



Overt Identification

August 2014

Eligibility Manual for School Meals

Determining and Verifying Eligibility

Child Nutrition Programs

FOOD AND NUTRITION SERVICE, USDA

(Excerpt Page 71)

PART 8: CONFIDENTIALITY/DISCLOSURE

PREVENTING OVERT IDENTIFICATION

Unauthorized disclosure or “overt identification” of children receiving free or reduced price meal benefits may be an unintentional consequence of having a food service line where competitive foods are sold and a different food service line for NSLP program meals.

In the same way, schools that have a dual payment system that accepts both cash and electronic payments may overtly identify children through the method of payment.

Schools must ensure, to the maximum extent practicable, that the sale of competitive foods and the method of payment do not inadvertently result in children being identified by their peers as receiving free or reduced price meal benefits.

In addition, schools/LEAs must ensure that children who receive free or reduced price meal benefits are not overtly identified when they are provided additional services under certain programs or activities that are permitted to have access to children’s eligibility information, such as academic support under No Child Left Behind. (See the Disclosure Chart in Part 8C)

LEAs must ensure compliance with disclosure limitations in this Part 8L (reference NSLA 9(b)(10) and regulations found at 7 CFR Part 245.8 and

LEAs must ensure compliance with disclosure limitations in this Part 8L (reference NSLA 9(b)(10) and regulations found at 7 CFR Part 245.8 and SP 45-2012 available at <http://www.fns.usda.gov> (see manual for full citation).

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Administrative Review Manual

*For monitoring of program requirements under the
National School Lunch Program, School Breakfast Program,
and other Federal school nutrition programs*



U.S. Department of Agriculture
Food and Nutrition Service
School Meal Programs
September 2014

SAs must also determine whether free and reduced-price benefits are provided to students in a manner that assures confidentiality and prevents overt identification during meal service or at any other time, in accordance with FNS Memorandum SP 45-2012, *Preventing Overt Identification of Children Certified for Free or Reduced-Price School Meals*. Any problems should be recorded in the comment section for Question 136 on the *On-site Assessment Tool*.

Financial Accountability

Section IV: Resource Management

Modules contained within this Section include:

- Risk Assessment for Resource Management
- Maintenance of the Nonprofit School Food Service Account
- Paid Lunch Equity
- Revenue from Nonprogram Foods
- Indirect Costs

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Module: Risk Assessment for Resource Management

Intent/Scope of Monitoring

The intent and scope of monitoring in this section is to apply a systematic approach to ensuring the overall financial health of an SFA's nonprofit school food service. This Section consists of a review of four areas integral to the financial health of the SFA's school food service. The SA may always supplement the review activity to include additional areas. The monitoring areas are:

- *Maintenance of the Nonprofit School Food Service Account*

The SA must ensure that revenues and expenses* under the nonprofit school food service account are in accordance with 7 CFR 210.14. The nonprofit school food service expenses must be allowable — used only for the operation and improvement of the school food service — and net cash resources may not exceed three months' average operating expenses (7 CFR 210.14)

**Note: In assessing compliance with the Net Cash Resource's provision we have chosen to use the word "expenditure" to be consistent with the regulations. In all other areas of the Resource management Section we have chosen to use "expenses".*

- *Paid Lunch Equity*

The SA must ensure that SFAs comply with the requirements for pricing paid lunches. (7 CFR 210.14(e))

- *Revenue from Nonprogram Foods*

The SA must ensure that SFAs comply with the requirements that *revenues from the sale* of nonprogram foods generate at least the same proportion of total school food service account revenues that *expenses from the purchase* of nonprogram foods contribute to total school food service account food costs.

In addition, the SFA must price adult meals so that adult payments are sufficient to cover the overall cost of meals, including the value of any USDA Foods used in the production of adult meals. (7 CFR 210.14(f) and FNS Instruction 782-5 REV.

1)

- **Indirect Costs**

The SA must ensure that SFAs follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. (2 CFR 225)

Why use a Risk Indicator Tool?

The purpose of the *Resource Management Risk Indicator Tool* is to forecast and/or assess, through the use of known indicators, situations that may result in noncompliance.

