

Provision 2 Guidance

National School Lunch and School Breakfast Programs



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Introduction – The Special Assistance Alternatives

Traditionally, school officials annually distribute free and reduced price meal applications to households of all enrolled children and make determinations of eligibility for free and reduced price meals under the National School Lunch Program (NSLP) and School Breakfast Program (SBP). They also count the number of meals served by type (free, reduced price and paid meals) at the point of service on a daily basis to claim Federal reimbursement. In an effort to reduce paperwork and other administrative burdens at the local level, Congress incorporated into Section 11(a)(1) of the Richard B. Russell National School Lunch Act (42 USC 1759a) three alternative Provisions to the traditional requirements for annual determinations of eligibility for free and reduced price school meals and daily meal counts by type. These alternatives are commonly referred to as Provision 1, Provision 2, and Provision 3.

The Federal regulations for Provisions 1, 2, and 3 are found in 7 CFR 245, Determining Eligibility for Free and Reduced Price Meals and Free Milk In Schools. For a more detailed description of the Provisions, see Appendix A.

- Provision 1 reduces application burdens by allowing schools where at least 80 percent of the children enrolled are eligible for free or reduced price meals to certify children eligible for free meals for a 2 year period. Schools continue to take daily meal counts of the number of meals served to children by type as the basis for calculating reimbursement claims.
- Provision 2 requires that the school serve meals to participating children at no charge but reduces application burdens to once every 4 years and simplifies meal counting and claiming procedures by allowing a school to receive meal reimbursement based on claiming percentages. Additional 4-year extensions to Provision 2 are possible when certain conditions are met.
- Provision 3 requires that the school serve meals to participating children at no charge but reduces application burdens and meal counting and claiming procedures by allowing a school to receive a comparable level of Federal cash and commodity assistance as the school received in the last year in which free and reduced price eligibility determinations were made, adjusted for enrollment, inflation and operating days if applicable, for a period up to 4 years. Additional 4-year extensions to Provision 3 are possible when certain conditions are met.

This guidance addresses Provision 2. The guidance is intended for personnel in State agencies and school food authorities/schools currently participating in the federally assisted school nutrition programs who are familiar with traditional operating procedures. This would include determining free and reduced price meal eligibility and meal counting and claiming procedures for meal reimbursement and review and recordkeeping requirements.

OVERVIEW OF PROVISION 2

A school participating in Provision 2 must serve National School Lunch Program (NSLP) and/or School Breakfast Program (SBP) meals to all participating children at no charge for up to 4 consecutive years. In return, Provision 2 offers schools a reduction in some administrative burdens associated with the distribution of free and reduced price meal applications and the determination of household eligibility and eliminates meal counts by type for all but the base year of Provision 2. Households experience a reduction in burden since they are not required to complete the free and reduced price application material or pay for meals.

Provision 2 operates on a 4-year cycle. During the first year, known as the base year of Provision 2, there is no change in traditional procedures and administrative burden. The school distributes free and reduced price meal applications and makes eligibility determinations for participating children, takes daily meal counts by type (free, reduced price and paid) at the point of service, or approved alternate, reports these counts for claiming meal reimbursement, and receives Federal reimbursement based on these counts as it normally does. However, regardless of the children's free, reduced price or paid eligibility category, all children are served meals at no charge

During years 2, 3 and 4 of the cycle, the school makes no new eligibility determinations and continues to serve all children meals at no charge (this would continue to be the case as long as the school operates under the Provision). The school takes counts of only the total number of reimbursable meals served each day, instead of counting meals by type. Reimbursement during these years is determined by applying the percentages of free, reduced price, and paid meals served during the base year to the total meal count for the claiming period in subsequent years. Federal reimbursement is based on these percentages and the meals are reimbursed at the free, reduced price and paid rates.

Because all meals are served at no charge to children in Provision 2 schools, the school is no longer receiving payment from households who would normally be paying the reduced price and full price for meals. Therefore, the school must make up the difference between Federal reimbursement and meal costs. A school considering Provision 2 must evaluate whether the savings in administrative costs associated with reducing application burdens and simplifying meal counting and claiming procedures under Provision 2 offset the costs of providing meals to all children at no charge. There is no requirement that a minimum percentage of children enrolled are eligible for free or reduced price meals. However, Provision 2 may be a good alternative for schools in the school food authority with a very high percentage of children eligible for free and reduced price meals.

Schools may go back to standard procedures at any time. Also, the school may request a 4-year extension of Provision 2 if the income level of the school's population has remained the same or improved only negligibly.

Chapter 1 – Base Year - Getting Started

Provision 2 operates on a 4-year cycle. During the first year of Provision 2, known as the **base year**, the school serves all children meals at no charge regardless of the children's free, reduced price or paid eligibility category, but otherwise operates the meal programs under standard procedures.

▪ General

How do Provision 2 procedures differ from those under standard meal counting/claiming procedures?

The most significant difference between procedures in Provision 2 schools and those schools not operating under Provision 2 is that Provision 2 schools must offer reimbursable meals to all participating children at no charge for as long as they operate Provision 2. Except for offering all meals at no charge and associated adaptation of the household notification, other procedures in the first year of the Provision 2 cycle (base year) are the same as non-Provision 2 schools:

- Free and reduced price meal applications must be distributed;
- Eligibility determinations must be made;
- Meals must be counted and claimed by type at the point of service (or approved alternate), with Federal reimbursement based on these counts; and
- The verification of eligibility requirements must be met.

The major differences between Provision 2 schools and traditional schools occur in non-base years. In the second, third and fourth years of the Provision 2 cycle, Provision 2 schools make no new eligibility determinations. Additionally, Provision 2 schools take point of service counts of only the total number of reimbursable meals served daily, rather than the number of meals by type (free, reduced price and paid). Reimbursement during these years is determined by applying the percentage of free, reduced price, and paid meals served during the base year to the total meal count for the month being claimed.

Are there special criteria that a school or school food authority must meet to participate in Provision 2 and begin a base year?

Yes. You must have approval from your administering State agency prior to beginning Provision 2. There is no requirement that a minimum percentage of children enrolled are eligible for free or reduced price meals. However, the school must be prepared to pay the difference between Federal reimbursement and the cost of providing all meals at no charge from sources other than Federal funds.

▪ **School Food Authority Requirements**

May a school food authority *or a State agency* require all schools in a school food authority to go on Provision 2 in order for any of the schools to go on Provision 2?

Yes.

May Provision 2 schools within a school food authority be on different four-year cycles?

Yes. Provision 2 schools may have different base years.

We operate both a breakfast program and a lunch program; must we implement Provision 2 in both programs?

No. You may operate Provision 2 in the breakfast program only or the lunch program only. However, you will have to obtain new applications each year and continue to take categorical counts for the program not operating under Provision 2.

▪ **Base Year Requirements**

What must we do in the base year?

For Provision 2 schools, the school food authority must:

- Obtain State agency approval to operate the breakfast and/or lunch program using Provision 2 procedures in some or all schools in the school food authority;
- Offer reimbursable breakfasts and/or lunches at no charge to all children, regardless of the children's eligibility status;
- Notify the public of the availability of school meals and distribute free and reduced price applications (If not using the delayed implementation – see “Implementation Dates” - the public notification must announce meals at no charge);
- Make free and reduced price meal eligibility determinations and ensure that applications from the Provision 2 school have an equal chance of being selected for verification in accordance with the school food authority's verification procedures;
- Count meals at the point of service (or approved alternate) and claim those meals according to the eligibility status of the children served;

- Calculate monthly or annual claiming percentages for use in the non-base years; and
- Retain specified base year records for the entire period that the school operates under Provision 2 (base year plus all extensions), plus three years, or longer if there are audit findings and until resolution of the findings.

How do we obtain State agency approval to operate under Provision 2 procedures?

In all cases, in order for your State agency to consider approval for Provision 2, you must operate a system that:

- Accurately determines the eligibility status of students;
- Accurately counts meals, by type, at the point of service or approved alternative; and
- Accurately reports and claims meals for reimbursement.

Each school food authority must have a current and approved Free and Reduced Price Policy Statement on file with the State agency by October 15. Prior to a school implementing Provision 2 procedures, the school food authority must amend its approved policy statement and obtain State agency approval for each of its schools choosing to operate under Provision 2. Check with your State agency for specific requirements and procedures to amend your approved policy statement.

Why must we amend the free and reduced price policy statement for Provision 2?

Regulations require that a school food authority amend its policy statement when there is a significant change in free and reduced price policy and submit the amendment to the State agency for approval. Changing from standard procedures to Provision 2 procedures represents a significant change in free and reduced price policy. Amendments to the policy statement must identify the school(s) that will implement Provision 2 and accurately reflect the meal counting and claiming procedures that will be used in that school(s).

What must we include in the amendment to the policy statement?

Your State agency may have specific requirements; check with them. At a minimum, for each school that will be operating under Provision 2, the policy statement must include:

- The name of the school;
- The program(s) (NSLP, SBP or both) operating under the Provision;
- The initial year and month of implementation;

- The years the cycle is expected to remain in effect;
- The year the Provision must be reconsidered;
- The socioeconomic data that will be used to support any extension of Provision 2; and
- Certification that the school(s) meet the criteria outlined in 7 CFR 245.9(b).

▪ **Implementation Dates**

Must Provision 2 start at the beginning of the school year?

Yes, unless the State agency approves a delayed implementation.

What is delayed implementation?

Schools must implement Provision 2 at the beginning of the school year. However, the State agency may allow a school to delay implementing Provision 2 for a period not to exceed the first claiming period of the base year. Delayed implementation permits Provision 2 schools to charge participating students for reduced price and paid meals in the first claiming period of the base year. This exception is permitted to assist schools in securing completed free and reduced price applications from households which might not otherwise submit an application if there is no charge for meals. Annual claiming percentages (see Appendix B) are applied to the comparable claiming periods in the non-base years.

