delivery records, and production records support the number of snacks it claims for reimbursement

- The site's counts adult snacks (including snacks served to students ineligible due to age limitations) separately from student snacks, as adult snacks are not eligible for reimbursement
- The site monitors age eligibility requirements for students receiving snacks to ensure compliance. Students are eligible to participate through age 18 or until the end of the school year if their 19th birthday occurs during the school year. Students determined to have a mental or physical disability are not subject to age limitations
- The SFA provides to the SA an accurate count of snacks served each month at each site by the established due date for the monthly reimbursement claim
- For sites that are not area eligible, the SFA transfers the eligibility status of each student accurately to the roster. The SA could compare, for example, the point-of-service meal counts to the benefit issuance roster to ensure compliance
- The SFA keeps snack counts on file for three years

Snack Service and Nutrition Requirements

In accordance with 7 CFR 210.9(c), the SA must ensure that:

- Snack menus comply with meal pattern requirements
- SFAs plan/prepare snacks consistently with the one snack per child rule. Sites should consider participation trends in an effort to provide one reimbursable snack for each child each school day (7 CFR 210.10(a)(2))
- Production records reflect that menus meet serving size requirements. For more information on quantity requirements, see the *Food Buying Guide for Child Nutrition Programs*
- Sites complete production records each day
- Sites price each snack as one unit
- Sites charge no more than \$0.15 for a reduced price snack

SFA Afterschool Snack Service Review

The SA must ensure that:

- The SFA conducts a self-review of each NSLP Afterschool Snack operation twice per school year:
 - The SFA conducts the first self-review during the first four weeks of NSLP Afterschool Snack Service operations each school year; and
 - SFA conducts the second self-review of the NSLP Afterschool Snack Service 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 the 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 the afterschool snack service is following all Program requirements in the following areas:

- Site 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., students who do not meet 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, during a scheduled break of 10 or more school days (or shorter periods for year-round schools, if approved by the State agency), and/or during unanticipated school closures using the same meal service rules and claiming procedures they use during the regular school year. See FNS Policy Memorandum SP 09-2017: *2017 Edition of Questions and Answers for the National School Lunch Program's Seamless Summer Option*, for more information.

The SA determines SSO compliance in the same manner it assesses NSLP and SBP compliance, 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 and claiming, menu planning, and food safety requirements established in 7 CFR 210 and 220.

Review Procedures

This module contains certain 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.

The review period for SSO is the last completed claim from the current or previous school year. The review may be conducted in the summer prior to or following the scheduled Administrative Review, although FNS encourages SAs to monitor the SSO site the summer after the Administrative Review. Monitoring the SSO site the summer after the Administrative Review allows the SA to benefit from the context of the SFA's Administrative Review, which may streamline SSO monitoring. Note that this may involve a second visit to the SFA to evaluate the SSO in operation. Below are scheduling examples:

Administrative Review Schedule

SY 2016/2017
SY 2017/2018

SSO site review

Summer of 2016 or 2017
Summer of 2017 or 2018

SAs are not required to conduct annual reviews of SFAs that operate under the SSO or to conduct any special reviews for these SFAs beyond the normal Administrative Review requirements of reviewing all SFAs during a 3-year cycle and reviewing at least one SSO site as a part of the review. However, State agencies are encouraged to review SSO sites even if an Administrative Review is not scheduled for that SFA, especially if there are significant operational problems.

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 if any SSO sites are in operation, and if so, obtain the operating schedule. It is important to schedule the site review early because SFAs typically operate the SSO for limited periods.

If the school is operating the NSLP on a year-round basis and both NSLP schools and SSO schools will be operating at the time of the review, then an Administrative Review may be scheduled during the summer to avoid making the second visit to the SSO site.

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 during the SSO monitoring visit. For example, a SA may evaluate Food Safety and Civil Rights compliance 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. The SA may also review menus and production records off-site prior to the on-site visit.

