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**HEALTH AND
HUMAN SERVICES**

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December 14, 2018

Memorandum

NC CACFP 19-03
for USDA CACFP 14-2018

To: Institutions Participating in the Child and Adult Care Food Program

From: Mary Anne Burghardt, Nutrition Services Branch Head

Subject: 60 Day Claim Submission and 90 Day Reporting Requirements for Child Nutrition Programs

Attached is updated clarifying guidance for State agencies regarding the *60 Day Claim Submission and 90 Day Reporting Requirements for Child Nutrition Programs* which was released on April 25, 2018. FNS issued this edition to consolidate and clarify longstanding law, regulation, and guidance regarding claim submission and reporting timeframe requirements for Child Nutrition Programs, including the timeline for which final claims must be submitted to the State agency, in what circumstances exceptions and adjustments are allowed, and the State agency's reporting requirements. This latest version includes edits to align with changes made in the *Summer Food Service Program Simplified Cost Accounting Final Rule* published on June 1, 2018. All changes included in this guidance were to be implemented by State agencies by October 1, 2018.

FNS would like to highlight the following changes included in this guidance:

- Extends the ability to withhold payments in circumstances outlined in this guidance to all Child Nutrition Programs (not just School Meal Programs).
- Provides clarification to deadlines that fall on a Saturday, Sunday or a Federal Holiday. In cases where a deadline falls on one of these days, the due date is the next business day.
- Per the SFSP Simplified Cost Accounting Final Rule, includes new SFSP flexibilities for combining claims.
- Revisions to program reports after the 90-day deadline now require an explanation in the "Remarks" section of the report. The guidance provides examples in Attachment B.
- Any significant variations between the 30-day and 90-day report now require an explanation in the "Remarks" section of the report. The guidance provides examples in Attachment C.
- Tolerance levels have been removed.

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North Carolina program operators should direct any questions concerning this guidance to their Regional Consultant or the NC CACFP Nutrition, Training, and Policy Team at CACFPtraining@dhhs.nc.gov.

Attachment

Food and Nutrition Service (FNS)



United States Department of Agriculture

*Guidance for Local and State Agencies on 60-Day
Claim Submission and 90-Day Reporting Requirements
for Child Nutrition Programs*

Food and Nutrition Service

August 2018

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60-Day Claim Submission and 90- Day Reporting Requirements for Child Nutrition Programs

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Part I: Purpose and Definitions

A. Purpose

This document provides clarification and guidance on the requirements for implementing the 60-day claim submission process and the 90-day reporting requirements set forth in the federal regulations for each of the Child Nutrition Programs. These requirements were established by the Agriculture Appropriations Act of 1983, P.L. 97-370. This legislation addressed problems experienced by FNS in obtaining timely and accurate reporting under the National School Lunch Program (NSLP), School Breakfast Program (SBP), Special Milk Program (SMP), Child and Adult Care Food Program (CACFP), and Summer Food Service Program (SFSP). This guidance applies to each of these entitlement programs, but not the Fresh Fruit and Vegetable Program (FFVP). The FFVP is a discretionary program and separate guidance related to claim submission and reporting requirements will be issued upon publication of the FFVP regulation.

B. Definitions

Adjustment is an increase or decrease in the number of meals of a given category (paid, reduced price, free) and program (NSLP, SBP, SMP, CACFP, or SFSP) that the local agency (LA) or state agency (SA) has previously reported served in a given month.

- Upward adjustment results from revisions to final claims or FNS-10/44/418 reports that cause an increase in the number of dollars, by program, to which the LA or SA is paid.
- Downward adjustment always reduces the LA's and SA's reimbursement by program. Downward adjustments in program funds claimed shall always be made, without FNS authorization, regardless of when it is determined that such adjustments are necessary. [§210.8(b)(4), §215.10(b), §220.11(b), §225.9(d)(6), §226.10(e)]

Final claim is the most recent claim for reimbursement for a specified claim month (including any adjustments) that was submitted within the established timeframes and is eligible for payment.

Local Agency (LA) refers to a school, school food authority, child care center, sponsoring organization (of summer camps, institutions, and service institutions), or other entity authorized by an agreement with the State agency to operate a Child Nutrition Program at the local level.

Regional Office Administered Programs (ROAP) is when an FNS regional office administers the program in nonprofit private schools or public or nonprofit private residential child care institutions if the SA is prohibited by law from disbursing federal funds paid to such entities.

State Agency (SA) refers to an administering agency for the Child Nutrition Programs. For many states, the administering agency is the State Department of Education. However, some states have other administering agencies, including but not limited to the Department of Health or the Department of Agriculture.

Part II: Local Agency Guidance

A. Final Reimbursement Claim Submission Deadline – 60 Days

P.L. 97-370 specifies “*That only final reimbursement claims for service of meals, supplements, and milk submitted to State Agencies (SAs) by eligible schools, summer camps, institutions, and service institutions **within 60 days following the claiming month** shall be eligible for reimbursement from funds appropriated under this Act.*”

Program regulations specify that a final claim for reimbursement shall be postmarked and/or submitted to the SA, or FNS regional office (FNSRO) where applicable, **not later than 60 days following the last day of the full month covered by the claim**. SAs may establish shorter deadlines at their discretion. Claims not postmarked and/or submitted within 60 calendar days shall not be paid with program funds unless FNS determines that an exception should be granted or is otherwise authorized by FNS. [7 CFR §210.8(b)(1), §215.10(b), §220.11(b), §225.9(d)(6), §226.10(e).] When the 60th day falls on a Saturday, Sunday, or Federal holiday, the claim is due on the next business day.