Can we carry over last year's eligibility during the delayed implementation period?

Yes. However, carrying over last year's eligibility would undermine your ability to obtain the free and reduced price applications for the base year. If you choose to carry over prior year's eligibility status during a delayed implementation, consider using it for a shorter time frame (e.g., one week rather than 30 operating days). Remember, delayed implementation is only available for the first claiming period of the base year.

What is considered the first claiming period?

Generally, Claims for Reimbursement are filed for meal service provided in each month. Regulations allow that if the first or last month of Program operations for any school year contains 10 operating days or less, such month may be combined with the Claim for Reimbursement for the adjacent month. As an example, if a Provision 2 school starts mid-August with 8 operating days and there are 15 operating days in September, these two months could be considered the first claiming period (for a total of 23 operating days). In this example, the State agency could approve delayed implementation of Provision 2 from the August start of school through the month of September, 23 operating days. If there were 11 operating days in August, the State could only approve

delayed implementation for the month of August, 11 operating days.

What is considered the first claiming period for schools that operate as a year-round school?

For schools that operate on a year-round schedule the first claiming period begins with the first operating day that begins on or after July 1.

When a year-round school has different tracks of students, can the school food authority stagger the delayed implementation to correspond to each track?

No, the delayed implementation is only allowed for the first claiming period of the school year.

▪ **Public Notification**

What are the public notification requirements for Provision 2?

When your school is implementing Provision 2, you must notify the media and distribute a letter to parents/guardians about the availability of school meals at no charge under the NSLP and, if applicable, the SBP. This would normally occur at the beginning of the school year unless you are delaying implementation. The school food authority may use the non-pricing public release, which indicates that the school will not be charging any child, regardless of eligibility category, for meals.

The school food authority also must distribute free and reduced price meal applications. The school food authority should modify the letter to parents/guardians, to request that households eligible for free and reduced price meals complete the application so that the school food authority can obtain proper reimbursement in order to continue providing meals to all children at no charge.

If we delay implementation, what are the public notification requirements?

If you delay implementation of Provision 2, you may delay informing households that schools will implement Provision 2. However, you must follow the standard public notification requirements for the period of time the school is not under Provision 2. The school food authority may want to use the standard media release and letter to parents/guardians with a free and reduced price application.

At or about the start of Provision 2 implementation (which must occur at the close of the first claiming period or sooner), schools **must** promptly notify the public and households of the availability of Provision 2 benefits. The public notification may be done through a media release. Each household must also be informed in writing of the availability of meals at no charge. This notice must be provided to all households regardless of eligibility category.

▪ **Determining Free and Reduced Price Eligibility**

Why must we determine children's free and reduced price meal eligibility in the base year?

The eligibility determinations will be used to count and claim meals during the base year and are the basis for claims for reimbursement in non-base years.

How do we determine children's free and reduced price meal eligibility in the base year?

Use standard eligibility determination practices:

- Applications are reviewed for completeness;
- Categorically eligible applications are approved for free benefits;
- Income applications are approved for free or reduced price benefits, or are denied based on the current Income Eligibility Guidelines; and
- Children matched through the direct certification process are approved for free meals.

Must we notify households of their children's eligibility status?

Yes. Households must be notified when they are approved for free or reduced price meal benefits and advised that they must contact the school when their circumstances change as required by regulations. Also, since applications are subject to verification, households need to know that they have been approved and may be selected for verification.

Must we notify households of their child's eligibility status if we delay implementation for the first claiming period?

Yes. You must notify households of their eligibility determination. Households have the right to appeal the eligibility determination of the school food authority. When a household requests an appeal, the hearing procedures outlined in the school food authority's Free and Reduced Price Policy Statement must be followed. However, if an appeal is not resolved at the point the Provision 2 procedures begin, you should continue the hearing procedures even though all meals will be at no charge. In this way, the meals for such students will be claimed in the proper eligibility category during the base year.

▪ **Verification**

Must we verify free and reduced price meals applications in the base year?

Yes. School officials must ensure that the applications in all schools in the school food authority have an equal chance of being included in the verification pool, including the base year Provision 2 schools. The school food authority is not required to conduct additional verification efforts for these schools. You must make necessary eligibility adjustments as a result of verification and these adjustments must be reflected in the claiming percentages developed for subsequent year usage.

Verification efforts must include all activities as required under standard verification procedures. (You may refer to Part 9 of the USDA Eligibility Guidance for School Meals Manual, August 2001, for detailed information regarding verification.)

▪ **Meal Counting**

How are meals counted and claimed in the base year?

During the base year, you must offer reimbursable meals at no charge to all enrolled children. Point of service (or approved alternate) meal counts must still be obtained by meal type (free, reduced price, and paid). The meal counts must be taken on a daily basis for each meal service (breakfast and/or lunch). Therefore, Provision 2 schools must use tickets, tokens or other approved methods to identify children's eligibility status at the point of service.

Is the reimbursement rate the same for Provision 2 schools?

Schools on Provision 2 receive the same rate of reimbursements as schools not on Provision 2.

Does Provision 2 require changes to my meal count system?

No. In the base year, the meal counts for the Provision 2 schools are totaled, by type, as in standard meal counting and claiming procedures. The meal count totals are submitted to the State agency through the established claim system. Provision 2 schools will use the number of meals served by type to develop claiming percentages for reimbursement purposes during non-base years, as discussed in Chapter 2.

Can second meals be counted and claimed for reimbursement during the base year?

No. As in standard operations, schools choosing to offer students a second meal may not claim such meals for Federal reimbursement under any category.

▪ **Internal Controls**

What types of internal controls must be in place for Provision 2 schools?

School food authorities with schools under Provision 2 must continue to meet the requirements of 7 CFR 210.8, Claims for Reimbursement. (You may refer to Appendix C for these requirements.)

What are the base year claims review responsibilities?

At a minimum, claims review procedures must be conducted in the base year as required under 7 CFR 210.8. Check with the State agency for guidance on claims review procedures/edit checks.

If the claims review procedures identify problems with a school's counting and claiming procedures, the school food authority must ensure that the meal counts are corrected prior to submission of the monthly Claim for Reimbursement and that improvements are made to ensure that the meal counting system consistently results in lunch counts of the actual number of reimbursable free, reduced price and paid meals served for each day of operation. Schools with meal counting and claiming problems cannot use the year in question as a base year for Provision 2.

What are the base year on-site review requirements?

If your school food authority has more than one school, you must perform no less than one on-site review of the meal counting and claiming system employed by each school under your jurisdiction by February 1 of each year. This is the same review that is required in any school participating in the NSLP. It is recommended that the on-site reviews of the Provision 2 schools be conducted early in the base year. Check with your State agency for additional on-site review requirements.

If the review discloses problems with a school's counting and claiming procedures, the school food authority must ensure that the school implements a corrective action plan within 45 days of the review, and conduct a follow-up on-site review to determine whether the corrective action has solved the problems. If accurate claims cannot be determined, the school cannot use the year in question as a base year for Provision 2.

▪ **Reporting Data**

How is October enrollment and eligibility data reported to the State during the base year?

Enrollment and eligibility numbers for each Provision 2 school in its base year are reported for October, just as they are during standard meal counting and claiming procedures. The State agency may have more frequent reporting requirements for enrollment and eligibility data.

- **Severe Need Funding For SBP And Extra Reimbursement For NSLP.**

How is receipt of severe need funding for the SBP calculated in the base year?

Severe need funding in the base year is calculated the same as the standard method prescribed by your State agency to document receipt of severe need funding. However, since students no longer pay for meals, there are no student payments to reduce the cost of producing a breakfast

How is receipt for the extra 2 cents NSLP reimbursement calculated in the base year of Provision 2?

Eligibility for extra reimbursement in the NSLP for the base year is calculated the same as the standard method prescribed by your State agency.

- **End of Base Year and Development of Claiming Percentages**

What are “claiming percentages”?

Claiming percentages represent the ratio of each meal category (free, reduced price, or paid) to the total reimbursable lunches and/or breakfasts served. Each claiming percentage is applied to the total lunch and/or breakfast count respectively for the claiming period during the non-base years.

When do I calculate claiming percentages for reimbursement purposes in the non-base year?

At the end of the base year after the final Claim for Reimbursement has been filed, all of the data is available to calculate the claiming percentages. These claiming percentages will be used for the remainder of the Provision 2 cycle or longer if Provision 2 is extended to subsequent 4-year cycles.

Are there general rules for calculating percentages?

Yes. They are:

- Each category (free, reduced price and paid) must be calculated.
- Carry the calculation to a minimum of two decimal places before rounding (e.g., 86.15%).
- Round the percentages to one decimal place using standard rounding; numbers five and above round to the next higher number, numbers four and below round down (e.g., 86.15% = 86.2%). The percentages rounded to one decimal place will be used to calculate the Claims for Reimbursement.

- If the total percentages for free, reduced price and paid meals do not equal 100, the paid category must be adjusted to make it 100 percent.
- Calculate monthly or annual claiming percentages for each Provision 2 school.

Can we have one set of percentages for all our Provision 2 schools?

No. Each Provision 2 school must have its own set of percentages.

Must a separate set of claiming percentages be developed for each type of meal service?

Yes. The breakfast service must have a set of claiming percentages that are separate and distinct from the lunch service claiming percentages. If a school has an afterschool program that is not area eligible, see Chapter 5.

How are monthly claiming percentages calculated and used in the non-base year?

