



Food and
Nutrition
Service

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DATE: May 17, 2017

MEMO CODE: SP 31-2017

SUBJECT: Clarifications for Fiscal Action School Food Authority-Wide
for Administrative Reviews in School Year 2016-2017

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

This memorandum addresses questions recently raised by State agencies regarding the Food and Nutrition Service (FNS) requirement to apply fiscal action School Food Authority (SFA)-wide and assists State agencies in completing administrative reviews of SFAs in School Year 2016-2017. This memorandum should be used in conjunction with the FNS SP 44- 2016, *Administrative Review – Revised Manual, Forms, and Tools (School Year 2016-2017)*; and the memoranda *Additional Guidance for the Implementation of the Administrative Reviews in School Nutrition Programs Final Rule, SP 56-2016*, and *Completion of Fiscal Action in School Year 2016-2017 Administrative Reviews, SP 07-2017*.

For the certification and benefit issuance portion of the critical areas of the Administrative Review, program regulations at 7 CFR 210.18(g)(1)(i) require that State agencies review either all applications at an SFA or a statistically valid sample of those applications. This comprehensive scope of review provides State agencies with a more accurate picture of the SFA's practices at all participating schools under its jurisdiction. The final rule published on July 29, 2016 (81-FR 50170) *Administrative Reviews in the School Nutrition Programs* requires that State agencies apply corrective action to all schools SFA-wide, as appropriate, which ensures that correct practices and procedures are established across the SFA and results in maintaining program integrity by taking into account the broader scope of practices of the SFA in accordance with 7 CFR 210.18(j).

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. The memorandum 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.

Recently FNS has learned that, for a variety of reasons, a majority of State agencies use site based claiming. While this is not required by FNS or program regulations it can be part of a program integrity best practice. We are aware that assessing fiscal action SFA-wide using the Fiscal Action Workbook process can be burdensome for some State agencies when using site based claiming and needing to input each individual site, as outlined in SP 56-2016. FNS will continue to evaluate the need to revise the fiscal action process outlined in the Administrative Review, identify any tools that can be useful for State agencies, and provide technical assistance to ensure site based claiming is used only when necessary for program integrity and when it benefits the State Agency's process.

Moving forward, FNS intends to continue to assess fiscal action SFA-wide in order to ensure that errors, especially those that are likely systemic in nature, are assessed for the entire SFA. FNS recognizes that state systems and the Administrative Review process may need changes in order for State agencies to be more successful in their execution of this process. By requiring fiscal action SFA-wide, we are aligning the fiscal action assessment process with the review of applications at the SFA level.

In response to feedback provided by State agencies, below are two options which State agencies may use in assessing fiscal action for School Year 2016-2017. Use of either option will allow time for State agencies to adapt their systems and for FNS to further consider changes to the Administrative Review Fiscal Action Workbook process. State agencies may choose one of the following two options for School Year 2016-2017:

Option One: Assess Fiscal Action in line with procedures used in the Administrative Review process for School Year 2015-2016. State agencies whose system or resources prohibit successful implementation of fiscal action SFA-wide may follow guidance issued prior to implementation of the Administrative Review final rule and assess fiscal action at the reviewed sites only for Administrative Reviews in School Year 2016-2017. While FNS provided an interim approach to implementing the updated Administrative Review process, which began in School Year 2013-2014 before publication of the final rule, assessing fiscal action SFA-wide is one of the last pieces of implementation and has been found to be challenging for State agencies due to the way fiscal action is now determined and State agencies' use of site based claiming systems. This option will allow State agencies to further develop changes to their claiming system while moving forward with assessing fiscal action for reviews during School Year 2016-2017.

Option Two: State agency Discretion to Trigger Fiscal Action SFA Wide Using a 3 Percent Error Threshold: State agencies who are successfully implementing fiscal action SFA-wide, in accordance with the final rule and without resource or system constraints may continue to do so and have the discretion to either take fiscal action SFA-wide for all certification and benefit issuance errors or only when certification

and benefit issuance errors are 3 percent or more. The 3 percent threshold is of all applications reviewed, which is either 100 percent of applications or a statistically valid sample of those applications, whichever the State agency chooses to review. This threshold is based on research conducted during the Regional Office Review of Applications study and reflects the 10 year mean of the most recent studies. Since the studies found that on average nearly 3 percent of eligibility determinations were incorrect, for an SFA meeting or exceeding a 3 percent certification and benefit issuance error threshold during an Administrative Review, the State agency would assess fiscal action for the entire SFA. This would support the original intent of improving program integrity through fiscal action SFA-wide, while providing State agencies the discretion to alleviate the process in situations involving assessing fiscal action SFA-wide for smaller, likely non-systemic errors.

State agencies must select one option and apply this selection for the entire state and notify their FNS Regional office prior to application in order to ensure consistency among SFAs within the state.

FNS' intent is to update the fiscal action process for School Year 2017-2018 to include a 3 percent error threshold as explained in Option Two. However, FNS will continue to evaluate current processes and work to ensure the right balance of requiring fiscal action SFA-wide and identifying systematic errors. The options above will allow State agencies to update systems and move forward with fiscal action procedures for the current school year while further evaluation takes place.

State agencies are reminded to distribute this information to Program operators immediately. Program operators should direct any questions regarding this memorandum to the appropriate State agency. State agencies should direct any questions to the appropriate FNS Regional Office.

Original Signed

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