Note: Eligible claims submitted after the SA deadline yet within the 60 calendar day timeframe must be paid in accordance with federal regulations.

Therefore, LAs must submit final reimbursement claims within 60 calendar days of the end of the specified claim month. The LA may submit revisions to a claim for reimbursement prior to the 60-day deadline. After the 60-day claim deadline, the data submitted for the claim month is considered final and may only be revised according to the circumstances that are detailed below in Sections F & G in Part II of this guidance. These circumstances are also outlined in Attachment A.

Claims are considered submitted at the point in time at which they leave the custody of the LA. Generally, this point is reached when the LA mails, facsimiles, uploads, or otherwise transmits the claim.

In NSLP, SBP, SMP, and CACFP, the claim for reimbursement for any month shall include meals served in that month except if the first or last month of program operations for any year contains ten operating days or less; such month may be combined with the claim for the appropriate adjacent month. However, claims for reimbursement may not combine operations occurring in two fiscal years [7 CFR §210.8(c)(1), §220.11(b), §215.10(b), §226.10(e)]. If a claim combines a full month with a partial month, the submission deadline for the full month shall govern. For example, a LA operating the NSLP whose school year ends June 10 may combine meals served in June on the same claim with meals served in May. This May/June claim must be submitted as if it were strictly a May claim. The claim would be due by July 30 (60 calendar days from May 31).

In SFSP, sponsors must submit a monthly claim or a combined claim within 60 days of the last day of operation. For example, if the sponsor operated for less than 10 days in August and the last day of SFSP operation was August 5, the claim would include July and August and would be due by October 4 (60 calendar days from August 5). Sponsors may not submit a combined claim for meal reimbursements that crosses fiscal years [7 CFR §225.9(d)]. In addition, State agencies must ensure that the correct reimbursement rates are applied for meals claimed for months when different reimbursement rates are in effect. Sponsors have the flexibility to combine the claim for reimbursement in the following ways:

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- (1) For 10 operating days or less in their initial month of operations with the claim for the subsequent month;
- (2) For 10 operating days or less in their final month of operations with the claim for the preceding month; or
- (3) For 3 consecutive months, as long as this combined claim only includes 10 operating days or less from each of the first and last months of program operations.

B. Certification of the Claim for Reimbursement

Program regulations specify that claims for reimbursement shall report information in accordance with the financial management system established by the SA, and in sufficient detail to justify the reimbursement claimed and to enable the SA to provide the final Report of Program Operations (i.e. FNS-10, FNS-44, and FNS-418) to FNS. In submitting a claim for reimbursement, each LA shall certify that the claim is true and correct and that records are available to support this claim. [7 CFR §210.8(c), §215.10(d), §220.11(b), §225.9(d)(5), §226.10(c)].

The certification requires that all reimbursement claims (i.e. original claims and adjusted claims) must contain actual data and must be supported by documentation; the LA is never permitted to submit “estimated” claim data.

C. Claim Data Documentation and Record Retention

Sufficient detailed documentation must be maintained by the LA to support all actual claim data reported. Details and reasons for all adjustments made to claims must also be maintained. The SA will review this documentation during program monitoring reviews, and other oversight activities to monitor and enforce compliance at the LA level. When such reviews take place, any data provided on claims which cannot be supported by documentation on file will be disallowed and reimbursements already paid will be recovered.

Records supporting claims must be retained by the LA and be available for review for at least three years plus the current fiscal year; except, if audit findings have not been resolved, the records must be retained as long as required for resolution of the issues raised by an audit.

D. Regional Office Administered Programs (ROAP)

These provisions apply equally to LAs submitting claims to FNS Regional Offices (FNSRO) for Regional Office Administered Programs (ROAP). References to the SA include ROAP when the FNSRO is the agency administering the Program.

E. Local Agency Compliance

LAs must submit final reimbursement claims within 60 calendar days of the end of the specified claim month. If the LA fails to meet this deadline, it is out of compliance with regulatory requirements, except for those situations explained in Section F below. When the LA is out of compliance, a corrective action plan (CAP) may be required by the SA. In addition, regulations allow the SA to withhold payments to the LA for all Child Nutrition Programs until procedures have been implemented for the LA to produce an actual final claim each month [7 CFR §210.24, §220.18, and §215.15; 2 CFR §200.338].

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F. Adjustments and Exception Requests when the LA is In Compliance

Listed below are the situations in which a LA remains in compliance but may request or may be asked to submit or revise a claim after the 60-day deadline. There is no limit to the number of adjustments or exceptions available for these situations.

1) Late claims when the reason resulted from circumstances beyond the control of the LA

A LA may request an exception for failing to submit or failing to revise a claim(s) within the 60-day deadline when the reason for the request resulted from circumstances beyond the LA's control. Such situations would include, but are not limited to, a natural disaster, fire, flood, vandalism of records, and serious illness or injury of the person responsible for submitting the report. The LA may request an exception for one or more monthly claims. The LA may request as many exceptions, as needed, if the situation was beyond their control.