Using a balanced review approach to monitor a SFA's resource management practices ensures that potential problems are identified while limited resources are focused on those SFAs most at risk of noncompliance. The *Off-site Assessment Tool's* resource management section and the *Resource Management Risk Indicator Tool* are designed to help SAs target technical assistance and corrective action to those SFAs that demonstrate an increased risk of potential noncompliance and/or noncompliance with resource management requirements. Please note: later in this document, you will see reference to six risk indicators that correspond to the four review areas discussed above. These six risk indicators include several questions under each risk indicator. SFAs identified by the *Resource Management Risk Indicator Tool* as being at high risk for noncompliance must undergo a comprehensive review of all four areas of resource management during the Administrative Review; SFAs identified as being at low risk for noncompliance may only need technical assistance or corrective action to address any problematic areas highlighted by the *Resource Management Risk Indicator Tool*.

The Resource Management Risk Indicator Tool

Identifies which SFAs are at risk for problems in resource management.

Review Procedures

Pre-visit Review Procedures

Off-site Assessment

Questions 700-712 in the *Off-site Assessment Tool* focus on the following areas:

maintenance of the nonprofit school food service account, paid lunch equity, revenue from nonprogram foods, and indirect costs.

The information derived from the *Off-site Assessment Tool* will be added into the *Resource Management Risk Indicator Tool* by the SA. The Resource Management portion of the *Off-site Assessment Tool* and the *Resource Management Risk Indicator Tool* must be completed at least 4 weeks prior to the on-site portion of the Administrative Review.

Important: Any failure, whether by the SFA or SA, to adhere to the timeframe prescribed above requires that a resource management comprehensive review be conducted.

The Resource Management Risk Indicator Tool identifies which SFAs are at potential risk for problems in resource management. The Tool is expected to lead to a more targeted review that will ultimately provide for streamlined, consistent, and effective management of

Reviewer Tip

As early as possible in the program year (e.g., July – September) send the Resource Management portion of the *Off-site Assessment Tool* to all SFAs scheduled for review in the coming school year. SA staff then provides technical assistance to help SFAs to complete the tool.

program resources at the SFA level. Information provided by the SFA for the *Off-site Assessment Tool* and *Resource Management Risk Indicator Tool* should be based on the SFA's most recently completed fiscal year, program year, or closed and audited year

unless otherwise indicated. The time period chosen should be consistent throughout the review. If at any time the SA is concerned that any of the information provided by the SFA in the *Off-site Assessment Tool* is inaccurate, the SA must follow up with the SFA to ensure that the SFA understands the questions correctly and provides accurate answers.

Conducting an Administrative Review of a new SFA in its first year of operation provides an opportunity for an SA to ensure that the new SFA has a solid financial accounting system and sound practices in place. When reviewing a new SFA, the SA should not complete the *Resource Management Risk Indicator Tool*. Instead, the SA must use the Resource Management section of the *On-site Assessment Tool* to document the SFA's policies and procedures in each of the four Resource Management compliance areas: maintenance of the nonprofit school food service account (including allowable costs and net cash resources), paid lunch equity, revenue from nonprogram foods, and indirect costs. During the on-site review of a new SFA's resource management policies and procedures, the SA reviewer should document any findings needing corrective action and/or technical assistance in the *On-site Assessment Tool*.

Using the Resource Management Risk Indicator Tool

While the *Resource Management Risk Indicator Tool* is designed to assess potential risk, it is not intended to be a comprehensive evaluation. Additional evaluation is required to determine whether problems actually exist.

The Tool includes six indicators of potential risk that fall within the four areas integral to the financial health of the SFA school food service. At least one question is asked under each area; some areas contain multiple questions that may indicate risk (risk indicators). Regardless of how many risk indicators are triggered in any one area of the *Resource Management Risk Indicator Tool*, only one indicator per area is counted towards an SFA's overall risk assessment. For example, if an area has two questions and the answers provided by the SFA to both questions indicate risk, only one total risk indicator will be

assessed for that area. If risk is identified in three or more of the six risk indicators assessed, the SA must conduct a resource management comprehensive review. See the modules under this section for more information about the resource management comprehensive review. It is important to note that not all of the questions associated with the risk indicators are intended to imply that the related activity is prohibited; rather, they merely reflect the possibility of a need for further review.