Monthly claiming percentages are based on the number of reimbursable lunches, by type, served in the Provision 2 school for each month during the base year. Therefore, each month of the base year may have a different percentage of lunches claimed in each category.

The free lunch percentage is derived by dividing the monthly total number of reimbursable free lunches served by the total number of reimbursable lunches served in the same month (free, reduced price and paid). The percentages for the reduced price and paid lunches are calculated using the same method as for free lunches.

These three percentages are applied to corresponding monthly lunch count totals of all reimbursable lunches served in the second, third and fourth consecutive school years, and applicable extensions, in order to calculate reimbursement claims for free, reduced price and paid lunches each month.

The free, reduced price and paid percentages for breakfasts are calculated using the same method. See Chapter 5 for calculating percentages for summer school and afterschool snacks.

How are annual claiming percentages calculated and used in the non-base year?

Annual claiming percentages are based on the total number of all reimbursable lunches by type for the Provision 2 school served over the entire base year. Annual percentages must be calculated using the actual meal counts. Monthly percentages may not be added together and averaged to develop annual percentages. Note: While an annual percentage is always used for the first claiming period in the years following delayed implementation, it need not be limited to delayed implementation situations. An annual

claiming percentage is also useful in certain summer school/afterschool snack situations, as discussed in Chapter 5.

To determine annual percentages, each month's lunch counts for each meal type (free, reduced price and paid) are added together and claiming percentages are calculated. The free lunch percentage is derived by dividing the annual total number of reimbursable free lunches served by the annual total number of reimbursable lunches served for all meal types (free, reduced price and paid). The percentages for the reduced price and paid lunches are calculated using the same method as for free lunches.

These three annual percentages are calculated at the end of the base year after the final Claim for Reimbursement has been submitted to the State agency. The claiming percentages are multiplied by the total number of reimbursable lunches served in each month of the second, third and fourth consecutive school years, and applicable extensions, in order to calculate reimbursement claims for free, reduced price and paid lunches each month.

The free, reduced price and paid percentages for breakfasts are calculated using the same method.

Examples of monthly and annual claiming percentage calculations are provided in Appendix B.

Chapter 2 - Non Base Years

Years two, three, and four of the Provision 2 cycle and any years beyond year four in which Provision 2 has been extended are referred to as non-base years. During the non-base years, Provision 2 schools continue to offer meals at no charge to all children and count only the total number of meals served to children. In non-base years, Provision 2 schools do not conduct the application or direct certification processes or count meals by type (free, reduced price and paid) for the meal services on Provision 2.

▪ Public Notification

Must we amend our free and reduced price policy in non-base years?

Generally no. An amendment to the prior year's policy is usually not required for Provision 2 schools. The school food authority would amend the prior year's policy statement only when there is a significant change in free and reduced price meal policy, such as the Provision 2 schools returning to standard counting and claiming procedures or a change in the point of service counting system used to obtain total daily meal counts.

What are the public notification requirements in non-base years?

The school food authority must continue to notify the public that nutritious meals are available at school, but may use a simplified public release for the Provision 2 schools. Since all meals are served to children at no charge, there are no meal charges or free and reduced price meal eligibility criteria to announce.

▪ Free and Reduced Price Applications

Do we distribute applications and make eligibility determinations?

School officials do not distribute applications, conduct direct certification, or make eligibility determinations of children in Provision 2 schools in the non-base years for the meal services on Provision 2.

Do we provide applications or conduct direct certification for new students in non-base years?

No. Meals served to new students in the non-base years are included in the total daily meal counts and, therefore, included in the claiming percentages when calculating the monthly claim for reimbursement.

Can we collect meal applications in non-base years so that households do not get out of the habit of completing applications or for other program reasons, such as for Title I funding?

No. If you distribute meal applications in a non-base year, you must use the information provided by families to develop claiming percentages (by conducting an entire new base year), or return to standard counting and claiming procedures. The only exception would be for a school taking new applications in the last year of a cycle in order to develop socioeconomic data of the school's population for purposes of requesting an extension (see Chapter 3).

If, however, your school continues to collect household size and income information from enrolled students for other purposes (i.e., Title I, textbook assistance, etc.) during non-base years, applications for these purposes cannot be labeled as meal applications or give any indication that meal benefits are contingent on a return of the application. Additionally, the cost of the application process and staff time cannot be paid for out of the school food service account.

Can we conduct direct certification in non-base years?

No. The National School Lunch Act authorizes schools to obtain information from Food Stamp Program and Temporary Assistance for Needy Families officials only for use in determining eligibility for the NSLP and SBP. During the non-base years, such information is not necessary for operation of the NSLP or SBP and direct certification may not be conducted under National School Lunch Act authority. The only exception would be for schools conducting direct certification in the last year of a cycle in order to develop socioeconomic data of the school's population for purposes of requesting an extension.

If we collect applications or conduct direct certification in the last year of a cycle in order to develop socioeconomic data for purposes of requesting an extension, must we also take meal counts by category and redo our claiming percentages?

No. Schools and school food authorities may collect free and reduced price meal applications and/or conduct direct certification to develop socioeconomic data of the school's population for purposes of requesting an extension. This is a data collection process to establish the socioeconomic level of the school's population and does not require meal counts by category or a recalculation of claiming percentages.

Can I collect applications or conduct direct certification to develop socioeconomic data for extension purposes in the second or third year of a cycle?

No. The collection of free and reduced price meal applications and/or direct certification for extension purposes must be limited to the final school year in the Provision 2 cycle.

■ **Verification**

Is verification required in the non-base years?

The answer depends on the school's participation in Provision 2. If the school only administers one program (NSLP or SBP) and that program is operating under Provision 2, the school is not subject to verification in the non-base years of the Provision 2 cycle. If the school administers both the NSLP and SBP and both of those programs are operating under Provision 2, the school is not subject to verification in the non-base years of the Provision 2 cycle. However, if the school is administering both the NSLP and SBP, but only one of those programs is operating under Provision 2, the school is subject to verification annually for the non-Provision 2 programs.

For any school starting a new base year or a streamlined base year, as discussed in Chapter 3, or returning to standard counting and claiming procedures, standard verification procedures must be followed.

■ **Meal Counting**

How are meals counted and claimed for reimbursement in the non-base years?

During the non-base years, Provision 2 schools count the total number of reimbursable meals at the point of service (or approved alternate) on a daily basis. Meal counts by type, i.e., free, reduced price and paid, are not required. Therefore, tickets, tokens and other forms of exchange that identify a child's eligibility status to the cashier are not required.

At the end of the month, the daily meal counts for the Provision 2 school are totaled by program (NSLP/SBP). The meal count totals are then prorated into categories, free, reduced price or paid by applying the base year monthly or annual claiming percentages. See Appendix B for an example of prorating meals by category. After allocating meals to the proper category, the meal counts are consolidated with the meal counts of other schools (both Provision and non-Provision schools) at the school food authority level and submitted to your State agency through the established Claim for Reimbursement system.

What type of medium of exchange must I use under Provision 2 to identify students?

Usually, schools can continue to use their current system with some simplification since there is no need for categorical classification. In fact, continuing to use a medium of exchange (tickets, token, roster, electronic) helps to prevent claiming second meals for reimbursement. For example, if you use theater-style tickets, you can continue using them without the need to track the tickets by eligibility code. For schools that have electronic systems such as a swipe card or personal identification number (PIN) keypads, Provision 2 does not require eligibility status by child in the non-base year but the system

can still be used to count daily participation, prevent claiming of second meals and allow for students to purchase second meals or a la carte items if available.

In all cases, if you plan significant changes in the free and reduced price policy, including counting and the medium of exchange, the changes must be approved by your State agency.

Can second meals be claimed for reimbursement during Provision 2 non-base years as part of the total meal count?

No, second meals may not be included in the total meal counts which are used to develop the Claim for Reimbursement.

Can second meals or a la carte meals be offered to students during the non-base years?

Yes. Schools under Provision 2 may offer students second meals or a la carte meals during the non-base years of operation. These meals may not be included in the total meal count used for reimbursement.

▪ **Internal Controls**

What is the school food authority claims review process in non-base years?

The claims review process is a simplified system for non-base years and streamlined base years of Provision 2. You only need to compare the daily total number of meals served to the attendance-adjusted enrollment. Comparisons by meal type (free, reduced price and paid) are not required.

- First, determine the enrollment, i.e., the total number of students with access to the lunch program, as of the last serving day in October. You may also use the highest number of students enrolled during the month for internal control purposes.
- Then apply an attendance factor to enrollment to determine the average daily attendance for your Provision 2 school.¹
- Each day's total student meal count is compared to the attendance-adjusted enrollment.
- If the comparison shows more total meals claimed than attendance-adjusted enrollment, you need to follow-up with the school to determine the cause prior to submitting the Claim for Reimbursement to your State agency.

¹ While it is not required that the attendance factor be derived for the individual school, since Provision 2 differs from standard procedures it is strongly recommended that the Provision 2 schools develop their factors from their own population.

How do we calculate our edit check numbers for Provision 2?

The following calculations provide the information necessary to conduct the daily edit check for Provision 2 schools:

$$\frac{\text{\# Students with Access to Program}}{\text{Attendance Factor}} \times \text{Attendance Factor} = \text{Attendance-Adjusted Enrollment}$$

Next compare the attendance-adjusted enrollment to the total number of meals claimed for that day:

$$\frac{\text{Attendance-Adjusted Enrollment}}{\text{Total Daily Meal Count}}$$

If the total daily meal count exceeds the attendance-adjusted enrollment, you need to research the reason(s) why the day's meal counts exceeded the attendance-adjusted enrollment. Prior to submitting the Claim for Reimbursement, you must make corrections or, if necessary, justify the numbers to the State agency. It should be determined if the counting system needs to be changed, and if so, the proper corrective action must be taken.