If the LA feels the circumstances were beyond its control, it must submit to the SA an explanation in writing describing the events and circumstances that prevented compliance with claim submission requirements. The request must be in sufficient detail to enable the SA and FNSRO to make a fair exception decision. The SA must evaluate the validity of the circumstance. If the SA deems the LA request warrants consideration, the SA will submit to the FNSRO an exception request, submitted separately for each program. The SA and LA must maintain documentation to support the request.

Note: In CACFP or SFSP only, a LA may appeal a SA's decision not to forward a late claim or revised claim to the FNSRO for an exception consideration [7 CFR §225.13(a), §226.6(k)(2)(x)]. This does not prohibit LAs operating any program from exercising rights under State appeals processes regarding any SA decision. However, an LA will not be permitted to appeal a FNSRO's decision to deny the use of an exception. Note: A LA that is part of a Regional Office Administered Program may not appeal the decision made by the FNSRO.

2) Adjustments from audits or SA reviews

The LA may request a revision to a claim(s) that was submitted on time when an audit or SA review discloses overclaims or underclaims which appear to be warranted after a review of the circumstances by the SA. The LA may request a revision for one or more monthly claims.

The SA has the authority to grant this approval if the claim falls within three years of the current fiscal year. **Any audit/review adjustments beyond this three year time frame require submission of an exception request to the FNSRO.** Any increases to entitlements resulting from this provision will be authorized subject to the availability of funds.

3) Adjustments Initiated by the SA

The SA may direct the LA to adjust a claim if the SA discovers an error or omission during its claim review process. An upward adjustment may only occur if 1) the LA submitted the claim within the 60-day deadline and 2) the LA is able to revise its claim in time for the SA to submit its final report within the 90-day deadline. [7 CFR §210.8(b)(4), §215.10(b), §220.11(b), §225.9(d)(6), §226.10(e)] Downward adjustments shall be made, without FNS authorization, regardless of when it is determined that such adjustments are necessary.

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For example, while reviewing October claims, the SA notices a 15% variation in October meal counts from the previous year. Upon further review, the SA determines the LA forgot to include one site in its claim. The SA may direct the LA to revise its October claim if the revision can be made in time for the SA to submit its final 90-day October report by the deadline (i.e., January 29).

G. Adjustments and Exception Requests when the LA is Out of Compliance

In the situations described below, the LA is out of compliance with the 60-day claim submission deadline. In the first two situations, the LA must submit the revised claim(s) for adjustment; in the third situation, the LA may request an exception to submit or revise a claim. Each section below describes the circumstances and required process for submitting or adjusting the claim(s).

1) Downward Adjustments

The LA must submit to the SA revised final claims when it wishes to make overall downward adjustments to its claim. Downward adjustments may be made at any time [7 CFR §210.8(b)(4), §215.10(b), §220.11(b), §225.9(d)(6), §226.10(e)]. No exception request is needed and the SA has the authority to make the downward adjustment.

However, the LA must submit to the SA an explanation in writing describing the events and circumstances that prevented compliance with claim submission requirements. The explanation must include each reason for a downward adjustment causing a return of funds to FNS (such as reducing the number of free lunches for which reimbursement was claimed).

If a LA repeatedly adjusts its claims downward after the 60-day submission deadline, a CAP may be required by the SA. If required, a CAP must be submitted in sufficient detail to demonstrate that completion of the actions to be taken by the LA will ensure its future compliance with the requirements. In addition, regulations allow the SA to withhold payments to the LA for all Child Nutrition Programs until procedures have been implemented for the LA to produce an actual final claim each month [7 CFR §210.24, §220.18, and §215.15; 2 CFR §200.338].

2) No Change in Reimbursement

The LA must submit to the SA revised final claims if it determines that meals were improperly categorized or other non-meal data was in error when changes to meal categories or data do not result in a change in the dollar value of the claim [7 CFR §210.8(c), §220.11(b), §215.9(b), §225.9(d)(5), §226.10(c)]. No exception request is needed and the SA has the authority to make the adjustment.

However, the LA must submit to the SA an explanation in writing describing the events and circumstances that prevented compliance with claim submission requirements.

If the LA repeatedly requests this change, a CAP may be required by the SA. If required, a CAP must be submitted in sufficient detail to demonstrate that completion of the actions to be taken by the LA will ensure its future compliance with the requirements. In addition, regulations allow the SA to withhold payments to the LA for all Child Nutrition Programs until procedures have been implemented for the LA to produce an actual final claim each month [7 CFR §210.24, §220.18, and §215.15; 2 CFR §200.338].

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3) One-time exception for the submission of a late original or revised claim that results in an increase to the amount of reimbursement

P.L. 97-370 specifies that: “*Exceptions to these claims or reports submissions requirements may be made at the discretion of the Secretary.*”

The LA may request approval for a one-time exception every 36 months for one monthly original or revised claim submitted after the 60-day deadline that results in increased reimbursement when the lateness is due to reasons within the control of the LA. The LA may request a revision for only one monthly claim. If the request covers multiple months, only one month can be paid and the SA must deny payment for claims for the other months.

The LA must submit to the SA an explanation in writing describing the events and circumstances that prevented compliance with claim submission requirements. The explanation must include each reason for an upward adjustment causing an amount due to the LA (such as increasing the number of free lunches on a monthly claim).

