



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

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Alexandria, VA  
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DATE: September 18, 2015

MEMO CODE: SP 46-2015

SUBJECT: Review of Special Provision Options 2 and 3 Base Year

TO: Regional Directors  
Special Nutrition Programs  
All Regions

State Directors  
Child Nutrition Programs  
All States

Since School Year (SY) 2013-2014, State agencies have been required to conduct a review of base year certification and benefit issuance documentation for any school food authority requesting approval to participate in the National School Lunch Program (NSLP) or School Breakfast Program (SBP) using Special Provisions 2 or 3. State agencies must also review the documentation of any school food authority with a base year that was established prior to SY 2013-2014 before the end of the school food authority's current approved cycle. This memorandum supersedes SP-59-2013, *Review of Provision 2/3 Base Year*, which was issued on September 26, 2013.

Since base year claims are the source of subsequent year claiming, it is essential that base year certification, meal counts, and funding levels are accurate. The review, outlined in this memorandum, must occur at some point during the base year for school food authorities requesting approval to use Special Provisions 2 or 3 and must be conducted using one of the following methods:

1. Through a desk audit of sites establishing a base year when the school food authority is not scheduled for an Administrative Review; or
2. Through the Administrative Review process if the school food authority is scheduled for an Administrative Review during the year that the school food authority is requesting approval to participate in the NSLP or SBP using Special Provisions 2 or 3.

***NOTE*** –State agencies opting to use the Coordinated Review Effort ***procedures for SY 2015-2016 must review Special Provisions 2 or 3 base year documents through a desk audit. Procedures for a desk audit are outlined below.***

When a State agency finds base year certification errors during the course of a base year review, either during a desk audit or during an Administrative Review, the State agency must adjust all of the school food authority's closed claims for the current school year. To calculate this adjustment, the State agency will apply a Base Year Adjustment Calculation (see the Administrative Review Manual SY 15-16: Certification and Benefit Issuance Module) to all sites and closed claims in order to correct meal counts accordingly. When errors are found during a base year review, every closed claim in the current school year must be adjusted.

### **Review Procedures**

#### **Review of Special Provisions 2 or 3 base year certifications through a desk audit when a school food authority is not scheduled for an Administrative Review during the base year:**

- The review of base year certifications through a desk audit, for all sites establishing a Special Provisions 2 or 3 base year, may be conducted either at the school food authority (on-site) or at the State agency (off-site), at the discretion of the State agency. **NOTE: If the review of base year certifications is conducted off-site, the State agency must ensure the confidentiality of any sensitive information.** Only sites within the school food authority that are establishing a base year should be reviewed.
- The State agency may review either 100% of certifications for all sites establishing a base year for Special Provisions 2 or 3, **OR** the State agency may review a statistically valid sample of certifications from all sites establishing a base year for Special Provisions 2 or 3. State agencies may not use statistical sampling in school food authorities that have a 100 or fewer students certified for free or reduced-price meal benefits.
  - If the State agency reviews 100% of certifications for sites establishing a base year, the certifications may either be examined by site or grouped together in order to establish a Base Year Adjustment Calculation for either each site or group.
  - If the State agency reviews a statistically valid sample of certifications, the sampling "universe" must be all certifications from all sites establishing a base year for Special Provisions 2 or 3 at the school food authority. To select a statistically valid sample (selection of students), the State agency must follow the statistically valid sampling procedures included in the Administrative Review Manual SY 15-16: Certification and Benefit Issuance Module.
  - The Base Year Adjustment Calculation outlined in the Administrative Review Manual SY 15-16, must be used to calculate adjustments for certification errors found during the base year certification review. The resulting Base Year Adjustment Calculation must be used to determine the correct number of meal counts that should have been claimed at all sites and for the closed claims that must be corrected accordingly.