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 for SSO sites. FNS must approve other sources of data SAs may use to

What types 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 enrolled students are eligible for free and reduced price school meals. SAs may also approve open sites based on census data. All meals are served and reimbursed at the free rate at open sites.
- **Restricted open site:** A site that meets the open site criteria explained above, but is restricted for reasons of safety, control, or . All A meals are served and reimbursed at the free rate at restricted open sites.
- **Closed enrolled site:** A site that meets the 50% criteria, explained above, but serves only children in a specific program or activity. All meals are served and reimbursed at the free rate. Academic summer school programs may not participate as closed enrolled sites.
- **Migrant site:** A site that serves children of migrant families, as certified by a migrant.coordinator. All meals are served and reimbursed at the free rate
- **Camps:** A residential or non-residential day camp that offers regularly scheduled food service as part of an organized program for enrolled children. Eligibility.E must be established for each child enrolled based on information from their schools, household income applications, or direct certification..Meals are served and reimbursed at the free rate for students eligible for free or reduced price meals; paid meals are not reimbursed.

Note: Meals at all approved SSO sites, except for camps, must be served free of charge to all children. SFAs that sponsor camps may charge for the meals served to children who are not eligible to receive free or reduced price meals.

determine eligibility. See SP 08 CACFP 04 SFSP 03-2017, *Area Eligibility in Child Nutrition Programs*, for more information.

At sites where eligibility is based on household income applications or direct certification (e.g., camps), the SFA must collect and maintain appropriate documentation of individual children's eligibility. The SFA may receive reimbursement only for meals served to children through age 18 who are eligible for free or reduced price meals. SFAs will receive reimbursement at the free rate for meals served to children certified as eligible for free or reduced price meals. No reimbursement is provided for meals served to children who are eligible for paid meals at these sites.

Age/Grade Groups

SFAs offering the SSO should make every effort to follow age/grade group meal pattern requirements. However, SFAs operating open and restricted open sites having difficulty implementing the age grade/group requirements may work with their SASA 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 SASA.

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 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 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 meat/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 site 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 per year, during operation of the SSO. 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; only count 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. The SA could compare, for example, the point-of-service meal counts to the benefit issuance roster to ensure compliance

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 the same requirements as the NSLP/SBP.

When assessing the 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 children eat meals on-site, except where otherwise permitted by the SA
- Ensure the site serves all eligible children in attendance one meal before offering children a second meal

- Verify 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 the site makes alternate arrangements for meal service in inclement weather

Note: A nutrient analysis is not required for a SSO review; therefore SAs are not required to complete the *Dietary Specifications Assessment Tool*.

SFAs may allow Offer versus Serve at SSO sites, but FNS does not require it. As in NSLP, second lunches are not reimbursable. SFAs must plan for and prepare breakfasts on the basis of participation trends, with the objective of providing one breakfast per child per day. 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; the SA must use its best judgment to assess the longevity and severity of the problem(s). If the problem(s) cannot be fixed immediately, the SA must require the SFA to develop and implement a Corrective Action Plan over an extended period of time. 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 SFA 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 SSOSSO, 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. The review of the Programs to ensure 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 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 chosen using a combination of the two options. When none of the schools selected for an NSLP Administrative Review operate the FFVP, but the FFVP operates at another school (or other schools) 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 number 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 number 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 ensure the documentation indicates 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

The SA must provide technical assistance if the documentation is not consistent with the requirements listed above.

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 location. Visits to additional classrooms or other service 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 provided to students 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 to be served as part of the FFVP
- The school does not allow the following products: fruit/vegetable juice; cottage cheese; nuts or trail mix; fruit or vegetable pizza; fruit/vegetable smoothies; fruit strips, fruit drops, or fruit leather (see the FNS *FFVP Handbook* for a more exhaustive list)
- If the school provides dip, the dip is for vegetables only and is either low-fat or fat-free. Schools may provide no more than two tablespoons of dip per child
- The school does not provide fresh fruits and vegetables to adults except for teachers who are in the classroom and participating with students during the FFVP food service. See FNS Memorandum SP 08-2011, *Teacher Modeling in the Fresh Fruit and Vegetable Program (FFVP)*
- 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 SFA 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

The SA must 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. To achieve the desired result, the SA must allow for SFA input on corrective action approaches and 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 error rates 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 Special Provision

Options. Refer to Fiscal Action, Section IX: Special Provision Options for more information.