Resource Management comprehensive reviews are optional in SFAs that receive fewer than three risk indicators, although corrective action is required for any violation of resource management requirements noted during the off-site assessment phase. FNS encourages SAs to conduct a Resource Management comprehensive review if the SA has concerns about the SFAs resource management practices. If fewer than three risk indicators are triggered during the Resource Management risk assessment, the SA must determine if each indicator(s) was triggered due to potential risk and/or for noncompliance. In this instance, the SA may secure documentation, such as the SFA's written financial procedures, a Statement of Revenue and Expenses, FNS *Paid Lunch Equity Tool*, etc. from the SFA to learn more about the SFA's resource management processes to better assess the SFA's compliance with federal requirements. If the SA identifies technical assistance needs or any program noncompliance, the SA must follow up with the SFA and document any technical assistance or corrective action provided in the *Off-site Assessment Tool*. If the SA identifies the need for corrective action during the course of the risk assessment process, the SA must verify during the on-site portion of the Administrative Review that the SFA has taken the required action(s) necessary to ensure compliance.

FNS strongly encourages SAs to include the SA financial management staff in the analysis of the completed Resource Management portion of the *Off-site Assessment Tool* and the *Resource Management Risk Indicator Tool*, and during the course of a resource management comprehensive review (if required).

Areas of Risk

The six risk indicators, found in the *Resource Management Risk Indicator Tool*, for each of the four areas are identified below.

1) Size of SFA

Off-site Assessment Tool Question

700) Is the SFA's enrollment 40,000 students or more? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA if its enrollment is 40,000 students or more.

2) Audits

Off-site Assessment Tool Question

701) Did the SFA have any financial findings related to the child nutrition programs on previous Administrative Reviews, A-133, OIG, or other state audits within the past three years? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator if the SFA has any financial findings on Administrative Reviews or audits within the last three years.

3) Maintenance of the Nonprofit School Food Service Account

Off-site Assessment Tool Questions

702) Did the SFA have a separate financial account designated for the nonprofit school food service? (YES/NO)

703) Did the SFA conduct a year-end review of total revenues and expenses to determine the school food service's nonprofit status? (YES/NO)

- 704) Did the SFA have year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance? (YES/NO)
- 705) Did the SFA transfer funds out of the nonprofit school food service account to support other school operations during the school year? (YES/NO)
- 706) Did the SFA complete a process or SA approved plan to ensure its compliance with the net cash resources limitation to a level at or below three months' average expenses? This process could include a current SA approved plan to address resources that exceed the net cash resource limitation. (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for maintenance of the nonprofit school food service account if any one of the following is found:
 - The SFA did not have a separate financial account designated for the nonprofit school food service;
 - The SFA did not conduct a year-end review of total revenues and expenses to determine the school food service nonprofit status;
 - The SFA had year-end expenses in excess of revenues, requiring a general fund transfer to cover the balance;
 - Funds were transferred out of the nonprofit school food service account to support other operations;
 - The SFA did not complete a process or SA approved plan to ensure its compliance with the requirement to limit net cash resources to a level at or below three months' average expenses.

4) Paid Lunch Equity

Off-site Assessment Tool Questions

- 707) Did the SFA charge the minimum target paid lunch price at all sites or use the USDA *Paid Lunch Equity Tool* to evaluate its paid lunch prices? (YES/NO)

708) Did the SFA use non-Federal funds to support its paid lunch prices? (YES/NO)

709) Did the SFA increase its paid lunch prices if the *Paid Lunch Equity Tool* indicated an increase in the paid lunch price was required? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for paid lunch equity if any one of the following is found.

The SFA:

- Did not charge the minimum target paid lunch price at all sites or use the *USDA Paid Lunch Equity Tool* to evaluate its paid lunch prices;
- Used non-Federal funds to support its paid lunch prices;
- Did not increase its paid lunch prices if the *Paid Lunch Equity Tool* indicated an increase in its paid lunch prices was required.

