

Chapter 34: Fiscal Action and Withholding Procedures

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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, the Office of Health and Nutrition, OHN, 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.

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))

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 OHN.

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, OHN 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, OHN 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 OHN 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.

- OHN 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 OHN. (7 CFR 210.19(c)(6)).

Performance Standard 2:

- For food component violations under Performance Standard 2, OHN 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, OHN may limit fiscal action from the point corrective action occurs back through the beginning of the review period.

If OHN 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 OHN discretion, for the day of review month. OHN 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 OHN 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 SSO, 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:

- OHN'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 OHN 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 OHN.

- 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

OHN, 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, OHN 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 OHN 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 OHN discretion. For example, OHN 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. OHN 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, OHN 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).
- Upward or downward adjustments needed to the site's meal counts for the reviewed schools, by type, due to counting or consolidation errors.
- The total number of non-reimbursable meals claimed by the reviewed sites.
- The total amount of undocumented or unallowable FFVP costs at the reviewed sites.
- The total amount of upward or downward adjustments to the NSLP Afterschool Snack site's claim for reimbursement.
- If reviewing SMP, the total amount of disallowances.
- The SFA's count of reviewed students eligible for free and reduced price meals.
- OHN's independent count of reviewed students eligible for free and reduced price meals.

To apply the formula in Special Provision Option situations, OHN must obtain the following information during the Administrative Review:

- The total number of meals claimed by the site by type.
- The total upward or downward adjustments needed to the site's meal counts by type due to counting or consolidation errors.
- The total number of non-reimbursable meals claimed by the site.
- The total amount of undocumented or unallowable FFVP costs at the reviewed sites.
- The total amount of upward or downward adjustments to the NSLP Afterschool Snack site's claim for reimbursement.
- For Provision 2, the SFA's applied and SA's validated free, reduced, and paid claiming percentages.
- For Provision 3, the SFA's applied and SA's validated funding levels.
- For the Community Eligibility Provision, the SFA's and SA's validated free and paid claiming percentages. 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. OHN has chosen to use the FNS 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, OHN will use the flexibility to not assess fiscal action at the SFA level and 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%, OHN will assess fiscal action SFA wide.

Consolidation Errors at SFA Level

OHN only assesses the consolidation error once, either at the site level or at the SFA level, whichever is most appropriate.

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**, OHN must follow the procedures described in the USDA Administrative Review Manual 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 USDA Administrative Review Manual Section IX: *Special Provision Options*.

Other Errors

OHN will use the USDA Fiscal Action Workbook which 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.

Recalculation

Claims for Reimbursement must accurately reflect the number of reimbursable meals, by type, for any given day. If OHN identifies problems resulting in incorrect claims, OHN must identify the SFA's correct entitlement and apply fiscal action.

Generally, OHN has 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 OHN 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, OHN will conduct a partial recalculation. In this case, OHN 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 OHN must conduct a full recalculation. In order to conduct a full recalculation, the OHN 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, OHN may want to validate the corrective actions through a follow-up technical assistance visit.

Once OHN 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, OHN 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 OHN 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%, OHN can complete the Full Recalculation process with no further action necessary; 2) If enrollment changes exceed 5%, OHN 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 OHN 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, OHN will not disallow more meals than were originally claimed.

Fiscal Year Integrity

When calculating fiscal action, OHN must calculate fiscal action for each fiscal year separately. OHN 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.
- OHN may not impose Federal fiscal action for federally allowable actions that are violations of State law.

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

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.

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.

- a) OHN 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 OHN count of students eligible for free and reduced price meals

The purpose of Step 2 is for OHN 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).

OHN must record its count for the number of students incorrectly certified for free and reduced price meals on the *Fiscal Action Workbook*, Block 2.

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 OHN 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 OHN's determination of the number of students that should be certified as free or reduced price.