Do we have to perform the annual on-site review in schools participating in Provision 2 during the non-base years of the Provision or extension?

Yes. You must perform the annual on-site review of all schools in your school food authority, regardless of Provision 2 status or year of cycle, to ensure that meal counts at the point of service (or approved alternate) are being accurately counted and claimed. The exception is that a one-school school food authority does not have to complete the on-site review.

▪ Reporting Data

How do we report the October enrollment and eligibility numbers in non-base years?

Federal regulations require that States gather the enrollment and eligibility numbers for each school food authority at least once a year and report it on the October Claim for Reimbursement. The Provision 2 school data are reported for October just as they are during standard meal counting and claiming procedures. However, since eligibility determinations were not made during the non-base years, adjustments are made to the base year numbers of students eligible based on the percentage increase or decrease in enrollment. The following example demonstrates that if the enrollment increased by 20%, the reported number of free and reduced price eligible students should each be

increased by 20% (making sure that the totals do not exceed the new enrollment numbers).

Example:

In the base year, a school has the following enrollment and eligibility data that were reported as part of the base year's October Claim for Reimbursement:

Enrollment: 100 (actual number as of last operating day in October) Eligible Free: 80 (actual number determined free as of last operating day in October) Eligible Reduced Price: 10 (actual number determined reduced price as of last operating day in October) Eligible Paid: 10 (enrollment minus the sum of free and reduced price eligibles) $100 \text{ (Enrolled)} - 90 \text{ (80 free and 10 reduced price)} = 10 \text{ paid eligibles}$
--

In the following year, the first non-base year, enrollment has increased to 120 children. This represents a 20% increase in enrollment ($20 \div 100 = 20\%$). Since the eligibility determinations are not made in a non-base year, adjustments are made to the base year numbers of children eligible for free and reduced price meals. As a result, the non-base year October Claim for Reimbursement numbers for this school would be:

Enrollment: 120 (actual enrollment on last operating day in October during the non-base year) Eligible Free: 96 $80 \text{ free from base year} \times .20 \text{ (20\%)} = 16$ $16 + 80 = 96 \text{ free for non-base year October reporting}$ Eligible Reduced Price: 12 $10 \text{ reduced price from base year} \times .20 \text{ (20\%)} = 2$ $2 + 10 = 12 \text{ reduced price for non-base year October reporting}$ Eligible Paid: 12 $120 - 96 - 12 = 12 \text{ paid from base year October reporting.}$

Final Check: $96 \text{ free} + 12 \text{ reduced price} + 12 \text{ paid} = 120 \text{ enrollment}$
If on the final check, the number of free plus reduced price plus paid does not equal the enrollment, an adjustment is made to the paid category. Use standard rounding procedures for calculations.

For each non-base year for schools operating under Provision 2, adjustments (upward or downward) are made to the base year numbers of students eligible based on the

percentage increase or decrease in enrollment from the base year. Your State agency may have more frequent reporting requirements for enrollment and eligibility data requiring adjustments to the numbers of students eligible for meal benefits.

- **Severe Need Funding For SBP And Extra Reimbursement For NSLP.**

How is receipt of severe need funding for the SBP calculated in the non-base years?

Generally, severe need reimbursement in non-base years is calculated in the same manner for Provision 2 schools as for non-Provision 2 schools.

Schools are eligible for severe need reimbursement if 40% or more of lunches were served free and reduced price in the second preceding school year, and if the cost of producing free and reduced price breakfasts, less the payments received from students for reduced price breakfasts, exceeds the regular free and reduced price reimbursement received for these meals. The ratio of free and reduced price lunches claimed to total lunches claimed in the second preceding year is used to determine if the school meets the 40% requirement. Therefore, in the base year and the second year of a Provision 2 cycle, severe need eligibility will be based on the lunch claims for the school in the second year before the base year and the year before the base year, respectively. Beginning in the third year of a Provision 2 cycle, SBP eligibility is determined based on the free/reduced price to total lunches ratio calculated from the base year data, which would remain the same for the each year of the rest of the cycle plus any extensions. In addition, since a school which operates Provision 2 in the breakfast program does not collect any payments from students for reduced price breakfasts, it does not have to subtract any income from the cost of producing free and reduced price breakfasts when determining if it meets the cost requirement for severe need eligibility.

How is receipt for the extra 2 cents NSLP reimbursement calculated in the non-base year of Provision 2?

Eligibility for the 2 cents extra reimbursement for NSLP meals is determined at the school food authority (SFA) level; an SFA is eligible for the extra reimbursement if 60% or more of lunches are served free or reduced price in the second preceding year. The same principle applies as for severe need eligibility. The eligibility is determined based on actual meal claims for the SFA for the second preceding year; meals from Provision 2 schools are included in this calculation in the categories in which they were claimed, as determined based on each schools' claiming percentages.

Chapter 3 - End of Provision 2 Cycles

You may operate the Provision for up to four successive years. At the end of the initial four-year cycle and each subsequent four-year cycle, you have several options to consider.

▪ General

What are my options at the end of a 4-year cycle?

In general, at the end of each four-year cycle, schools on Provision 2 must choose to do one of the following:

- Revert to standard meal counting and claiming procedures;
- Apply to the State agency for an extension of Provision 2;
- Apply to the State agency to operate a new Provision 2 base year in the next school year;
- Apply to the State agency to operate a Provision 3 base year in the next school year; or
- Apply to the State agency to convert to Provision 3 using the original Provision 2 base year as the base year for Provision 3.

Regardless of the option chosen, you must inform your State agency of your planned activity at the end of the Provision 2 cycle. In addition, extensions, new base years or streamlined base years require the approval of your administering State agency prior to conducting these activities. The timeline diagram in Appendix D describes the procedures available to schools as the cycle ends.

What does it mean to get an extension to my current Provision 2 cycle?

An extension allows you to continue Provision 2 for a new cycle, or to convert to Provision 3 using the original Provision 2 base year as the base year for Provision 3. You continue offering meals to all children at no charge without the need to return to a base year; i.e., without having to take new free and reduced price applications, make eligibility determinations, or conduct standard counting and claiming procedures.

At the end of each four-year cycle, the school food authority may apply to the State agency for an extension. The State agency may approve four-year extensions if the income level of the school's population, as adjusted for inflation, has remained stable, declined or had only negligible improvement since the base year. If an extension is not approved, you may apply to operate a streamlined base year, start a new base year or

revert back to standard meal counting/claiming procedures.

What claiming percentages are used during the four years of an extension?

During an approved extension, the claiming percentages that were calculated during the most recent base year are used for reimbursement purposes.

▪ Obtaining an Extension

How do we obtain an extension of the current Provision 2 cycle?

You must apply to your State agency in writing for an extension of your Provision 2 cycle.

How many extensions can we get?

You may apply for an extension every four years. You may continue to be granted an indefinite number of extensions, as long as you can demonstrate that the income level of your school's population has remained the same, declined, or had only a negligible improvement, when comparing the originally approved base year data and comparable current data for the year in which you are requesting the extension.

What information must we submit to the State agency to be considered for an extension?

You must establish to the State agency, through available and approved socioeconomic data, that the income level of the school's population, adjusted for inflation, remained stable, declined, or had only negligible improvement since free and reduced price applications and counts by meal type were taken in the most recent base year.

▪ Negligible Improvement

What is considered "negligible improvement"?

Negligible improvement is defined as an improvement in the base year income level of the school's population that is **five percent or less**, as adjusted for inflation.

How is "negligible improvement" applied to an extension request?

If the income level of your school's population improves by more than 5 percent, after adjusting for inflation, between the base year and the comparison year, that is an indication of significant change either in the school's population or in the income level of the population. Such changes preclude the continued use of the original claiming percentages, an extension cannot be approved, and new claiming percentages must be developed in order to continue operating under the Provision.

How is the 5% calculated?

When the socioeconomic data indicates an increase in the income level of the school's population, calculate the percentage by dividing the difference in the improvement by the base year socioeconomic data.

For example:

A Provision 2 school has a base year enrollment of 350 students with access to the meal program. When the school conducted the direct certification process in the base year, 250 of the 350 students were directly certified. Thereby indicating that 71.4% of the base year enrollment was eligible for free meals through direct certification.

$250 \div 350 = 71.4285$ rounded to 71.4% of enrollment directly certified

The 4th year of the cycle (extension year) the school's enrollment increased to 425 students with access to the meal program. The school conducts the direct certification process and identifies 289 students as directly certified. Thereby indicating that 68% of the enrollment is eligible for free meals through direct certification.

$289 \div 425 = 68.00\%$ of enrollment directly certified

In this example, the direct certification process indicates an improving economic situation in the school (a lower percentage of students (68%) are approved for food stamps when compared with the base year (71.4%)). Since the direct certification process indicates improved socioeconomic conditions, the percent change must be calculated using the difference of the change divided by the base year number.

$68\% - 71.4\% = -3.4\%$

$3.4\% \div 71.4\% = \underline{\underline{4.76\% \text{ improvement}}}$

Since the improvement of 4.76% is less than the 5% allowed, the State has the option to consider this school's request for an extension. The result should not be rounded up since rounding has already taken place in the calculation.

▪ Socioeconomic Data

What is considered "available and approved socioeconomic data"?

Socioeconomic data is the approved source you identified to the State agency on the Free and Reduced Price Policy Statement during the most recent base year. The socioeconomic data used must be equivalent for the most recent base year and the last year, or the year you are requesting the extension, of your current Provision 2 cycle.