**Review of Provision 2 or 3 base year certifications for a school food authority that is selected for an Administrative Review:**

- When conducting an Administrative Review, the names of students enrolled at the base year review sites must be excluded from the school food authority's sampling universe when the State agency is conducting the certification and benefit issuance review of sites that are not establishing a base year. The reason for this is because the formula used to adjust meal counts for certification and benefit issuance errors at sites undergoing a base year review is not the same as the formula used at the school food authority's other sites that are not included in the base year review.
- With the exception of the sampling universe described above, the State agency must follow the procedures described in the Administrative Review Manual SY15-16: Certifications and Benefit Issuance Module, including the use of the Base Year Adjustment calculation for certification errors found during the base year certification review. The resulting Base Year Adjustment Calculation must be used to determine the correct number of meal counts that should have been claimed at all sites and for the closed claims that must be corrected accordingly.

**Results of Review**

Regardless of the method used for the review of base year documents, when claiming errors are found, the Base Year Adjustment Calculation specified in the Administrative Review Manual must be used to determine the correct funding percentages/levels for the base year certifications. The Base Year Adjustment Calculation process is outlined in the Administrative Review Manual SY 15-16: Certification and Benefit Issuance Module.

The Base Year Adjustment Calculation must be applied to meal counts for each closed claim period in the base year for each site establishing a base year and implementing Special Provisions 2 or 3. By adjusting meal counts for each month in the base year, the resulting claiming percentages and funding levels that are used in subsequent non-base years will be based on the adjusted meal counts claimed during the base year. For the months following the base year review, the site would use the corrected certification information in order to ensure that the correct claiming percentages/funding levels are being used.

State agencies are reminded that any school food authority requesting participation through Special Provisions 2 or 3 must be in compliance with general NSLP and/ or Special Provisions 2 or 3 requirements. The State agency is encouraged to use discretion in approving participation in Special Provisions 2 or 3 in cases where significant non-compliance is found during the review of base year certification documents.

**Documentation of Base Year Review**

The State agency must document the review of the site's base year certifications and retain that documentation at the State agency for the duration of that site's participation in Special Provisions 2 or 3. This information may be reviewed during a Management Evaluation of the State agency's procedures.

**For a school food authority currently operating Special Provisions 2 or 3 with a base year established prior to SY 2013-2014:**

Any school food authority with sites that are currently operating Special Provisions 2 or 3 with base years that were established prior to SY 2013-2014, will need to work with their State agency to determine which of the following approaches will be used to ensure the accuracy of the base year certification documentation. State agencies may begin working with the school food authorities that fall into this situation at any time prior to the end of their current provision cycle. The following process will be implemented at the end of the current cycle for each school food authorities' site in question (prior to an extension being approved by the State agency):

- If the State agency has documentation showing that the State agency has reviewed base year certification documents prior to SY 2013-2014, no further review activity is required provided that the school food authority has retained all base year records as required.
- If the State agency does not have sufficient documentation showing that a State agency review of base year certification documents had been conducted prior to SY 2013-2014, the school food authority will have the following two options prior to completion of their current approved cycle, if seeking an extension from the State agency:
  1. Provide all required base year certification documentation to the State agency for review. NOTE: If the school food authority has multiple sites operating Special Provisions 2 or 3 on different recertification cycles (i.e., different base years) the school food authority may elect to provide the documents to the State agency at any point prior to requesting recertification. However, the State agency must group and examine the documentation according to the base year. Under no circumstances should a State agency combine sites with different base years for this review.
    - The State agency must review all certification documentation used to establish the base year to ensure accuracy.
    - The review results will be evaluated as described above under *Review Procedures*.

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2. Request approval from the State agency to establish a new base year.
  - The State agency will follow the above outlined procedures for reviewing the certification and benefit issuance documents during a base year.

State agencies are reminded to distribute this memorandum to Program operators immediately. Local educational agencies, school food authorities, and other Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate Food and Nutrition Service Regional office.

Sincerely,



Sarah Smith-Holmes

Director

Program Monitoring and Operational Support

Child Nutrition Programs