The LA must also submit a CAP to correct the conditions that led to the lateness of the claim. A CAP must be submitted in sufficient detail to demonstrate that completion of the actions to be taken by the LA will ensure its future compliance with the requirements. The SA must require that the LA submit a CAP that includes:

- actions to be taken to avoid any future late claim submission from the same or other causes;
- a statement that the LA understands that the one-time exception is only available once in a 36-month period for each Child Nutrition Program for circumstances within its control; and
- a signature of the LA’s designated official or other senior level official as specified by the SA.

If the LA submits an approvable CAP the one-time exception may be granted by the SA for one monthly claim only if the LA has not been granted an exception for that program during the previous 36-month period. The SA has the discretion to determine if the 36 months begins with the claim month or approval date but the decision must be consistent for all programs administered by the SA and be documented by SA written policies and procedures.

A one-time exception may be granted for each separate Child Nutrition Program operated by the LA. Therefore, an exception may be granted separately for School Meals, CACFP, and SFSP. An exception for School Meals includes SBP, NSLP, Afterschool Snack Program and Seamless Summer Option so that an exception for any of these programs would count as the LA’s one-time exception for School Meals. For example, if the LA received a one-time exception for Seamless Summer, it could not request a one-time exception for NSLP for 36 months.

Similarly, an exception for CACFP includes all centers under CACFP. If an LA received a one-time exception for its child care center, it could not request a one-time exception for the At-Risk Afterschool Meal center for 36 months.

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The SA has discretion to approve one-time exceptions without consulting the FNSRO.

Part III: State Agency Guidance on 60-Day Claim Submission Deadline

A. Final Reimbursement Claim Submission Deadline – 60 Days

Program regulations specify that a final Claim for Reimbursement shall be postmarked and/or submitted to the SA, or FNSRO where applicable, not later than 60 days following the last day of the full month covered by the claim. SAs may establish shorter deadlines at their discretion. Claims postmarked and/or submitted not later than 60 calendar days shall not be paid with Program funds unless FNS determines that an exception should be granted or is otherwise authorized by FNS. [7 CFR §210.8(b) (1), §215.10(b), §220.11(b), §225.9(d) (6), §226.10(e).] SAs must ensure that their procedures are compliant with these regulations.

FNS encourages SAs to establish an earlier claim submission deadline. Evidence indicates that implementing an earlier deadline achieves more timely submissions. However, eligible claims submitted after the SA deadline yet within the 60-day timeframe must be paid.

Claims are considered submitted at the point in time at which they leave the custody of the LA. Generally, this point is reached when the LA mails, facsimiles, uploads, or otherwise transmits the claim.

B. Authority to Approve LA Requests for Adjustments and Exceptions

As described in Part II, Sections F and G, there are several situations in which LAs may request adjustments to claims and exceptions to the 60-day claim submission requirement.

SAs have the authority to approve LA requests in the following situations:

- Changes in reimbursement due to an audit or SA review within a three-year time limit of the month(s) requiring data adjustments
- Downward adjustments
- No change in reimbursement
- One-time exception request within a 36-month period

In addition, SAs may direct a LA to adjust a claim if the SA discovers an error or omission during its claim review process. This may only occur if the LA submitted the claim within the 60-day deadline and the LA is able to revise its claim in time for the SA to submit its final report within the 90-day deadline, as referenced in Part II, Section F3: Adjustments Initiated by the SA.

SAs must request approval from their FNSRO in the following situations:

- Changes in reimbursement due to an audit or SA review beyond the three-year time limit of the month(s) requiring data adjustments
- Circumstances beyond the LA's control, as referenced in Part II, Section F1

C. Process to Evaluate and Approve LA Requests for Adjustments and Exceptions

SAs must follow these procedures when evaluating and approving LA requests for adjustments and exceptions to claims submitted beyond the 60-day deadline. SAs must retain adequate documentation of the request, evaluation and approval process.

1) Downward and No Change in Reimbursement Adjustments

The SA must accept all overall downward adjustments to LA claims and the SA must accept all adjustments to meal counts or other non-meal data that does not change the reimbursement amount. However, the SA must monitor these LA adjustments. If a LA repeatedly adjusts its

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claims after the 60-day submission deadline, a CAP and withholding of payments may be required as explained below.

The SA may tailor the CAP to the severity of the violation. For a “first offense,” the CAP may consist of a brief memorandum giving an overview of the corrective action the LA will take. When noncompliance is repeated or flagrant, the CAP should become progressively more comprehensive and detailed.

In addition, regulations allow the SA to withhold payments to the LA for all Child Nutrition Programs until procedures have been implemented for the LA to produce an actual final claim each month [7 CFR §210.24, §220.18, and §215.15; 2 CFR §200.338]. Withholding payments should continue until the LA demonstrates that it has procedures in place to produce a timely final claim each month. At this time, payments to the LA would resume.

2) Requests for One-Time Exceptions

When a LA requests a one-time exception for late claim submission of an original or revised claim, the SA has discretion to pay the claim if the LA has not previously been paid for a late claim under the one-time exception provision for that Child Nutrition Program within 36 months. The SA has the discretion to determine if the 36 months begins with the claim month or approval date but the decision must be consistent for all programs administered by the SA and be documented by SA written policies and procedures.