At a minimum, any socioeconomic data that is used to request an extension (including the

pre-approved sources listed below) must meet the following criteria:

- Be reflective of the school's population;
- Be equivalent data for both the base year and the last year of the cycle; and
- Effectively measure whether the income level of the school's population (adjusted for inflation) has remained stable, declined or had only negligible improvement.

Provided that the above criteria are met, pre-approved sources of socioeconomic data include: information collected by the city or county zoning and economic planning office; unemployment data; local Food Stamp Program certification data including direct certification; Food Distribution Program on Indian Reservations data; statistical sampling of the school's population using the application or equivalent income measurement process; and Temporary Assistance for Needy Families (TANF) data, provided that the eligibility standards were the same or more restrictive in the base year as the current year with allowance for inflation.

The USDA Food and Nutrition Service must approve any other data. The type of data used for comparison must be the same for the base year and for the last year of the current cycle.

If a school identifies a socioeconomic data source that exceeds the five (5) percent threshold, may the school select another pre-approved socioeconomic data source that does not exceed the five (5) percent threshold?

Yes, as long as the school can provide data from the same data source for the base year to compare against.

May the school select a data source other than one that is pre-approved?

Yes, this is allowed if the State agency and USDA Food and Nutrition Service approve.

Can citywide or countywide data, such as county unemployment data, be used toward granting an extension?

Data sources such as county or city data may be used in consideration for an extension if the data are reflective of the school's population, equivalent for both the base year and the last year of the cycle, and effectively measure whether the income level of the school's population (adjusted for inflation) has remained stable, declined or had only negligible improvement. To be considered reflective of the school's population, the data must directly correspond to the area covered under the school's attendance area. For example, city data that cannot be disaggregated to the school's attendance area is not considered reflective of a school's population.

What data sources should be used for schools that have no defined attendance area, such as a private school or magnet school?

The school must develop a method of establishing the socioeconomic status of their enrolled population. In such cases a statistical sample, utilizing applications, of the eligibility status of the school's population could be conducted utilizing the application process and the current income eligibility guidelines or direct certification process and comparing the results to the base year data.

▪ **Extension Denied**

What happens if my request for an extension is not approved?

You must do one of the following:

- Return to standard counting and claiming procedures;
- Conduct a new base year for Provision 2 or a base year for Provision 3; or,
- Request approval from your State agency to conduct a streamlined base year.

▪ **Return To Standard Procedures**

Can we decide not to renew the Provision 2 cycle, and return to standard counting and claiming procedures?

Yes. You may opt to return to standard counting and claiming procedures at any time during or at the end of the current Provision 2 cycle.

What must we do if we decide to return to standard meal counting and claiming?

You must amend your policy statement on file at the State agency, informing them of changes to the meal counting and claiming system. In general, your tasks will be the same as the standard operating procedures for all non-Provision schools who participate in the NSLP and SBP. Timely public notification is especially important.

▪ **Conduct A New Base Year**

What if we decide to establish a new Provision 2 base year?

You will be required to amend your policy statement, provide a public notice and parent letter, collect and approve applications and direct certification if applicable, conduct verification and count reimbursable meals at the point of service (or approved alternate) by category to establish new claiming percentages. All meals must be served at no charge to participating students (with the exception of the first claiming period if

approval for delayed implementation is granted).

What if we decide to change to Provision 3?

When socioeconomic data does not support an extension, you must conduct a Provision 3 base year in accordance with the Provision 3 regulations and guidance material. Contact your State agency for information on Provision 3.

▪ Streamlined Base Year

What is a streamlined base year?

The State agency has the option whether to approve the use of a streamlined base year for schools that applied for, and did not receive, an extension. In a streamlined base year, the school determines program eligibility for a statistically valid sample of either 1) all enrolled students with access to the applicable meal program as of October 31 or other date approved by the State agency (enrollment-based) or 2) enrolled students participating in the applicable meal program (participation-based). All children must be offered meals at no charge during a streamlined base year.

Using the data obtained, enrollment-based or participation-based claiming percentages representing the proportions of the school's population eligible for free, reduced price and paid meals must be developed and applied to total daily meal counts of reimbursable meals at the point of service. These percentages must be used for claiming reimbursement for each year of the new cycle, including the base year, and any extensions. As with the original base year, separate claiming percentages must be developed for the NSLP and SBP if both programs are operating under Provision 2. The use of a streamlined base year is subject to approval by the State agency.

When can we use a streamlined base year?

A streamlined base year can only be used by Provision 2 schools that have a system to accurately count total meals and which have:

- Completed a minimum of one four-year Provision 2 cycle,
- Requested an extension, and
- Failed to get an extension to the cycle.

How do we determine eligibility for a sample of households?

If your school uses direct certification, the students in the sample who are directly certified are determined eligible for free meals. Applications must be provided to all students in the sample who are not directly certified; eligibility determination for these students are made based on the information on the completed application. The

applications are subject to verification in the base year. The results of the eligibility determinations for the students in the sample are used to calculate claiming percentages.

What is considered a statistically valid sample?

In order to be considered statistically valid, the sample must meet the following standards:

- The sample frame, or pool of students from which the sample of students will be selected, must be limited to enrolled students who have access to the school meals program.
- The students must be randomly selected from the sample frame, using the appropriate procedure for the selected type of sample (enrollment or participation based).
- The response rate to the survey must be at least 80 percent. This means that all information necessary to compute household income as a percentage of the poverty level must be collected from at least 80 percent of the students in the sample.
- The number of households that complete the survey must be sufficiently large so that it can be asserted with 95 percent confidence that the true percentage of students participating in, or who are enrolled in the school that have access to school meals, and are eligible for free, ~~reduced price and paid~~ *meals, is within plus or minus 2.5 percentage points of the point estimate determined from the sample.

What if less than 80% of my sample responds to the survey or application request?

You may not use the results of the survey or income measurement to determine claiming percentages since the response rate did not meet the 80% minimum. To continue on Provision 2, a new base year is required.

What if more than 80% of my sample responds to the survey or application request?

To minimize statistical bias, all data from all households that complete the survey instrument must be used when calculating claiming percentages. For example, if 92 percent of randomly selected children's households responded, the school could not discard 12 percent of the respondents to bring them to the minimally acceptable response rate of 80 percent.

***Revised 8/13/02.**

How many households must I sample?

Use the sample size chart to identify the number of households to select for your sample.

SAMPLE SIZE CHART

UNIVERSE	SAMPLE SIZE	UNIVERSE	SAMPLE SIZE
1-100	All	1251-1500	420
101-619	50%	1501-1750	440
620-700	310	1751-2000	460
701-800	335	2001-3000	490
801-900	355	3001-4000	520
901-1000	380	4001-5000	535
1001-1250	400	5001+	550

How do I select the sample for enrollment-based claiming percentages?

To collect the sample for an enrollment-based claiming percentage:

- A. Identify the children enrolled in the school who have access to the applicable meal program as of October 31 (or other date if approved by your State agency).
- B. Identify the sample size based on the “sample size chart” included in this guidance manual.
- C. Determine the sampling interval ($A \div B$)
- D. Select children from a list of enrolled students based on the sampling interval; remember to randomly pick the starting point. *(A random starting point can be determined by writing down each of the numbers in the sample interval, on a piece of paper, beginning with the number 1. Put the pieces of paper in a container. Mix or shake the container. Select one piece of paper. The number on the paper represents the random starting point.)*
- E. Conduct direct certification (if applicable) of selected households and provide meal eligibility applications to the households of the remaining children selected.

Example of selecting a sample for enrollment-based streamlined base year for NSLP:

- A. Enrollment with access to the NSLP as of October 31: 850 children (determined by school enrollment records).
- B. Required sample size: 355 (from sample size chart)
- C. Sampling interval: 2 ($850 \div 355 = 2.39$ standard rounding = 2)
- D. Randomly pick a starting point and select every 2nd child from the enrollment list (A). To determine the random starting point, write on a piece of paper, #1 and on another piece of paper, write #2. Put the two papers in a container, shake, and then select one of the papers. The number on the paper represents the randomly selected starting point. Continue sampling until the full required sample has been selected. *Note: if you reach the end of the enrollment list, before the full sample is selected, go back to the beginning of the list.*
- E. Provide each selected child's household with a family size and meal application.*

*If your school conducts direct certification, you should conduct direct certification first using the list of selected students, count the directly certified children as "free", then provide applications to the households of students who were not directly certified.

How do I select the sample for participation-based claiming percentages?

To collect the sample for an participation-based claiming percentage:

- A. Identify the total average daily participation (ADP) for reimbursable meals for the first claiming period of the school year for the applicable program (NSLP or SBP).
- B. Identify the sample size for the ADP universe based on the "sample size chart".
- C. Record the name of each participating child **each day** for a minimum of 10 consecutive operating days for the affected program (NSLP/SBP).
- D. Develop a cumulative list that includes the name of each child each time the child participated and received a reimbursable meal. For example, if Johnny Doe ate 9 of the 10 days, you must include "Johnny Doe" on the list 9 times. Count the number of names on the cumulative list. (Count all names individually each time they appear.)
- E. Determine the sampling interval ($D \div B$)
- F. Select student names from the cumulative list by picking a random starting point, then selecting student names based on the sampling interval. *(A random starting point can be determined by writing down, on pieces of paper, the numbers in the sample interval, beginning with the number 1. Put the pieces of paper in a container. Mix or shake the container. Select one piece of paper. The number on the paper represents the random starting point.)*
- G. Conduct direct certification (if applicable) of selected households and provide meal eligibility applications to the households of the remaining children selected.