- The SA need not take fiscal action for applications missing the name and signature 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 SSOSSO, 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 certification and benefit issuance errors, 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, 12a., 12b., 14, 15, 16a., and 16b.).
- 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 NSLP Afterschool Snack site's 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, 12a., 12b., 14, 15, 16a., and 16b.).
- 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 NSLP Afterschool Snack site's 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 the 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: For eligibility determination errors identified that result in a household receiving an upward adjustment to their benefit status, FNS strongly encourages that the SFA make every effort to reimburse households the difference in the meal price originally paid to the SFA. The rationale for this, is that these errors result in an increase in reimbursement to the SFA, but the household paid a higher amount than they should have for the same meal.

SFA-Wide Fiscal Action for Performance Standard 1, Certification and Benefit Issuance Review Errors

Fiscal action, when part of corrective action, is applied SFA-wide, consistent with 7 CFR 210.18(l)(1), because the certification and benefit issuance review assesses compliance at the SFA level and not just at the reviewed schools. This ensures program integrity by assessing fiscal action for certification errors at all sites, as well as for systemic errors within the entire SFA. However, FNS has allowed flexibility for situations where the certification and benefit issuance review error threshold does not exceed 3%. If the 3% error threshold is not exceeded, SA's have the flexibility to not assess fiscal action at the SFA level and also have the discretion to not apply fiscal action to the reviewed sites either. This discretion applies to certification and benefit issuance review errors only and any other errors requiring fiscal action must still be assessed at the reviewed sites and if appropriate, at the SFA level. If the certification and benefit issuance review error threshold exceeds 3%, the SA must assess fiscal action SFA wide. This can be accomplished by entering SFA level information into the Fiscal Action Workbook, or SA's utilizing site based claiming, by entering each individual site from the SFA, including non-reviewed sites, into the Fiscal Action Workbook.

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 Community Eligibility Provision**, 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 Afterschool Snack Service.

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

Securing 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.

*For situations where 30 consecutive operating days of corrected meal counts cannot be obtained due to a lack of available operating days in the current school year, FNS has allowed for a minimum of 15 days to be used. However, SAs must contact their FNSRO prior to completing the Recalculation tabs of the Fiscal Action Workbook. The current formulas use 30 days in the calculation of Fiscal Action and SA will be provided specific instructions on how to proceed.

**If Full Recalculation cannot be completed in the current SY under review and carries forward into a subsequent SY, and enrollment has either increased or decreased, FNS has provided the following guidance: 1) If enrollment changes do not exceed 5%, the SA can complete the Full Recalculation process with no further action necessary; 2) If enrollment changes exceed 5%, the SA must contact their FNSRO for instructions on how to proceed.

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 NSLP Afterschool Snack Service 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. Any financial penalty resulting from a State-imposed requirement that is otherwise compliant with Federal standards must not be paid by the Non-Profit School Food Service Account.

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 incorrectly certified for free and reduced price meals on the *Fiscal Action Workbook*, Block 2. (See SFA-1, totals for line 3)

For Example:

SA count of incorrectly certified Free to Reduced = 3

SA count of incorrectly certified Free to Paid = 4

SA count of incorrectly certified Reduced to Free = 3

SA count of incorrectly certified Reduced to Paid = 4

Step 3: Establish the certification and benefit issuance error rates

The purpose of Step 3 is for the SA to determine the certification and benefit issuance error rates for each type of error identified on the *Eligibility Certification and Benefit Issuance Error Worksheet, Form SFA-1*. These error rates are used 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 error rates are the ratio of the SA count of students certified as eligible for free and reduced price meals and identified changes to student benefit issuance status in each of the following categories: Free to Reduced, Free to Paid, Reduced to Free, and Reduced to Paid, divided by the original SFA count of students certified as eligible for free or reduced price meals, respectively. The resulting ratios represent the certification and benefit issuance error rate for each of the following errors: Free to Reduced, Free to Paid,

Reduced to Free, and Reduced to Paid. Note that the calculation of the errors rates do allow for upward adjustments to credit the free and reduced price meal count totals.

(a) Error rate for Free to Reduced — The certification and benefit issuance error rate for Free to Reduced is automatically calculated and recorded on the *Fiscal Action Workbook* (Block 2).