A one-time exception may be granted for each separate Child Nutrition Program operated by the LA. Therefore, an exception may be granted separately for School Meals, CACFP, and SFSP. An exception for School Meals includes SBP, NSLP, Afterschool Snack Program and Seamless Summer Option so that an exception for any of these programs would count as the LA’s one-time exception for School Meals. For example, if the LA received a one-time exception for Seamless Summer, it could not request a one-time exception for NSLP for 36 months.

Similarly, an exception for CACFP includes all centers under CACFP. If an LA received a one-time exception for child care center, it could not request an exception for the At-Risk Afterschool Meal center for 36 months.

The SA must have a method to track these exceptions, such as through an electronic tracking system or log, in accordance with 2 CFR 200.61 and 2 CFR 200.303.

The late claim cannot be paid until these steps are completed:

- a. The SA must ensure the LA has not been paid under the one-time exception provision for that Child Nutrition Program within 36 months.
- b. The SA must require that the LA submit a CAP that includes:
 - actions to be taken to avoid any future late claim submission from the same or other causes;
 - a statement that the LA understands that the one-time exception is only available once in a 36-month period for each Child Nutrition Program for circumstances within its control; and

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- a signature of the LA's designated official or other senior level official as specified by the SA.
- c. The SA shall review the CAP and approve only those which in its opinion warrant approval.

The one-time exception for lateness applies only to those claims which are otherwise valid. If the LA submits claims for several months at the same time, only one can be paid under the one-time exception for late claim submission; SAs must deny payment for claims for the other months. The CAP should not be approved until it sufficiently addresses the reason for lateness and actions to remedy the late submission.

The SA can approve one-time exceptions without consulting the FNSRO.

3) Beyond the LA's Control

When the reason for the request resulted from circumstances beyond the control of the LA, the SA shall consider the LA's exception request and forward to the FNSRO only those which demonstrate to the SA's satisfaction that noncompliance was due to circumstances beyond the LA's control. Such situations would include, but are not limited to, a natural disaster, fire, flood, vandalism of records, and serious illness or injury of the person responsible for submitting the report. For the CACFP or SFSP only, a LA may appeal the SA's decision not to forward a late or revised claim to the FNSRO for exception consideration [7 CFR §225.13(a), §226.6(k)(2)(x)]. This does not prohibit LAs operating any program from exercising rights under State appeals processes regarding any SA decision. However, an LA will not be permitted to appeal a FNSRO's decision to deny the use of an exception. Note: If the LA is part of a Regional Office Administered Program it may not appeal the decision made by the FNSRO.

For each LA exception request which the SA forwards, the SA shall submit to the FNSRO a request that includes:

- a. The name and agreement number for the LA;
- b. Each month for which an upward adjustment is requested;
- c. An explanation of each upward adjustment and why it was beyond the control of the LA. If the request includes two or more adjustments and attributes them to different reasons, the SA shall identify separately the effect of each reason.

The FNSRO will evaluate the request and either approve the request or explain why it is being denied. If a LA's request is denied and a subsequent audit or review indicates the validity of the requested adjustments or portions thereof, the adjustments to the LA's claim amount may be authorized. If this occurs, the SA should contact the FNSRO for additional guidance.

As a reminder, as explained in Part II of this guidance, LAs may request as many exceptions as needed if the situation was beyond their control.

Part IV: State Agency Guidance on 90-Day Reporting Submission Deadline

A. Final Program Operations Report Submission Deadline – 90 Days

P.L. 97-370 specifies that “*States may receive program funds appropriated under this Act for meals, supplements, and milk served during any month only if the final program operations report for such month is submitted to the Department within ninety days following that month. Exceptions to these claims or reports submission requirements may be made at the discretion of the Secretary.*”

SAs must complete the following program operations reports: FNS-10 for NSLP/SBP/SMP, FNS-44 for CACFP and FNS-418 for SFSP. These reports must be submitted in the FNS Food Program Reporting System (FPRS).

A final program operations report is the most recent submitted report that the SA has identified as the 90-day program operations report for a specified month. This report must contain only valid final claim data. SAs may submit revisions to this report prior to the 90-day reporting deadline without penalty. After the 90-day reporting deadline, the data for the applicable month is considered final and may be revised only by requesting an adjustment or exception from FNS, as explained in Sections H and I below by providing an explanation in the “Remarks” section of the report. The FNSRO cannot post the report unless the SA has included a reason in this section. See Attachment B for examples of possible remarks.

The 90-day report must not contain estimated data for any item.

B. Interim Program Operations Report (30 Day)

SAs submit an *interim* program operations report (FNS-10, FNS-44, FNS-418) as required by the report’s instructions. These 30-day reports are due in the FNS Food Program Reporting System (FPRS) within 30 calendar days after the end of the specified claim month, and this report may contain actual data from valid claims received and “estimated” data for those claims which have not been validated or received by the 30-day due date. Data reported which is not based on valid claim data should represent the best estimate of the actual operation. **Note: Only the 30-day report may contain estimated data. The 90-day report must not contain “estimated” data for any item.**

In the event that the 90-day report is significantly higher or lower than the 30-day report, SAs should include an explanation in the “Remarks” section of the 90-day report. See Attachment C for examples of possible remarks.