Example of selecting a sample for participation-based streamlined base year for NSLP:

- A. Average daily participation for the first claiming period: 650 (determined by, “total participation ÷ operating days”).
- B. Required sample size: 310 (from sample size chart).
- C. Day one shows the names of 650 student participants, day two shows 649, day three shows 651 and so on.
- D. Add each operating day’s list of student participants onto a single list to develop a total participation list for the ten operating days. For example, if average daily participation is 650 students, the cumulative list for 10 operating days will show 6,500 names.
- E. Sampling interval: 21 ($6,500 \div 310 = 20.96$ standard rounding = 21).
- F. Select a random starting point and select every 21st name on the list. Continue sampling until the full required sample has been selected. *Note: if you reach the end of the participation list, go back to the beginning of the list.*
- G. Provide each selected child’s household with a family size and meal application.*

*If your school conducts direct certification, you should conduct direct certification first using the list of selected students, count the directly certified children as “free”, then provide applications to the households of students who were not directly certified.

Why do I select my participation-based sample over multiple days?

To select a sample for participation-based claiming percentages, the selection must take place over multiple operating days. This is to reduce bias in the sample. Selecting participating students for the sample on a single day could be influenced by the menu, weather, field trips or visiting students. To reduce the possibility of such bias, the sample of participating students must be drawn over enough operating days that the sample reasonably represents participation. For example, you may want to choose some of the sample from each day of a your cycle menu. At a minimum, there must be 10 consecutive operating days represented in your sample.

How do I list my participating students in a cumulative list?

Each participating child is listed the number of times they participate during the course of operating days from which the sample is taken. Therefore, you must list a child the same number of times they participated in the meal service program and received a reimbursable meal.

For example, Johnny Doe ate 9 days out of the 10 day sample period, Suzie Johnson ate 5 out of the 10 days and Jane Smith ate 3 days out of the 10 days. The cumulative list would appear as follows:

**Day 1 Johnny Doe
Suzie Johnson
Jane Smith**

**Day 2 Johnny Doe
Jane Smith**

Day 3 Johnny Doe

**Day 4 Johnny Doe
Suzie Johnson**

**Day 5 Johnny Doe
Suzie Johnson
Jane Smith**

Day 6 Suzie Johnson

Day 7 Johnny Doe

Day 8 Johnny Doe

Day 9 Johnny Doe

**Day 10 Johnny Doe
Suzie Johnson**

How do I select my sample from the list?

Once you have determined a random starting point, select each student based on the sampling interval by moving down the list. Do not start again each day; simply carry on with the sampling interval across the list of all days of operation.

What if I select a participating student more than once?

If you select a student's name more than one time through the random selection process, the student is counted separately as one member of the sample for each time the name is selected. However, you do not need to provide multiple applications nor request multiple eligibility documents from the household. For example, using the scenario above, the random selection process might identify Johnny Doe 3 times. You would provide Johnny's family with one meal application. If Johnny were determined eligible for free meals, you would count this as 3 free meal participants in the sample size of 310.

Chapter 4 - Changes in the School Year

This section addresses several situations in which a change has occurred. In general, when a Provision 2 school moves its student population to another facility on a permanent basis without co-mingling of other school populations, the Provision 2 procedures may be transferred. However, the Provision 2 procedures do not automatically follow a child(ren) in other transfer or visiting situations of a temporary nature. Likewise, the Provision 2 procedures may not be transferable when schools merge populations.

▪ Change In Facility

Scenarios when a new school is constructed

When a school participating in Provision 2 moves into a newly constructed building and the new school's enrollment is made up of the same population as the "old" Provision 2 school, can the new school continue to operate under Provision 2?

Yes. Since the newly constructed school's enrollment consists of the same attendance area and therefore the same enrollment makeup, the base year Provision 2 claiming percentages which were developed in the old facility may be used in the new school.

If the new school draws attendance from various existing schools, some of the existing (sending) schools are Provision 2 while some are not, does the new school have to take new applications for its students?

Yes. New applications must be taken either for standard procedures or for the establishment of a Provision 2 or Provision 3 base year.

If the new school draws attendance from various existing schools and all of the existing (sending) schools operate under Provision 2, does the new school have to take applications for its students?

Yes. The population of the new school is unique; therefore the ratio of meals claimed as free, reduced price and paid will also have changed.

Scenarios when other changes in facilities are conducted

A Provision 2 school's entire student enrollment moves out of their school (school A). If another school's enrollment moves into school A, can they participate under Provision 2 and use the old claiming percentages?

No. The eligibility for Provision 2 is tied to the school population, not the physical school building. If school A wishes to participate under Provision 2 with its new population, State approval must be granted and a new base year conducted.

▪ **Change In Population**

If all schools in a school food authority participate in Provision 2 and the school food authority combines or realigns their population with no changes to the existing overall population or attendance area, must the schools develop new claiming percentages under a new base year?

Yes. The population of the individual schools changed, therefore the ratio of meals claimed as free, reduced price and paid will also have changed.

If there is a realignment of attendance areas for any given Provision 2 school, must the affected school(s) reestablish their base year?

Yes. The requirement to begin a new base year would apply immediately to any school which had a change in attendance area, even if this means dropping the Provision in mid-year. Under such a situation, it is vital that affected students are given sufficient opportunity to apply for free and reduced price meal benefits.

If two or more schools are participating in Provision 2 and there is a realignment of grades, must the affected school(s) reestablish a base year in order to remain on Provision 2?

The Provision 2 schools can continue to use their current claiming percentages only when the realignment of grades does not affect the attendance area of a school. However, if the attendance area of a school changes as part of the grade realignment the current claiming percentages cannot be used in that school (see previous question and answer about changes in attendance area).

What do you do about claiming percentages when two Provision 2 schools merge?

A combined claiming percentage may be developed using base year data from both schools as long as the attendance area for the combined schools is the same as the attendance area for both schools prior to consolidation. The base year meal counts by category, free, reduced price and paid, must be added together and converted to claiming percentages. If the schools were at different points in their Provision 2 cycle, the merged school adopts the earlier school's position in the current 4-year cycle. For example if one school is in the 3rd year of a cycle and the other school is in the 2nd year, the cycle for the merged school is considered to be in the 3rd year.

What happens when a Provision 2 school and a non-Provision 2 school merge their student population, either into a new facility or an existing facility?

If the school, which now consists of the merged student populations, wishes to operate under Provision 2, a new base year must be conducted.

When schools re-align their student populations based on socioeconomic desegregation (i.e., equalizing the enrollment of all schools regarding needy/non-needy students) can we continue to use base year claiming percentages?

No. Realignment based on socioeconomic need requires the establishment of a new base year or return to standard procedures for all Provision 2 schools involved in the realignment.

▪ **Change In Operating Days**

What happens when a Provision 2 school starts or ends school earlier or later than the months for which claiming percentages were developed in the base year?

If the school is using the annualized claiming percentage, the annual claiming percentage by type (F, R, P) is applied to the total meal counts for the earlier/later claim period. If the school is using month-by-month claiming percentages, the school would need to develop an annual claiming percentage from the base year data and apply that percentage to the earlier/later claiming period.

▪ **Change in Scheduling**

What happens when a Provision 2 school goes from a traditional school year to a year-round schedule in a non-base year?

If the grades and attendance area remain the same, annual claiming percentages are calculated and applied to the total meal counts for each claiming period. If the school is using month-by-month claiming percentages, they may continue to use the monthly claiming percentages for respective months of the school year and apply the annual claiming percentage to the new months in the year-round schedule that did not have previous meal count data to calculate claiming percentages.

▪ **Visiting Students**

What is considered a “visiting student”?

A student that is eligible to participate and is visiting a school on an infrequent basis is considered a visiting student. All other visitors (e.g. younger siblings who are not in school, grandparents, etc.) are not considered “visiting students”.

How are visiting students from a non-Provision 2 school counted and claimed when visiting a Provision 2 school?

The school would not take payment from the visiting students and meals served to the visiting students would be included as part of the total count of meals served in the Provision 2 school.

Must there be an adjustment to the claiming percentages due to the visiting students?

No.

If Provision 2 school students visit a non-Provision 2 NSLP school during lunch time, must they be offered a meal at no charge? If so, how are they claimed for reimbursement?

Provision 2 school students visiting a non-Provision 2 NSLP school within the same school food authority should be offered a reimbursable meal at no charge. Such meals should be claimed according to the claiming percentages of the Provision 2 school. The school food authority food service account can be used to cover the value of any reduced price and paid meals of visiting students.

Provision 2 school students visiting a non-Provision 2 NSLP school outside of their school food authority may be provided meals at no charge. In such cases when meals are offered at no charge, to the Provision 2 students, the Provision 2 school should pay the non-Provision 2 school for the value of any student meals claimed at the reduced price and paid rate.

In either case, the non-Provision 2 school must claim the reimbursable meals for visiting students in its claim for reimbursement according to the appropriate claiming percentages. For example, 20 students from a Provision 2 school visit a non-Provision school and all eat lunch at no charge. If the Provision 2 schools claiming percentages are 70% free, 10% reduced price and 20% paid, these percentages are applied to the visiting student meals. The non-Provision 2 school in this example would claim 14 meals free, 2 meals reduced price and 4 meals paid.

Chapter 5 – Afterschool Snacks and Summer School

▪ Afterschool Snacks

If a school starts an afterschool care program in a non-base year, how is area eligibility determined for snack reimbursement?

Schools implementing Provision 2 may use the percentage of students **eligible** for free and reduced price meals in the NSLP (not the SBP) during the base year to determine area eligibility for the duration of the Provision. When the school establishes a new base year or goes back to standard meal counting and claiming procedures, the new eligibility data must be used for determination of area eligibility.

How are afterschool snacks counted and claimed in Provision 2 schools?