Number of SA identified student errors resulting in Free to Reduced benefit issuance status change
÷ Number of students certified by the SFA to be eligible for free meals
= Certification and benefit issuance error rate for Free to Reduced

For Example:

3 student errors identified by SA resulting in Free to Reduced status change
÷ 250 students certified by SFA for free meals
= 1.2% certification and benefit issuance error rate for Free to Reduced

**Note This process is repeated in the same manner for calculating the Free to Paid, Reduced to Free, and Reduced to Paid certification and benefit issuance error rates.

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. (7 CFR 220.9(a))

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

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, 12a., and 12b. for day of review and S-1, lines 14, 15, 16a.,and 16b. 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 error rates (Step 1).

The SA must apply the certification and benefit issuance error rates (Free to Reduced, Free to Paid, Reduced to Free, Reduced to Paid) respectively (Step 1), to the SA count for the number of reimbursable free, reduced price, and paid meals, respectively (Step 2), to adjust the reimbursable meals for each benefit category for the review period. This calculation is completed automatically by the *Fiscal Action Workbook*.

Note: The certification and benefit issuance error rates are required to be applied to all sites (all sites selected for review and all non-reviewed sites) when the overall certification and benefit issuance error rate exceeds 3%.

- (a) Free Meal Count adjusted for all Free to Reduced student errors— Multiply the certification and benefit issuance error rate for Free to Reduced student errors, *Fiscal Action Workbook*, Block 2,) by the number of reimbursable meals as determined by the SA for the free category, *Fiscal Action Workbook*, total for free meals in Block 8. The product of this calculation is the total number of free meals that need to be adjusted from free to reduced for all sites entered into the Fiscal Action Workbook.

The total number of free meals that must be adjusted to reduced price for all sites listed automatically calculated by the *Fiscal Action Workbook*, Block 11. The total number of free meals adjusted to reduced price for each site individually is calculated by dividing each individual site's free meal counts by the total of free meals for all sites entered into the *Fiscal Action Workbook* (each tab is calculated independent of each other) and then multiplied by the total number of meals being adjusted from free to reduced price.

Certification and Benefit Issuance error rate for Free to Reduced
 x SA's adjusted count of reimbursable free meals
 = Total number of free meals needing to be adjusted to reduced price for all sites listed

Individual site's free meal counts
 ÷ Total of all sites listed free meal counts
 X The total number of free meals needing to be adjusted to reduced price
 = Individual sites proportion of total free meals needing to be adjusted to reduced price

For Example:

1.2% certification and benefit issuance Free to Reduced Price error rate
 x (6,642) SA's adjusted count for reimbursable free meals
 = -77.54 free meals to be adjusted to reduced price

1.6% certification and benefit issuance Free to Paid error rate
 x (6,642) SA's adjusted total count for reimbursable free meals
 = -103.39 free meals to be adjusted to paid

3.529% certification and benefit issuance Reduced to Free error rate
 x (3,693) SA's adjusted total count for reimbursable reduced price meals
 = 173.79 reduced price meals to be adjusted to free

-7 (rounded down from 7.14) total number of free meals to be downward adjusted
 x (6,642) Indv. sites adjusted free meal count total/(6,642) total adjusted free meal count of all sites listed
 = 7 free meals being adjusted downward from the indiv. site (This example uses a 1 site SFA scenario)

*The FA Workbook shows the rounded Certification and Benefit Issuance error rate percentage, however, the automatic calculation that takes place in this step uses the unrounded percentage.

**Any differences in rounding when calculating each site's proportion of the total meals being adjusted by category are corrected automatically on Line 18, or the first site listed on each tab of the FA Workbook. For example, if 350 total free meals need to be adjusted to paid, and rounding causes 353 meals to be adjusted, then the 1st site listed will have its total free meals being adjusted to paid reduced by three automatically.

Note This process is repeated in the same manner for calculating Free to Paid, Reduced to Free, and Reduced to Paid error rates and the corresponding meals needing to be adjusted.

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 9 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 10.

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 SY 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 12b, 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 12C.

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 12C, from the school Claim for Reimbursement, *Fiscal Action Workbook*, Block 10, . The difference is the total amount of fiscal action. This amount is automatically combined with the other federal programs fiscal action and calculated by the *Fiscal Action Workbook*, Block 15.