C. Regional Office Administered Programs (ROAP)

These provisions apply equally to FNSROs for Regional Office Administered Programs (ROAP). References to the SA include ROAP when the FNSRO is the agency administering the Program.

D. State Agency Responsibilities

The SA is responsible for the following:

1) Documentation

The SA must maintain sufficient documentation to support all transactions and data reported on program operations reports identified in Part IV, A and B above.

a) *For LA adjustments:* The SA must keep a record of all adjustments made to the program operations reports as a result of LA claim revisions. The record must include, by month and

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fiscal year affected, the LA name and type of adjustment (downward, no increased entitlement, beyond control of LA, audit, initiated by SA, or one-time exception within 36 months). SAs must also retain the following:

- Exception request, or portion thereof, approved by FNS (late LA claims submitted due to circumstances beyond their control).
- Audit/review exceptions that the SA granted, or for which FNS' approval was required (audits after 3 years).
- One time only exception request, or portion thereof, approved by SA (late LA claims submitted due to circumstance within their control) including the SA electronic tracking system or log developed to ensure an exception is only granted once every 36 months.
- Exception policies and procedures for each program used within the SA.
- Any required corrective action plans.

b) *For SA adjustments:* The SA shall maintain documentation of approved adjustments for itself, resulting from exception requests and other adjustments. SAs must also retain the following:

- Exception request, or portion thereof, approved by FNS (SA reports submitted due to circumstances beyond their control).
- All explanations submitted to FNS for late reports.
- Any required corrective action plans.

2) Reporting Adjustments

Adjustments to monthly reports shall be accumulated and reported monthly as revisions to the 90-day FNS-10/44/418 reports; adjustments should be reported at the beginning of the month following the month in which the adjustments become known.

However, if the adjustments result in a significant increase or decrease to the number of meals served, the SA must submit a revised report immediately rather than monthly. All revised reports must have monthly integrity; that is, adjustments must represent changes in meal service only during the month to which the revised report applies.

As explained above, when SAs submit revisions to reports, they must include an explanation in the "Remarks" section of each revised 90-day participation report (FNS-10, FNS-44, and FNS-418). The explanation should describe the adjustment or exception request. The FNSRO cannot post the report unless it contains an explanation. See Attachment B for examples of possible remarks.

E. Fiscal Year Closeout Reports

Prior to the financial closeout of the fiscal year, the SA shall submit any adjustments to the monthly October through September program operation reports by the date set forth in the annual FNS closeout instruction. The FNS-777 CNP Financial Status Report is also due by this date.

F. Post Closeout Adjustments

Post closeout refers to the period after the financial closeout has been finalized and the SA has been issued its Fiscal Year Statement of Accounts. Adjustments, both upward and downward, to these reports must be handled as follows:

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- 1) Adjustments to monthly reports shall be accumulated and reported each quarter as revisions to the 90-day FNS-10/44/418 reports; adjustments should be reported at the beginning of the month following the end of the quarter in which the adjustments become known. For example, the SA identifies several adjustments for its October report in April. The SA should accumulate all adjustments to the October 90-day report (instead of reporting each adjustment separately) during the month of April and should make these adjustments at the beginning of July, which is the first month of the quarter following the quarter that the adjustments became known.
- 2) In certain circumstances, SAs can request that lump sum adjustments be made by reimbursement rate period. These circumstances would include those in which the adjustments are small but impact all or a majority of months in the program year. SAs should contact their FNSRO if they feel a lump sum adjustment may be warranted.

The reimbursement rate period for NSLP, SBP, SMP and CACFP is the school year (July 1 – June 30). For these programs, a SA can request all adjustments for October through June are made to the June report and adjustments to July through September are made on the September report.

For SFSP, the reimbursement rate period is the calendar year (January 1 – December 31). For this program, a SA can request all adjustments for January through September are made to the September report and adjustments to October through December are made on the December report.

- 3) The applicable financial document for post closeout reporting is the FNS-777, CNP Financial Status Report. The FNS-777 shall contain financial data supporting revised FNS-10/44/418 reports reflecting only:
 - Authorized adjustments resulting from approved exception requests (per Section H below).
No adjustments based on exceptions requiring FNS approval should be submitted on the FNS-777 until authorization has been granted by the FNSRO.
 - Adjustments not requiring FNSRO approval.

Note: Any upward adjustments to SA entitlements resulting from revisions made after the closeout shall only be authorized by FNS subject to the availability of funds.

G. State Agency Compliance

SAs must submit initial 30-day FNS-10/44/418 reports which may contain estimates, as described in Section B above. SAs must submit final FNS-10/44/418 reports within 90 calendar days following the end of the month in which the actual meals reported thereon were served. If the SA fails to meet these deadlines, it is out of compliance with regulatory requirements and Office of Management and Budget (OMB)-approved reporting instructions, subject to the two exceptions explained in Section H below. When the SA is out of compliance, administrative action and fiscal action may be required, as explained in Section K.

H. Adjustments and Exception Requests when the SA Is In Compliance

Listed below are the situations in which a SA remains in compliance but may request to submit or revise a report after the 90-day deadline.

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- 1) Late reports when the reason resulted from circumstances beyond the control of the SA
A SA may request an exception for failing to submit or failing to revise a report(s) within the 90-day deadline when the reason for the request resulted from circumstances beyond the SA's control. Such situations would include, but are not limited to, a natural disaster, fire, flood, vandalism of records, and serious illness or injury of person responsible for submitting the report. The SA may request an exception for one or more reports. The SA may request as many exceptions, as needed, if the situation was beyond their control.