Most Provision 2 schools will be area eligible for the snack service; in these situations, all snacks served in the afterschool care program are counted and claimed as free snacks.

If the school is not area eligible and is using Provision 2 in the NSLP, the school may use base year derived claiming percentages for the NSLP to claim snacks by category. If the school is using Provision 2 in the SBP but not in the NSLP, the school must use standard application and meal counting and claiming procedures for the afterschool snack service (SBP Provision 2 claiming percentages may not be used in the afterschool snack service).

▪ Summer School

Can a Provision 2 school use Provision 2 procedures in its summer school?

If a Provision 2 school offers summer school to students, all of whom are enrolled in that Provision 2 school, the school may use Provision 2 in the summer school. If summer school starts in a non-base year, the school may:

- Apply the base year annualized claiming percentages for the NSLP to summer school; or
- Establish a base year for summer school operations and use “summer school” claiming percentages in subsequent non-base years.

If a Provision 2 school offers summer school to students who, during the regular school year, are enrolled in a non-Provision 2 school or in another Provision 2 school, the school may:

- Offer standard program operations to summer school students, i.e., standard application and meal counting and claiming procedures.

- Establish a base year for summer school operations and use “summer school” claiming percentages in subsequent non-base years for the summer school session’s meal counting and claiming process.

What if children enrolled in a Provision 2 school during the school year attend a non-Provision 2 school for summer school?

The non-Provision 2 school would need to take free and reduced price applications from the children from the Provision 2 school and charge them accordingly, if applicable (standard application and meal counting and claiming procedures apply).

Chapter 6 - Provision Transfers

After operating Provision 2 you may find that standard procedures or Provision 3 would fit the needs of your school and the students. You may apply to change from one procedure to another if conditions are met as described below. In all cases, any change is subject to State agency approval.

▪ **Return To Standard Procedures**

What are the public notification requirements if we return to standard counting and claiming procedures in one of the non-base years?

Should a school decide to return to standard counting and claiming procedures during a non-base year of the Provision 2 cycle, school officials must notify the public that the school is returning to standard practice. At that time, school officials would send out the letter to households and free and reduced price applications and conduct direct certification. The children must continue receiving meals at no charge for a reasonable period of time (at least 30 operating days) during which time the school may continue to use the Provision 2 claiming percentages. At the end of that time, the school may begin charging for meals and claiming reimbursement based on eligibility as determined by new applications submitted by the households. Any household that fails to apply for free and reduced price meal benefits for their children, or who are not directly certified, must pay the full price of the meal.

▪ **Converting From Provision 2 To Provision 3**

May a school convert from Provision 2 to Provision 3 during the four-year cycle without taking new applications and making new eligibility determinations?

Yes, under the following conditions:

- The State agency approves;
- Your policy statement is updated;
- The base year for determining the level of reimbursement is the initial Provision 2 base year (when eligibility determinations were made);
- Base year enrollment data is available; and
- The four-year cycle ends at the same point in time as if the school had not converted.

For example, a school starts on Provision 2 with a base year in school year 2000-2001

and converts to Provision 3 in school year 2002-2003. The base year level of assistance (2000-01) is adjusted for inflation and enrollment for 2002-03 and for 2003-04, at which time the cycle ends and the school must apply for an extension, start a new base year, or return to standard counting and claiming procedures.

May a school convert from Provision 2 to Provision 3 at the end of the four-year cycle?

Yes, under the following conditions:

- The State agency approves;
- The State agency approves socioeconomic data which allows an extension, thereby validating the economic conditions and subsequent conversion;
- Your policy statement is updated;
- The base year for determining the level of reimbursement is the initial Provision 2 base year (when eligibility determinations were made);
- Base year enrollment data is available; and
- The four-year cycle ends at the same point in time as if the school had not converted.

At the end of the four-year cycle if you applied for an extension but it was not granted, you may conduct a streamlined base year for Provision 2 or Provision 3 if approved by the State agency.

▪ **Converting From Provision 3 To Provision 2**

May a school convert from Provision 3 to Provision 2 during a four-year cycle?

Yes, under the following conditions:

- All meals were served to participating students at no charge during the Provision 3 base year ¹;
- The State agency approves;
- Your policy statement is updated;

¹ During the base year for Provision 3, which is not included in the Provision 3 4-year cycle, schools have the option to charge students eligible for reduced price and paid benefits or to provide all meals at no charge.

- The base year for determining claiming percentages is the initial Provision 3 base year (when eligibility determinations were made and meals were counted by category); and
- The four-year cycle ends at the same point in time as if the school had not converted.

Chapter 7 – State Monitoring

Will we have a CRE during the base year?

The State agency is encouraged to schedule a CRE in the base year to ensure that proper application procedures, direct certification, meal counting and claiming and Provision 2 procedures are being followed. If the State agency cannot conduct a full review, an abbreviated review is recommended to evaluate the applications, benefit issuance documents, verification documents and the meal counting and claiming system.

What records should we have available for the CRE or abbreviated review conducted in the base year?

You should have all of the standard program materials available for your State agency reviewer, including:

- Public notification documents including media releases and parent/guardian letters;
- Applications for free and reduced price meals;
- Direct certification records;
- Benefit issuance documents;
- Student transfer records;
- Meal counting and claiming documents;
- Verification documentation;
- On-site review documents;
- Edit check documents;
- Data showing the calculation of claiming percentages;
- Extension data, i.e., socioeconomic data (if you plan on applying for an extension);
- Claim for reimbursement documents; and
- Any other documents pertaining to the operation of your NSLP.

What records must we have available for the state reviewer if a CRE is conducted in a non-base year of my Provision 2 cycle?

You must have all of the base year records available, plus any current year meal counting and claiming documents, as well as current Claims for Reimbursement.

Chapter 8 – Recordkeeping

This Chapter provides guidance on the retention of records for Provision 2 for both the base year and for non-base years. In addition to the retention requirements cited below, both base year and non-base year records must be retained beyond these timeframes if required for audit resolution. Reference to Provision 2 records in no way diminishes the responsibility of the school food authority to maintain the standard records supporting their participation in the NSLP. A recordkeeping summary is included in chart form at the end of this chapter.

What are the record retention requirements for base year records?

Base year records, for schools on Provision 2, which support subsequent years' reimbursement, must be retained during the period Provision 2 is in effect, including all extensions. Since claims for the base year and all subsequent years are based on base year data, retention of these records is essential. Additionally, such records must be retained for three years after submission of the final Claim for Reimbursement for the last fiscal year which used the base year data.

For example, a school may have established a Provision 2 base year in school year 1998-99, received two 4-year extensions then returned to standard procedures during school year 2010-11. If the school food authority of the Provision 2 school filed the final Claim for Reimbursement for fiscal year 2010 in November 2010, the Provision 2 base year records would be required to be retained until November 2013 (or longer if there are open audit issues).

What if the school does not retain the required base year records?

If a State agency determines that the school or school food authority has not maintained the required base year records for a participating school, the State agency would require the school to return to standard application and meal counting procedures. States are also required to calculate fiscal action when records are not retained. It would be the State agency's option whether to allow the school to begin a new base year at the start of the next school year; a streamlined base year would not be permissible at that time.

What are considered base year records?

Base year records include:

- All approved and denied free and reduced price applications;
- Direct certification data;
- Changes in eligibility status as a result of verification and other reasons;
- Daily meal counts, by type;
- Calculation of claiming percentages;
- Attendance areas of each school participating in Provision 2;

- The socioeconomic data that will be used as the base year data if an extension is granted;
- Any extension authorizations from the State agency;
- Edit check and on-site review documentation;
- Verification records; and
- Claims for Reimbursement

What are the record retention requirements for non-base year records?

Non-base year records must be retained for three years after submission of the final Claim for Reimbursement for the fiscal year to which they pertain.

What are considered non-base year records?

Non-base year records for Provision 2 include:

- Total daily meal counts of reimbursable meals;
- Edit check and on-site review documentation; and
- Reimbursement claims

Are there any other records that must be retained?

In addition to the base year and non-base year records listed above, supplementary records also must be kept for specific situations.

Extension records

School food authorities that are granted an extension of Provision 2 must retain records of the socioeconomic data used to determine the income level of the school's population for the base year and the year(s) in which the extensions are made. Such records must be retained for the same period as base year records.

Streamlined base year records

When the State agency approves a streamlined base year, you must retain all records related to the statistical methodology and the determination of new claiming percentages. Inasmuch as this is now the base year equivalent, all data must be retained for the same period as the base year records. Note that the previous base year's data, the socioeconomic data for any extensions to that earlier base year and all pertinent recent non-base years' data must be retained for the appropriate period.

■ Recordkeeping Summary Chart

The duration of Provision 2 record retention requirements are identified below. This list does not include those record retention requirements that are not specific to a Provision 2 school. For example, the chart does not include the free and reduced price policy statement, which SFAs submit for all of its schools, or documentation of internal controls that, again, is a requirement that applies to all schools in the school food authority.