5) *Revenue from Nonprogram Foods*

Off-site Assessment Tool Questions

710) Did the SFA use the *USDA Nonprogram Food Revenue Tool* or a USDA-approved alternative method to calculate its nonprogram food costs and nonprogram food revenue? (YES/NO)

711) Was the SFA's proportion of total revenue from the sale of nonprogram foods to the total revenue of the school food service account **equal to or greater than** the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account? (YES/NO)

Revenue ratio:

Nonprogram Food Revenue

≥

Food cost ratio:

Nonprogram Food Costs

(program revenue + nonprogram revenue)

(cost of program foods + cost of nonprogram foods)

Risk Indicators

- The SA will assign one risk indicator to the SFA for revenue from nonprogram foods if **any** one of the following is found:
 - The SFA did not use the *USDA Nonprogram Food Revenue Tool* or a USDA-approved alternative method to calculate its nonprogram food costs and nonprogram food revenue; or
 - The SFA's proportion of total revenue from the sale of nonprogram foods to the total revenue of the school food service account was **less than** the proportion of total food costs associated with obtaining nonprogram foods to the total costs associated with obtaining program and nonprogram foods from the account.

6) Indirect Costs

Off-site Assessment Tool Questions

- 712) Were indirect costs charged to the SFA's nonprofit school food service account? (YES/NO)

Risk Indicators

- The SA will assign one risk indicator to the SFA for indirect costs if the following is found:
 - The nonprofit school food service account was charged for indirect costs.

Technical Assistance/Corrective Action

FNS requires technical assistance and corrective action in all instances where the SA identifies violations of the resource management regulations or guidance. As indicated

previously, any issues or findings identified in the application of the *Resource Management Risk Indicator Tool* must be followed up with corrective action and/or technical assistance, even if a comprehensive review is not required. Refer to the modules that follow for more information. Documentation may be requested off-site or on-site to address the specific risks indicated in the *Resource Management Risk Indicator Tool*. Documentation concerning allowable costs must be reviewed on-site. During the resource management assessment and review process, reviewers may refer to the *Resource Management Comprehensive Review Tool* for further guidance and instructions for how to assess a SFA's compliance and need for technical assistance concerning federal resource management requirements.

FNS encourages the SA to conduct a follow-up review for repeated instances of resource management noncompliance. Needed corrective action and/or technical assistance must be recorded in the applicable comments section of the *Off-site Assessment Tool*, *On-site Assessment Tool*, or *Resource Management Comprehensive Review Form*.

Resource Management Comprehensive Review

The *Resource Management Comprehensive Review Form* must be used when conducting a comprehensive review of SFAs with three or more risk indicators identified within the potential areas of risk. The scope of the resource management comprehensive review is described in greater detail for each Resource Management area in the modules in this section. Information provided by the SFA for the resource management comprehensive review should be based on the SFA's most recently completed fiscal year, program year or closed and audited year. The time period chosen should be consistent throughout the review.

Note: The SA may conduct the comprehensive review either on-site or off-site, with one exception: the comprehensive review of allowable costs must be conducted on-site.

Fiscal Action

This is a General Area, thus fiscal action is not required. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. While withholding program payments is not included in the specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action*, Module: *Withholding Payments*.



Comprehensive Review – Maintenance of the Nonprofit School Food Service Account

Intent/Scope of Monitoring

This Module must be used to conduct a comprehensive review of the SFA's resource management practices and may be used in whole or in part to assess compliance and/or the need for technical assistance concerning individual risk indicators triggered during a SFA's Resource Management risk assessment. When conducting a review of the maintenance of the nonprofit school food service account, the SA must assess an SFA's risk of noncompliance with the provisions of 7 CFR 210.2, 210.14(a), 210.14(b), and 210.19(a)(1), which address the maintenance of the nonprofit school food service account.

This Module focuses on ensuring the SFA is maintaining and using its nonprofit school food service account according to regulatory requirements, which include observing the limitation on the use of the nonprofit school food service account revenues set forth in 7 CFR 210.14, and ensuring related costs are necessary, reasonable, and allowable set forth in 2 CFR 225. SA monitoring of this area is intended to ensure that SFAs:

- Use all **nonprofit school food service revenue** solely for the operation or improvement of the school food service:
 - Revenues may be used for food, equipment, and labor to operate the meal program;
 - Revenues must not be used to purchase land and/or buildings, or to construct buildings, unless approved by FNS; and
 - SFAs may use facilities, equipment, and personnel supported with nonprofit school food service revenues to support a nonprofit nutrition program for the elderly, funded under the Older Americans Act of 1965.