If the SA feels the circumstances were beyond its control, it must submit to the FNSRO an explanation in writing describing the events and circumstances that prevented compliance with report submission requirements. The request must be in sufficient detail to enable the FNSRO to make a fair exception decision.

There is no limit to the number of adjustments or exceptions available for situations beyond the SA's control.

- 2) Late revisions to reports when the reason resulted from LA Adjustments
If a SA needs to revise its 90-day report due to adjustments to LA claims, the SA remains in compliance. In this situation, the SA should provide an explanation to the FNSRO of each upward or downward adjustment to the data previously reported. If the request includes two or more adjustments and attributes them to different reasons, the SA shall identify separately the effects of each reason upon the SA's participation (meal count data by category) and financial data for the month to which the request pertains.

While there is no limit to the number of revisions due to LA adjustments, SAs must follow the guidance in Part III of this guidance to ensure LAs are meeting the 60-day claim submission deadline.

I. Adjustments and Exception Requests when the SA is Out of Compliance

SAs may make downward adjustments to final reports or request exceptions due to factors within their control, but will be out of compliance with the 90-day report submission deadline. When SA reports are out of compliance, the SA must determine the appropriate method for correcting the reports. The FNSRO may also require administrative action or fiscal action, as explained in Section K.

- 1) Exclusively downward adjustments to SA final reports
The SA may revise the FNS-10/44/418 reports after the 90-day deadline without FNSRO approval when it makes any downward adjustments (as defined in this guidance) on the final reports.

Although the SA does not need prior approval, it must provide an explanation to the FNSRO of each downward adjustment to the data previously reported. If the notification includes two or more adjustments and attributes them to different reasons, the SA shall identify separately the effects of each reason upon the SA's participation (meal count data by category) and financial data for the month to which the request pertains.

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2) Late and Revised FNS-10/44/418 Reports

The SA must submit to the FNSRO a separate request for each late program operations report for which it seeks an exception on its own behalf when the reason is within the control of the SA. This includes both reports not submitted within 90 calendar days as well as reports not revised within 90 calendar days.

The SA must provide an explanation to the FNSRO of each adjustment to the data previously reported. If the request includes two or more adjustments and attributes them to different reasons, the SA shall identify separately the effects of each reason upon the SA's participation (meal count data by category) and financial data for the month to which the request pertains.

J. FNS Regional Office Responsibilities

When the SA is out of compliance, the FNSRO will follow the procedures outlined below. In addition, the FNSRO may require administrative action or fiscal action, as explained in Section K.

- 1) If the SA fails to submit reports within the 30-day or 90-day deadlines, the FNSRO will promptly notify the SA.
- 2) When the SA submits an exception request to the FNSRO, the FNSRO will consider individually each reason explained in the justification statement for one or more adjustments presented in the SA's request.

If the FNSRO agrees with the justification, it will authorize the upward and/or downward adjustments.

If the FNSRO does not agree with the justification, the FNSRO shall provide the SA an explanation of the denial and may deny payment.

K. Administrative Action and Fiscal Action for Non-Compliance

The FNSRO shall tailor all corrective actions, both administrative and fiscal, to address the degree of non-compliance involved. Corrective action, as discussed below, should generally escalate through a series of progressively more severe steps until SA compliance is achieved. However, the FNSRO need not limit itself to escalating step-by-step. When the SA non-compliance is severe or deliberate, the FNSRO may start with one of the more severe actions.

1) Administrative Action:

Corrective Action Plans (CAPs): CAPs must be submitted in sufficient detail to demonstrate that completion of the actions to be taken by the SA will ensure its future compliance with the reporting requirements. The CAP should be tailored to the severity of the violation. For a "first offense", the CAP may consist of a brief memorandum giving an overview of the corrective action the SA will take. When noncompliance is repeated or flagrant, the CAP should become progressively more comprehensive and detailed.

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2) Fiscal Action

The FNS funds control system is structured to fund all of the programs included in the SA's FNS-10/44/418 reports on a cash needs basis. Given this condition, the FNSRO escalation of corrective action would progressively restrict the SA's access to cash. If necessary, such restrictions would culminate in FNS denying the SA funds for activities not reported in compliance with the 90-day submission deadline.

Funding a SA and/or FNSRO on a cash needs basis means making cash available to the SA and/or FNSRO in such amounts and at such times as will enable the SA and/or FNSRO to promptly liquidate liabilities incurred, as evidenced by payable claims on hand. Cash payments to the SA are reconciled with program activity reported by the SA after the close of the applicable fiscal year.

Progressive Steps for Funding Restrictions

The FNSRO shall determine and apply one or more of the following funding restrictions, without regard to order or sequence. The severity of the restriction selected should be in accordance with the SA's reporting performance record and the nature of the noncompliance.

- 1) The FNSRO could deny the SA access to additional funds until the FNSRO approves a CAP for the SA. Once there is approval, the SA would continue to receive funds on a cash needs basis.
- 2) In addition to withholding payment until approval of the CAP, the FNSRO would provide funds to the SA in its Letter of Credit on a reimbursement basis. Thus, the SA would receive none of the funds to which a given month's report would have entitled it until the FNSRO had received the final (90-day) report for that month.