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 the NSLP Afterschool Snack Service ****This step is only applicable to the NSLP Standard Tab as FFVP and the NSLP Afterschool Snack Service 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 13.
- b) NSLP Afterschool Snack Program– 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 22 for the day of review and the review period) Enter the meal count adjustments by type on the *Fiscal Action Workbook*, Block 14A. The reimbursement rates claimed for the NSLP Afterschool Snack Service by the site must then be entered into Block 14B.

Step 9: Total Fiscal Action

The total amount of fiscal action for each individual site is automatically calculated listed on *Fiscal Action Workbook*, Block 15. 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)* - are intended for closed and migrant sites operating NSLP and/or SBP under the SSO. When completing this tab, follow the same steps outlined in the **NSLP Standard and SBP Standard Tab** sections. SA's must use the *NSLP Standard and SBP Standard* tabs for all other SSO sites.

Note: For all other SSO sites, use the *NSLP Standard and SBP Standard* tabs of the *Fiscal Action 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 Provision. 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 error rates, 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 6: Month Being Recalculated – Must select the month requiring full recalculation. S-1, Line 24A and/or 25A.
 - c. Block 7: Nominalization Factor (See Recalculation) – This field automatically calculates and displays the nominalization factor based on the month entered in Step 8.
 - d. Block 8: Operating Days – Must entering the number of operating days in the month requiring recalculation, S-1, Line 24B and/or 25B.
 - e. Block 9: 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 the NSLP Afterschool Snack Service), 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) to streamline administrative requirements. The Administrative Review requirements are modified based on the SPO(s) employed by the LEA. 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 (free, reduced price, paid) as the basis for calculating reimbursement claims. Provision 1 is only available in schools where at least 80 percent of the enrolled children are eligible for free or reduced price meals.
- ***Provision 2 – Reducing certifications to once every 4 years and claiming based on derived percentages:*** Participating 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 (free, reduced price, paid). During the next three 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 Provision 2 must pay, with funds from non-Federal sources, any 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: Participating schools must serve meals to all participating children at no charge for a period of 4 years. Provision 3 schools make eligibility determinations in the year preceding Provision 3 implementation (i.e., the year before the 4 year cycle starts); this is the base year. Schools receive the level of Federal cash and commodity support paid to them in the base year. Schools do not make additional eligibility determinations during the 4 year cycle. 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 s an LEA’s administration of SPOs. While Administrative Review activity typically occurs at the district level, some aspects may also occur at the school or SA level (e.g., if the SA applies the claiming percentages to 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 LEALEA 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 LEA established claiming percentages and/or funding levels separately for 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* to evaluate certification and benefit issuance and apply and fiscal action. All free and reduced price eligible students in the SFA are 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 is 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,** 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 to complete 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)	AR Sample: Fiscal Action Workbook
Prov 2 & 3 SBP & NSLP	No	2	<p><u>B.Y. Sample:</u> All students enrolled in the schools operating SPO 2 or 3 (Free/Reduced/Denied Certifications)</p> <p><u>AR Sample:</u> 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)</p> <p><i>**Student names should not appear on both samples</i></p>	<p><u>B.Y. Sample:</u> Fiscal Action Workbook</p> <p><u>AR Sample:</u> Fiscal Action Workbook</p> <p><i>**Must be entered into separate workbooks</i></p>
Prov 2 & 3 SBP Only	Yes	2	<p><u>B.Y. Sample:</u> All students enrolled in the schools operating SPO 2 or 3 for SBP (Free/Reduced/Denied Certifications)</p> <p><u>AR Sample:</u> All students enrolled in schools operating the SBP & NSLP (Free/Reduced Certifications)</p> <p><i>**Student names from the B.Y. Sample may be included in the AR Sample</i></p>	<p><u>B.Y. Sample:</u> Fiscal Action Workbook</p> <p><u>AR Sample:</u> Fiscal Action Workbook</p> <p><i>**Must be entered into separate workbooks</i></p>
Prov 2 & 3 SBP Only	No	2	<p><u>B.Y. Sample:</u> All students enrolled in the schools operating SPO 2 or 3 for SBP (Free/Reduced/Denied Certifications)</p> <p><u>AR Sample:</u> All students enrolled in schools operating the SBP & NSLP (Free/Reduced Certifications)</p>	<p><u>B.Y. Sample:</u> Fiscal Action Workbook</p> <p><u>AR Sample:</u> Fiscal Action Workbook</p> <p><i>**Must be entered into</i></p>