- Limit **net cash resources** to three months' average expenditures or has a process/state agency approved plan for spending the amount in excess of 3 months. Limiting the size of a SFA's food service net cash resources ensures that funds in the nonprofit school food service account are expended to improve program operations and meal quality.
- Comply with **allowable cost** restrictions, limiting expenses of nonprofit school food service funds to those costs that are necessary, reasonable, and allocable.
- Adequately document loans the LEA may have provided to the SFA's nonprofit school food service account for the purpose of resolving a budget shortfall in the school food service account.

This section of review falls under the General Areas.

Review Procedures

With the exception of the comprehensive review of allowable costs — which must be conducted on-site — the SA has the flexibility to review all other aspects of the maintenance of the nonprofit school food service account either off-site or on-site. The *Maintenance of the Nonprofit School Food Service Account* section of the *Resource Management Comprehensive Review Form* is used when conducting a comprehensive review of this Module. To answer the questions on the review form, the SA must obtain documentation that may include, but is not limited to, the Statement of Revenues and Expenses, a general ledger, or other similar documents. The SA must assess the information in accordance with the guidance below.

Documents for the resource management comprehensive review are taken from either the most recently completed fiscal year, program year or closed and audited year. The time period chosen should be consistent throughout the year.

Nonprofit School Food Service and Net Cash Resources:

The SFA must follow and document an annual process to identify revenue excess or shortfall (i.e., net cash resources). To monitor compliance, the SA should use the SFA's **Statement of Revenue and Expenses** from the most recently completed **selected** year to identify the following:

$$\text{Total Revenues} - \text{Total Expenses} = \text{Net Cash Resources}$$

Additionally, a sample **Statement of Revenue and Expenses** is provided to help the SA perform the calculations in the steps below. Please note this is just a **sample** and may not reflect all categories that typically would appear on a **Statement of Revenue and Expenses**:

Statement of Revenue and Expenses	
Revenue	
Meal Sales	\$ _____
State Match	\$ _____
Federal Reimbursement	\$ _____
<i>Interest</i>	\$ _____
Step 1: Total Revenue	
\$ _____	
Expenses	
Labor	\$ _____
Food	\$ _____
Supplies	\$ _____
Transportation	\$ _____
Indirect Cost	\$ _____
Step 2: Expenses	
\$ _____	

Net Cash Resources

Revenue (Step 1)

Minus Expenses (Step 2)

Step 3: Net Cash Resources

\$ _____

- *Step 1 – Total Nonprofit Food Service Current Revenue:* Determine the SFA's available revenues) based on the selected year. The SA must identify all monies received by or accruing to the nonprofit school food service account, including but not limited to meal payments, earnings on investments, other local revenues, state revenues (i.e., reimbursements and state match), and federal cash reimbursements. This information should be available on the Statement of Revenue and Expenses, the general ledger, or other similar documents. SFAs that commingle their nonprofit school food service account with other school accounts must provide the SA with sufficient information to identify all revenue available to the school food service.
- *Step 2 — Total Current Expenses:* Determine payments owed/total expenses incurred in the operation or improvement of the nonprofit food service program. SFAs that commingle their nonprofit school food service account with other school accounts must provide the SA with sufficient information to identify all expenses charged to the school food service.
- *Step 3 – Net Cash Resources:* Calculate the SFA's net cash resources using the values from Step 1 and Step 2:

Step 1 (Total Current Revenue) - Step 2 (Total Current Expenses) = Step 3 (Net Cash Resources)

- *Step 4 – Identify the SFA's Three Months' Average Expenditures:* Using the Statement of Revenue and Expenses or comparable documentation, the SA must convert the annual expenses to average monthly expenses by dividing a full year's total expenses by the number of full school months (typically September-May or 9 months) and multiply by 3 months as follows:

Step A:

Full year's expenses ÷ Number of full school months = 1 month average expenses

Step B:

1 month average expenses x 3 = SFA three (3) months' average expenses

Note: SFAs may use an alternative calculation if one has been established by the State agency.

- *Step 5 – Determine the SFA's Compliance with Net Cash Resources Requirements in 7 CFR 210:*
 - If the annual net cash resources amount (see Statement of Revenue and Expenses above) is less than the three months' average expenditure amount as determined above, the SFA is in compliance.
 - If the annual net cash resources amount is higher than three months' average expenditures, then the SFA is not in compliance unless approval has been given by the SA to the SFA.

