



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

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DATE: September 26, 2013

MEMO CODE: SP 59-2013

SUBJECT: Review of Provision 2/3 Base Year

TO: Regional Directors  
Special Nutrition Programs  
All Regions

State Directors  
Child Nutrition Programs  
All States

Beginning School Year (SY) 2013-2014, State agencies (SA) must conduct a review of base year certification and benefit issuance documentation for any school food authority (SFA) requesting approval to participate in the National School Lunch Program (NSLP) or School Breakfast Program (SBP) using Provision 2 or 3. Since base year claims form the basis of subsequent year claiming, it is essential that base year certification, meal counts, and funding levels are accurate. This review must occur at some point during the base year. This review shall be conducted via one of the following methods, depending on the specific situation:

1. Desk audit of sites establishing a base year when the SFA is not scheduled for either an Administrative Review or an Additional Administrative Review; or
2. Administrative Review Process:
  - *If the SFA establishing a base year is scheduled for an Administrative Review during the base year, the SA must use the Administrative Review to ensure the accuracy of the base year certifications.*
  - **NOTE** – this only applies to the Administrative Review process developed by SMARRT for implementation beginning SY 2013-2014. SAs opting to use modified Coordinated Review Effort (CRE) procedures for SY 2013-2014 must review base year documents outside of the Administrative Review.
3. Additional Administrative Review (AAR):
  - *If the SFA establishing a base year is selected for an AAR during the base year, the State agency must use the AAR to ensure the accuracy of the base year certifications.*

## **Review Procedures**

### **Review of base year certifications via desk audit:**

- The review of base year certifications may be conducted at the SFA (on-site) or at the SA (off-site), at the discretion of the SA. **NOTE: If the review of base year certifications is conducted off-site, the SA must ensure the confidentiality of any sensitive information.**
- The SA may limit the scope of the certification and benefit issuance review to only those sites within the SFA that are establishing a base year for Provision 2/3.
- The SA may review either 100% of certifications for all sites establishing a base year for Provision 2/3, OR the SA may review a statistically valid sample of certifications from all sites establishing a base year for Provision 2/3.
  - If the SA reviews 100% of certifications for sites establishing a base year, they may be grouped and examined by site (as opposed to one large group of all sites) in order to establish a certification and benefit issuance adjustment factor for each site rather than use one factor for all sites.
  - If the SA reviews a statistically valid sample of certifications, the sampling “universe” must be all certifications from all sites establishing a base year for Provision 2/3 at the SFA. Statistically valid sampling methodology (selection of students) must be followed as described in the Administrative Review Manual - Certification and Benefit Issuance Module.
  - The Administrative Review Fiscal Action Workbook (FA-1) must be used to calculate adjustments for certification errors found during the base year certification review. The resulting adjustment factor is applied to all sites to correct meal counts accordingly.

### **Review of base year certifications during an Administrative Review or an Additional Administrative Review:**

- The SA must follow the administrative review procedures as written in the Certification and Benefit Issuance section of the Administrative Review Manual.
- **IMPORTANT NOTE** for SY 2013-2014: If the State agency has elected to follow modified CRE Nutrient Analysis procedures for SY 2013-2014, the State agency may not use the CRE to ensure the accuracy of base year certifications unless all sites within the SFA that are establishing a base year are selected for review.

### **Results of Review**

Regardless of the method used for the review of base year documents, the Administrative Review Fiscal Action Workbook (FA-1), “NSLP-Std” tab must be used to establish the certification and benefit issuance adjustment factor for the base year certifications. The SA must follow procedures as described in the Administrative Review Manual to calculate the certification and benefit issuance adjustment factor (step 5 on the NSLP-Std tab).

In order to ensure the accuracy of claims submitted in subsequent non-base years, the certification and benefit issuance adjustment factor established during the review of base year certification documentation must be applied to meal counts for each closed claim period in the base year for each site establishing a base year for implementing Provision 2/3. 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. (*See Administrative Review Manual, Section IX: Special Provision Options for additional information.*)

SAs are reminded that any SFA requesting participation through Provision 2 or 3 must be in compliance with general NSLP and/ or Provision 2/3 requirements. The SA is encouraged to use discretion in approving participation in Provision 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 SA must document the review of the site’s base year certifications and retain that documentation at the SA for the duration of that site’s participation in Provision 2/3. This information may be reviewed during a Management Evaluation of the State’s procedures.

### **For SFA sites currently operating Provision 2 or 3 with base years established prior to SY 2013-2014:**

Any SFA with sites that are currently operating Provision 2 or 3 with base years that were established prior to SY 2013-2014 will need to work with their SA to determine which of the following approaches will be used to ensure the accuracy of the base year certification documentation. SA may begin working with the SFAs 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 SFA site in question (prior to an extension being approved by the SA):

- If the SA has documentation showing that the SA has reviewed base year certification documents prior to SY 2013-2014, no further review activity is required provided that the SFA has retained all base year records as required.

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- If the SA does not have documentation showing that a SA review of base year certification documents has been conducted prior to SY 2013-2014, the SFA will have the following two options prior to completion of their current approved cycle, if seeking an extension from the SA:
  1. Provide all required base year certification documentation to the SA for review. NOTE: If the SFA has multiple sites operating Provision 2 or 3 on different recertification cycles (i.e., different base years), the SFA may elect to provide the documents to the SA at any point prior to requesting recertification. However, the SA must group and examine the documentation according to the base year – under no circumstances should a SA combine sites with different base years for this review.
    - The SA 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*.
  2. Request approval from the SA to establish a new base year.
    - The SA will follow the above outlined procedures for reviewing the certification and benefit issuance documents during a base year.

Should you have any questions, please contact your Regional Office. Regional Offices with questions should contact the Child Nutrition Division.

Sincerely,

A handwritten signature in blue ink that reads "Cynthia Long". The signature is written in a cursive, flowing style.

Cynthia Long  
Director  
Child Nutrition Division