			**Student names from the B.Y. Sample may be included in the AR Sample	separate workbooks
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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 does 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 verify that the base year claiming percentages/funding levels were properly applied to Claims for Reimbursement from the review period and month of the on-site review.

NOTE: If claiming percentages and/or funding levels were applied erroneously, 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 applies 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. If audit findings have not been resolved, these records must be retained beyond the three-year period as long as required for the resolution of issues raised by the audit.
- **Base Year records for Provisions 2 or 3**, which support subsequent years' reimbursements, must be retained during the entire period the SPO is in effect, including all extensions. Recordkeeping is essential because claims for the base year and all subsequent years are based on base year data. In addition, records documenting 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. If audit findings have not been resolved, these records must be retained beyond the three-year period as long as required for the resolution of issues raised by the audit.

- **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 audit findings have not been resolved, these records must be retained beyond the three-year period as long as required for the resolution of issues raised by the audit.

If a SA determines that the SFA/school has not maintained the required records for a participating site, the SA may require the school to return to standard application and meal counting procedures.

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 to ensure claiming percentages and/or funding levels are correctly applied for the review period.

- **For Provisions 2 or 3** – Only the meal counting and claiming system is reviewed to verify that the claiming percentages and/or funding levels determined from the base year area applied correctly to the current school year’s monthly Claims for Reimbursement. The SA may limit this evaluation to the Claim for Reimbursement for the review period.

If the abbreviated review identifies that the claiming percentages/funding levels are erroneously applied, the SFA is required as part of its Corrective Action Plan to correct the deficiencies identified at the non-compliant site(s). The SFA must also 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 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 non-reviewed SPO sites) showing that the claiming percentages calculated and approved during the base year approval

are applied correctly for every closed Claim for Reimbursement from the school year in which the review occurs.

When meal counting and claiming procedures yield 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 procedures listed in the Certification and Benefit Issuance Module. Any Fiscal Action 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 used in subsequent non-base years will be based on the adjusted and corrected meal counts

established during the base year. The base year review can be conducted in conjunction with the Administrative Review. This 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 errors are identified at reviewed sites, 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 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 SY 2013--14.

For Provision 2 and 3 Schools in a Non-Base Year:

- Certification errors identified during the Administrative Review area not applied to 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 (if applicable).
- 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 NSLP/SBP claiming sites and Provision school base year sites 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 and** the SA may require the school to return to standard application and meal counting procedures.

Module: Community Eligibility Provision

Introduction

To reduce administrative challenges, LEAs 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 low-income LEAs, groups of schools, and individual schools and claiming based on derived percentages:*** To elect CEP, schools must agree to serve lunch and breakfast at no charge to all enrolled students and must agree to cover with non-Federal funds any operating costs that exceed the Federal reimbursement. The 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) refers to the percentage of enrolled students who are categorically eligible for free meals based on participation in another, specific assistance program. The claiming percentages established in the year preceding CEP participation are guaranteed for four school years and may be updated if the ISP increases. CEP is only available to LEAs, groups of schools, and individual schools with an ISP that is greater than or equal to 40 percent as of April 1 of the school year prior to participating in CEP.

NOTE: Refer to FNS Memo SP 5454-2016, *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 LEA's administration of CEP. While Administrative Review activity typically occurs at the SFA or district level, some aspects may also occur at the school or SA level (e.g., if the SA applies the claiming percentages to 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 whether the updated claiming percentages are correct and are properly applied.

NOTE: For CEP sites, a claiming percentage for the free and paid meals is established and applied to both the SBP and NSLP Claims for Reimbursement equally. However, the SA must ensure that the SBP and NSLP meals are counted separately prior to applying the free and paid claiming percentages to generate monthly Claims for Reimbursement at CEP sites.