The certification and benefit issuance error rates are the ratio of OHN's 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 represents 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 OHN identified student errors resulting in Free to Reduced benefit issuance status change

$$\div \frac{\text{Number of students certified by the SFA to be eligible for free meals}}{\text{Certification and benefit issuance error rate for Free to Reduced}}$$

For Example:

$$\begin{aligned} & 3 \text{ student errors identified by SA resulting in Free to Reduced status change} \\ \div & \quad \quad \quad \underline{250 \text{ students certified by SFA for free meals}} \\ = & \quad \quad \quad 1.2\% \text{ certification and benefit issuance error rate for Free to Reduced} \end{aligned}$$

**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, OHN 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, OHN 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— OHN 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. OHN 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. OHN must record the result of this calculation on the *Fiscal Action Workbook*, Blocks 5A and 5B.

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. OHN 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— OHN 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.

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. OHN 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 OHN count of the total number of reimbursable meals from Step 4. The result of determining OHN count of reimbursable free meals is calculated automatically by the *Fiscal Action Workbook*, Block 8.

$$\frac{\text{Free meals claimed}}{\text{Total number of meals claimed}} \times \text{SA count of total number of reimbursable meals} = \text{SA count of reimbursable free meals}$$

For Example:

(7,000 free meals claimed / 13,000 total meals claimed) x 12,000 OHN 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 OHN count of the total number of reimbursable meals from Step 4. The result of determining OHN count of reimbursable reduced price meals is calculated automatically by the *Fiscal Action Workbook*, Block 8.

$$\frac{\text{Reduced price meals claimed}}{\text{Total number of meals claimed}} \times \text{OHN count of total number of reimbursable meals} = \text{OHN count of reimbursable reduced price meals}$$

For Example:

(4,000 reduced price meals claimed / 13,000 total meals claimed) x 12,000 OHN 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 OHN 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).

OHN 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 OHN 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 OHN 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 site's 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 OHN'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) OHN'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) OHN'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) OHN'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.

OHN must determine the school's claim with the OHN's corrections in order to determine the amount of fiscal action it assesses. OHN 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, OHN 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) OHN corrected claim — Multiply OHN 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 OHN
X \$2.94 free reimbursement rate
\$15,961.26 Corrected reimbursement for free meals

Reduced-Price:

3,259 reduced-price meals validated by OHN
X \$2.54 reduced-price reimbursement rate
\$8,277.86 Corrected reimbursement for reduced-price meals

Paid:

3,312 paid meals validated by OHN
X \$0.35 paid reimbursement rate
\$1,159.20 Corrected reimbursement for paid meals

(c) Fiscal action — Subtract OHN 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 – OHN 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– OHN 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. OHN 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 OHN 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*.

Withholding

When to withhold payments based on 7 CFR § 210.18(k):

1. The SFA did not complete the corrective action (CA) for an AR no later than 30 days from the deadline for completion of each required corrective action for Performance Standard 1 and Performance Standard 2 violations.
2. OHN finds that CA for critical area violation (Performance Standard 1 and Performance Standard 2) was not completed by the SFA.
3. OHN may withhold Program payments to a SFA at its discretion, if the OHN found a critical area violation (Performance Standard 1 and Performance Standard 2) on a previous review and the SFA continues to have the same error for the same cause.
4. OHN can withhold if it finds that documented CA is not provided within the deadlines set by the reviewer, CA is not complete, or CA was not taken as specified in the documented CA.
5. The SFA fails to comply with program regulations or requirements outside of the administrative review.

Program payments must be withheld until such time as CA is completed, documented corrective action is received and deemed acceptable by OHN, or OHN completes a follow-up review and confirms that the problem has been corrected.

OHN may, at its discretion, reduce the amount required to be withheld from an SFA by as much as 60 percent of the total Program payments when it is determined to be in the best interest of the Program. Any amount over 60% must be approved by USDA.

Follow step in OHN Fiscal Action, Appeal and Withholding Procedures when withholding funds.