Funding a SA on a reimbursement basis means restricting cash payments to the SA to such times and such amount as will ensure that cumulative cash disbursements to the SA are supported by cumulative actual program activity reported on Forms FNS-10/44/418.

- 3) After approval of a CAP for the SA, the FNSRO would keep the SA funded on a reimbursement basis but withhold any additional payment until it has performed an on-site review of SA documentation and has satisfied itself that data provided on the reports are supported by LA final claims.
- 4) Notwithstanding approval of the SA's CAP, the SA would not receive funds, nor would there be retroactive funds provided, for any activity that was not reported in compliance with the reporting requirements. Depending on the severity of the noncompliance, the actual meal data presented on the 30-day report may or may not be used when a 90-day report is not approved by the FNSRO or is not submitted within 90 calendar days.
- 5) The SA would be taken off the program for not complying with the reporting requirements. Until reinstated, the SA would receive no Federal funds, and no retroactive payment would be made.

Attachment A: Actions for 60-Day Late Submission of Claims by the Local Agency

Local Agency (LA) Responsibility	State Agency (SA) Responsibility	FNS Responsibility	Status
Type of Late Claim	Claim Can be Accepted¹	Claim Requires FNS Approval	Claim is Out of Compliance²
Original or Revised Claim Beyond Their Control	Yes	Yes	No
Original or Revised Claim due to Audit or Review	Yes	No (if within 3 years) Yes (if after 3 years)	No
<ul style="list-style-type: none"> • Original Claim Not due to Audit or Beyond Control, and • Revised Claim Not due to Audit or Beyond Control that results in increase to reimbursement amount 	One Monthly Claim Every 36 Months ³	No	Yes
Revised Claim that does not result in change to amount of reimbursement	Yes	No	Yes
Revised Claim that results in decrease in reimbursement amount	Yes – must be submitted	No	Yes
SA Initiates the Revised Claim	Yes	No	No

¹ Acceptance of late claims is contingent upon the LA providing the required information. See Part II for more guidance.

² When a LA is out of compliance, the SA may require a corrective action plan. In addition, regulations allow the SA to withhold payments to the LA for all Child Nutrition Programs until procedures have been implemented for the LA to produce an actual final claim each month [7 CFR §210.24, §220.18, and §215.15; 2 CFR §200.338]

³ LAs may request approval for a one-time exception every 36 months for one monthly claim submitted after the 60-day deadline when the lateness is due to reasons within the control of the LA, if the LA submits an approvable CAP. Only one exception can be granted regardless of whether the original or revised claim is late. A one-time exception may be granted for each separate Child Nutrition Program operated by the LA. See Part II Section G3 and Part III C2 for more guidance.

Attachment B: Examples of Remarks for Revisions to 90-Day Reports

SAs must include the reason for the revision in the “Remarks” section of each revised 90-day CNP program participation report (FNS-10, FNS-44 or FNS-418). An FNSRO cannot post the report unless the SA has included a reason in the “Remarks” section of the report. Although the list is not all inclusive, examples include:

Examples of Remarks for Revisions to 90-Day Reports
<ul style="list-style-type: none"> • Local agency exception <ul style="list-style-type: none"> ○ Late claims that were paid due to approval of a one-time exception/circumstance beyond control
<ul style="list-style-type: none"> • Malfunction in SA payment/financial system
<ul style="list-style-type: none"> • SA staffing issue
<ul style="list-style-type: none"> • Incorporate administrative review results <ul style="list-style-type: none"> ○ Sponsor overpayments resulting from decreased meal counts. Downward adjustment. ○ Disallowed meal counts due to administrative review. Downward adjustment. ○ Increased meal reimbursement rate due to administrative review determining that the sponsor had not properly claimed the reimbursement to which it was entitled. Upward adjustment.
<ul style="list-style-type: none"> • State level audit results <ul style="list-style-type: none"> ○ Sponsor overpayments resulting from decreased meal counts. Downward adjustment. ○ Disallowed meal counts due to audit. Downward adjustment. ○ Increased meal reimbursement rate due to Audit determining that the sponsor had not properly claimed the reimbursement to which it was entitled. Upward adjustment.
<ul style="list-style-type: none"> • Revisions required based on FNS detection of reporting anomalies on 90-day report
<ul style="list-style-type: none"> • Reporting errors the SA may have caught in ongoing reconciliations <ul style="list-style-type: none"> ○ Increased or decreased meals due to SA’s prior year financial reconciliation.

Attachment C: Significant Variations in Reports

States should include explanations in the “Remarks” section when the 90-day report is significantly higher or lower compared to the 30-day report, or compared to the same month in the previous year. Although not inclusive, examples include:

Examples of Remarks for Significant Variations to 90-Day Reports
<ul style="list-style-type: none">• The large decrease in meals is due to a decline in the number of participating providers.
<ul style="list-style-type: none">• The large increase in meals is due to the addition of ten new sponsors.
<ul style="list-style-type: none">• The large decrease in meals for the month, compared to the same month last year, was weather related as schools were closed five days this month.
<ul style="list-style-type: none">• Due to an error in the 30-day estimation process, the number of estimated meals was incorrect and the reason the 90-day meals are significantly higher. The SA has identified and corrected the system error.