- **Certification and Benefit Issuance Review Process**

When conducting the Certification and Benefit Issuance Review, students attending sites operating CEP must be excluded from the 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 the procedures occurring on-site.

Step 2: Conduct the Certification and Benefit Issuance Review

Not all schools in an LEA may be participating in CEP, so the SA must proceed with the certification and benefit issuance review following procedures set forth in the *Administrative Review Manual*, for non-CEP sites and the adjustments described below for non-CEP sites:

- **For LEAs or schools operating CEP**, the SA must exclude students enrolled at CEP schools from the certification and benefit issuance review because household applications are not processed when a site/school is participating in CEP. The review of the LEAs/school's claiming percentages are addressed in *Step 3* below.

Note: SAs are not required to assess verification for LEAs/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 current ISP.

The certification documentation may include direct certification lists, documentation for extended eligibility, and lists from homeless/migrant liaisons (see SP 5454-2016 for more information on acceptable certification documentation). Documentation required to evaluate the ISP is derived from the April 1st certification documentation from the school year prior to CEP election, which is used to establish the claiming percentages in the current four-year CEP cycle.

Reviewers must obtain the list of all students used to derive the ISP and randomly* select at least of 10% of student names to verify that those students can be found on source documentation that certifies eligibility for free meal benefits. 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, SAs may randomly select 10% of identified student names at random or a statistically valid sample (see following chart).

Sample Size Chart			
Total # of students in the SFA ISP calculation	SAMPLE SIZE (99%)	Total # of students in the SFA ISP calculation	SAMPLE SIZE (99%)
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: SAs can randomly select 10% of student names or a statistically valid sample.

Step 3: Validation of Claiming Percentages

When a CEP school is reviewed, the SA must ensure that the correct claiming percentages for free and paid meals were used (complete the SFA-2A).

At a minimum, the SA must verify that the claiming percentages identified for the most recent ISP were 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 the review identifies that claiming percentages were erroneously applied, LEA must correct the deficiencies identified at the non-compliant site(s) as part of its Corrective Action Plan. The LEA must also submit documentation for every CEP site showing that the claiming percentages

calculated for the current ISP are applied correctly for every closed Claim for Reimbursement from the school year in which the review occurs.

Step 4: Recordkeeping

The LEA/school must retain records for all SPO schools, as follows:

- **For CEP**, LEAs/schools must retain records used to develop the ISP (e.g., records for the initial CEP election year showing numbers of identified and enrolled students, and records from any updates 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 audit findings have not been resolved, these records must be retained beyond the three-year period as long as required for the resolution of issues raised by the audit.

If a SA determines that the LEA/school has not maintained the required records for a participating site, the SA may require the school to return to standard application and meal counting procedures.

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. The abbreviated review must include (1) a review the certification documentation used to determine the ISP, and (2) a review of Claims for Reimbursement to ensure that claiming percentages are applied correctly.

The Certification documentation may include direct certification lists, documentation for extension of eligibility, and lists from homeless/migrant liaisons (see SP 5454-2016 for more information on acceptable certification documentation). The documentation required to evaluate the ISP is derived from the April 1st certification documentation from the school year prior to CEP election, which is used to establish the claiming percentages in the current four-year cycle.

Reviewers must obtain the list of all students used to derive the ISP and randomly select 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*) to verify that those students can be found

on source documentation that certifies eligibility for free meal benefits. 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 the review identifies that claiming percentages were erroneously applied, the LEA must correct the deficiencies identified at the non-compliant site(s) as part of its Corrective Action Plan. The LEA must also submit documentation for every CEP site showing that the claiming percentages calculated for the current ISP are applied correctly for every closed Claim for Reimbursement from the 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 must be 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 current ISP are applied correctly for every closed Claim for Reimbursement from the 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 ISP(s) calculation results in errors that place the CEP participating site(s) below the minimum ISP requirement for CEP eligibility, the participating site(s) must return to standard meal counting and claiming. The LEA must be given adequate time (at least 30 days) to complete the certification process in accordance with 7 CFR 245.9(j). If, in the fourth year of the CEP cycle, the ISP is below 40% but at least 30%, the SA has the discretion to allow the LEAs or site to continue operating CEP at the State-identified claiming percentage for a fifth year (a “grace year”). Reimbursement for schools operating in a grace year is based on the ISP as of April 1 in Year 4 of the current four-year cycle. See SP 54-2016 for additional grace year information. To begin new four-year cycle, the LEA must have an ISP of 40% or higher as of April 1st of the fourth year (or grace year, if applicable). However, the LEA would not qualify for the grace year option (as described in SP 54-2016).