Allowable Costs:

On-site Review Procedures:

While the *Off-site Assessment Tool* does not include questions concerning allowable costs, the SA must evaluate the SFA's compliance with allowable cost restrictions on-site during the resource management comprehensive review through the following activities:

- *Step 1* – Review the SFA’s year-end Statement of Revenue and Expenses for the nonprofit school food service account to determine whether general expenses appear to be reasonable, necessary, and allocable. For an extensive list of allowable and unallowable costs, SAs should refer to 2 CFR 225.
 - A reasonable cost must follow restraints imposed by generally accepted sound business practices, including an “arms-length” standard, or in line with the price that the item or service would be on the open market, and follow state and federal regulations. Costs must be assigned to the programs, functions, and activities that benefited from the SFA having incurred the cost. All costs must be adequately documented and treated consistently as direct or indirect.
 - Costs that are not reasonable and necessary for program purposes or that do not otherwise satisfy federal cost principles and program regulations are unallowable.
 - Costs that would otherwise be allowable may be made unallowable by the action or inaction of the SFA. For example, if a SFA purchases a food processor without following a competitive procurement process, then that cost becomes unallowable because the SFA failed to maintain the required documentation to support the costs charged to the program. No portion of an unallowable cost may be charged to the program.
- *Step 2* – *Review a Sample of Expenses*: Select a sample of expenses from the detailed general ledger report for the selected year to determine whether the recorded expenses represent an activity or function recognized as reasonable and necessary for the operations of the programs. If the detailed general ledger fails to provide sufficient details needed to identify expenses, a review of invoices and receipts

for the selected year may provide this information. To conduct a sample of the SFA's expenses, the SA must perform the following steps:

- Conduct an initial assessment of approximately 10% of the expenses in the detailed general ledger. The sample may be conducted as follows:
 - Review a minimum of 10% of salaries and benefits for the year or all salaries from a selected month; ensure all employees paid are involved in the school meal programs.
 - Review a minimum of 10% of food and food processing supplies for the year or all food and food processing supplies from a selected month;
 - Review a minimum of 10% of other expenses for the year or all expenses from a selected month.

Reviewer Tip

For more information about national averages for expenses and revenues and the nonprofit school food service account, please see the USDA School Lunch and Breakfast Cost Study II, published April 2008: <http://www.fns.usda.gov/sites/default/files/MealCostStudy.pdf>

While reviewing the sample of expenses, the SA reviewer should identify any expenses that appear to be unnecessary or incompatible with the operations of the school food service. For instance, if the reviewer identifies that the SFA made purchases of shrimp and roast beef, but neither item appear on the SFA's menu or identifies staff salaries charged for employees of the SFA's Food Service Management Company, additional follow-up should occur. The reviewer must interview SFA staff about any questionable items identified and request additional information, such as invoices to substantiate the expenses.

Technical Assistance/Corrective Action

When documenting corrective action, the reviewer must include information about the SFA's violation of federal law, regulations, or applicable policy guidance, as well as information on the adjustments needed for the SFA to become compliant. Needed corrective action and/or technical assistance must be recorded in the *Off-site Assessment Tool* when a reviewer is assessing compliance outside of a resource management comprehensive review or in the *Resource Management Comprehensive Review Form* when a resource management comprehensive review is conducted.

If necessary, corrective action must include the submission of a plan by the SFA to spend net cash revenues in excess of three months' average expenses to improve school food service activities.

If the SA finds that the SFA has inappropriately spent nonprofit school food service funds on unallowable costs, corrective action will require a transfer of funds from the SFA's general fund into the nonprofit school food service account or otherwise reimburse the school food service for the unallowable expenses.

Fiscal Action

This is a General Area, thus fiscal action is not required. FNS encourages the SA to consider withholding program payments, in whole or in part, to any SFA for repeated or egregious violations that are not corrected. While withholding program payments is not included in the specific regulatory definition for fiscal action, additional information can be found in Section VIII, *Fiscal Action*, Module: *Withholding Payments*.

Also, if the SA finds that the SFA has inappropriately spent nonprofit school food service funds on unallowable costs, the SA must require a transfer of funds from the SFA's general fund to the nonprofit school food service account for the unallowable expenses.