For all other 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/LEAs operating CEP:

- Any certification errors identified during the Administrative Review at standard operating sites are not 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/LEA that failed to **maintain all required documentation** **and** the SA may require the school to return to standard application and meal counting procedures.

Section XI: Resources

The Resource in this Section is:

- 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
<p>These activities should be conducted at least 4-6 weeks prior to the on-site review</p> <p>DATES:</p>	<p>These activities must be conducted prior to an on-site Resource Management review</p>	<p>Within 4-6 weeks of start of on-site review</p>	<p>While on-site</p>	<p>Within 30 calendar days after on-site review (unless otherwise noted)</p>
<p>Select/identify sites that will receive on-site reviews for NSLP</p> <p>O Determine the number of sites/ identify sites that will receive:</p> <ul style="list-style-type: none"> SBP review FFVP review ASP review SMP review <p>A MP RM G O Complete Off-site Assessment Tool</p> <p>Use data already on file and request any necessary information from SFA; work collaboratively with SFA to complete</p> <ul style="list-style-type: none"> • Consider using specialized staff to complete appropriate sections <p>A Request Benefit Issuance Document from SFA</p>	<p>RM Request Resource Management Information for Off-site Assessment Tool</p> <p>RM Collect Resource Management section of the Off-site Assessment Tool from the SFA</p> <p>This information must be completed by the SFA off-site prior to the on-site review or prior to the off-site review of Resource Management.</p> <p>RM Complete the Resource Management Risk Indicator Tool</p> <p>RM Determine whether a comprehensive RM Review will be conducted in any Resource Management area</p> <p>If a comprehensive RM review will be conducted, notify SFA of any additional documentation that must be submitted</p>	<p>A MP RM G O Assess any areas of non-compliance based on off-site assessment</p> <p>A MP RM G O Prepare in advance for possible technical assistance needs at SFA</p> <p>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</p> <p>MP If validating a SFA-conducted nutrient analysis (Option 2) for Targeted Menu Review, gather any additional documentation necessary and begin validation procedures.</p>	<p>A MP G O Complete On-site Assessment Tool</p> <p>Record errors on S-1 SFA-2</p> <p>RM Conduct a comprehensive RM review, if necessary</p> <p>The comprehensive review may be conducted off-site instead, with the exception of allowable costs, which must be reviewed on-site</p> <p>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</p>	<p>Conduct Exit Conference with SFA</p> <p>Record errors on SFA-1</p> <p>Issue Administrative Review Summary Report</p> <p>A MP RM G O Establish Corrective Action deadline, if necessary</p> <p>A MP RM G O Receive, review, respond to documented Corrective Action from SFA</p> <p>Use Fiscal Action Workbooks to calculate any needed fiscal action</p> <p>Determine whether onsite follow-up is necessary</p> <p>MP Complete nutrient analysis/validation process (if required)</p>

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
<p>A Select students for Certification/ Benefit Issuance Review</p> <p>MP Use Meal Compliance Risk Assessment Tool to rank selected sites and determine the site that will receive the Targeted Menu Review</p> <p>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.</p> <p>MP Assess Compliance with Meal Pattern Requirements Review meals and snacks at each site selected for review to assess compliance with</p>		<p>MP If conducting a nutrient analysis (Option 3), gather any additional documentation necessary and begin data entry procedures.</p>	<p>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</p> <p>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</p>	<p>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).</p>

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
<p>meal components and quantities.</p> <p>MP Be mindful of Offer vs. Serve (OVS) policy when reviewing meal compliance documentation. Perform optional OVS edit check.</p> <p>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.</p> <p>O Determine if the SFA operates the Seamless Summer Option (SSO). If so, determine when SSO will be operating and schedule SSO review.</p>				

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 USDA 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

7 CFR 210.18