Duration of Provision 2 Recordkeeping Requirements

Type of Record	Recordkeeping	Retention	Availability
Socioeconomic data	TANF, FDPIR, direct certification, local zoning, etc., or approved alternate	Cycle, extensions, + 3 years	SFA or school
Eligibility certification	Applications, direct certification, benefit issuance documents	Cycle, extensions, + 3 years	SFA by school, or school
Verification Changes	Changes in eligibility status as a result of verification description	Cycle, extensions, + 3 years	SFA or SA
Meal Counting	Documentation of meal counts, by type.	Cycle, extensions, + 3 years	School
Base Year Reimbursement Claims	Claim forms	Cycle, extensions, + 3 years	SFA
Extensions	Statistical method and all supporting documents; and socioeconomic data source; and extension authorizations	Cycle, extensions, + 3 years	SFA or school
Attendance Area of Each Provision 2 School	Description of area served by school	Cycle, extensions, + 3 years	SFA or school
Calculation of Claiming Percentages	Documentation of calculation of claiming percentages	Cycle, extensions, + 3 years	SFA or school
Non-Base Year			
Reimbursement Claims -- Non-Base Year	Claim forms	Current FY + 3 years	SFA
Meal Counts	Documentation of total reimbursable meal counts by school	Current FY + 3 years	SFA or school

Glossary of Terms

Terms unique to Provision 2:

Base Year means the last school year for which eligibility determinations were made and meal counts by type were taken with all meals served at no charge, or the last year in which a school conducted a streamlined base year period. It is the first year, and is part of the four-year cycle.

Claiming Percentage means the ratio of each meal category (free, reduced price, and paid) to the total reimbursable meals served in the base year. At a minimum, the claiming percentage is expressed to the nearest tenth (10th) of a percent, e.g., 20.5 percent. If the total percentages for free, reduced price, and paid meals do not equal 100 percent, the paid category must be adjusted to make it 100 percent.

Cost Differential means the difference between the cost of serving lunches and/or breakfasts at no charge to all participating children and the Federal reimbursement for these meals. When the overall nonprofit school food service account activity is insufficient to cover Program costs, the school food authority of a school participating in Provision 2 must pay the difference from non-Federal sources.

Cycle means the four-year period, which includes the base year and three non-base years. It also refers to any authorized four-year extensions.

Extension means any additional four-year cycle of non-base year claiming, following the initial Provision 2 cycle.

Meals at No Charge means reimbursable meals served to children without charge regardless of children's free, reduced price or paid category of meal eligibility.

Negligible Improvement means five percent or less improvement, after adjusting for inflation, in the income level of the school population, as established through use of approved socioeconomic data.

Non-base Year means years two, three, and four of the Provision 2 cycle and any consecutive years beyond year four in which Provision 2 has been extended.

Socioeconomic Data means data that may be used by school food authorities to establish the income level of the school's population. See Chapter 3.

Standard Application or Direct Certification Procedures means annually distributing free and reduced price meal applications at the beginning of the school year and or determining children's eligibility for free and reduced price meals based on household size/income information or the inclusion of a food stamp, FDPIR or TANF

case number provided by households; and/or obtaining information directly from food stamp, FDPIR or TANF officials to determine children's eligibility for free meals.

Standard Meal Counting and Claiming Procedures means using free and reduced price eligibility information from the application and direct certification procedures and taking daily counts of reimbursable meals, according to the children's eligibility category, at the point of service.

Streamlined Base Year means a method for developing claiming percentages (Free, Reduced price and paid), taking meal counts and establishing Claims for Reimbursement. A streamlined base year is only available when a Provision 2 school has completed at least one standard 4-year cycle, and has applied for, and has been denied, an extension.

Appendix A

SPECIAL ASSISTANCE ALTERNATIVES

NATIONAL SCHOOL LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM

In an effort to reduce paperwork at the local level, Congress has incorporated into Section 11(a)(1) of the National School Lunch Act three alternative Provisions to the normal requirements for annual determinations of eligibility for free and reduced price school meals and daily meal counts by type (free, reduced price and paid meals) at the point of service.

PROVISION 1

- This Provision reduces application burdens by allowing free eligibility to be certified for a 2-year period.
- In schools where at least 80 percent of the children enrolled are eligible for free or reduced price meals, annual notification of program availability and certification of children eligible for free meals may be reduced to once every 2 consecutive school years. All other households must be provided a meal application and are allowed to apply for meal benefits each school year. There is no requirement to serve meals at no charge to all students.
- Schools must continue to record daily meal counts of the number of meals served to children by type as the basis for calculating reimbursement claims.
- Provision 1 has been an option for schools since publication of regulations in 1980.

PROVISION 2

- This Provision reduces application burdens and simplifies meal counting and claiming procedures. It allows schools to establish claiming percentages and to serve all meals at no charge for a 4-year period.
- Schools must serve meals to all participating children at no charge for a period of 4 years. During the first year, or base year, the school makes eligibility determinations and takes meal counts by type. During the next 3 years, the school makes no new eligibility determinations and counts only the total number of reimbursable meals served each day. Reimbursement during these years is determined by applying the percentages of free, reduced price and paid meals served during the base year to the total meal count for the claiming month. The base year is included as part of the 4 years.

- At the end of each 4-year period, the State agency may approve 4-year extensions if the income level of the school's population remains stable compared to the base year.
- Schools electing this alternative must pay the difference between Federal reimbursement and the cost of providing all meals at no charge. The money to pay for this difference must be from sources other than Federal funds.
- Provision 2 has been an option for schools since publication of regulations in 1980.

PROVISION 3

- This Provision reduces application burdens and meal counting and claiming procedures. It allows schools to simply receive the same level of Federal cash and commodity assistance each year, with some adjustments, for a 4-year period.
- Schools must serve meals to all participating children at no charge for a period of 4 years. These schools do not make additional eligibility determinations. Instead, they receive the level of Federal cash and commodity support paid to them for the last year in which they made eligibility determinations and meal counts by type, which is the base year. For each of the 4 years, the level of Federal cash and commodity support is adjusted to reflect changes in enrollment, inflation and operating days. The base year is not included as part of the 4 years. It is the school's option whether to charge for reduced price and paid meals during the base year.
- At the end of each 4-year period, the State agency may approve 4-year extensions if the income level of the school's population remains stable compared to the base year.
- Schools electing this alternative must pay the difference between Federal reimbursement and the cost of providing all meals at no charge. The money to pay for this difference must be from sources other than Federal funds.
- Provision 3 has been an option for schools since 1995 through an implementing memorandum.

Appendix B

Example of Claiming Percentages

Monthly Claiming Percentages:

For each Provision 2 school, the meal count, taken by type (free, reduced price, and paid) at the point of service in April 2000 (base year) was as follows:

Free Meals Claimed for April 2000 = 22,500

Reduced Price Meals Claimed for April 2000 = 5,000

Paid Meals Claimed for April 2000 = 2,500

The sum of daily meal counts at the point of service is a total of 30,000 total student meals served during the claiming period (one month).

Free Meals = 75.0% of total student meals ($22,500 \div 30,000$)

Reduced Price Meals = 16.7% of total student meals ($5,000 \div 30,000$)

Paid Meals = 8.3% of total student meals ($2,500 \div 30,000$)

The total meal count for April 2001 (non-base year) was 32,125 reimbursable meals.

Free Meal Claim for April 2001: $32,125 \times 75\% (.750) = 24,093.75$ free meals, rounded to **24,094**.¹

Reduced Price Meal Claim for April 2001: $32,125 \times 16.7\% (.167) = 5,364.875$ reduced price meals rounded to **5,365**.

Paid Meal Claim for April 2001: $32,125 \times 8.3\% (.083) = 2,666.375$ paid meals rounded to **2,666**.

Confirm Total Meal Count: $24,094 \text{ free} + 5,365 \text{ reduced price} + 2,666 \text{ paid} = 32,125$ meals. If this confirmation step does not equal the total, recheck calculation and rounding. If these are correct, and the rounded totals by type, do not equal total meals, (due to rounding, rather than math error) make adjustments in the paid category in order that the sum of the free, reduced price and paid meals claimed equals the total.

Repeat above procedures for each month (claiming period) of the school year. The

¹ Meal claims must be made in whole numbers. When the free, reduced price or paid meal calculations result in fractions, use standard rounding procedures (five and above round up, four and below round down) as applied to the first digit after the decimal.

claiming percentages for each category will vary from month to month.

Annual Claiming Percentages:

For each Provision 2 school, the daily meal count is taken by type (free, reduced price, and paid) at the point of service for each day in the base year. The base year meals are added together, by type (with the exception of the first claiming period if approved for delayed implementation). Do not add monthly claiming percentages together to obtain annual claiming percentages.

Note: If delayed implementation is approved by the State agency, the first claiming period of the school year is not considered to be a part of the base year. While a standard categorical count is taken at the point of service (or approved alternate) for each claiming period of the school year, a monthly claiming percentage is not calculated for the delayed implementation period. For the claiming period of each non-base year corresponding to the delayed implementation period of the base year, an annual claiming percentage must be calculated, derived from all months of the base year except the first claiming period of the school year. Monthly percentages may be used for the remaining months.

Convert the meals to annual claiming percentages by type:

Total meals claimed for the year

Each month's total meal count added together = 250,000 meals

Free claiming percentage calculation for the year:

Total free meal counts for the year 175,250

$175,250 \text{ free meals} \div 250,000 \text{ total meals} = .701 \text{ or } 70.10\%$

Reduced price claiming percentage calculation for the year:

Total reduced price meal counts for the year 45,500

$45,500 \text{ reduced price meals} \div 250,000 \text{ total meals} = .182 \text{ or } 18.20\%$

Paid claiming percentage calculation for the year:

Total paid meal counts for the year 29,250

$29,250 \text{ paid meals} \div 250,000 \text{ total meals} = .117 \text{ or } 11.70\%$

Confirm the claiming percentages: $70.10\% + 18.20\% + 11.70\% = 100\%$

If the total does not equal 100%, make an adjustment to the paid claiming percentage to make the total equal 100%.

Apply these claiming percentages to each month's total meal count during the non-base years of the cycle and approved extensions.

Appendix C

Internal Control Requirements

Excerpt From the National School Lunch Program Regulations (7 CFR Part 210)

Sec. 210.8 Claims for reimbursement.

(a) **Internal controls.** The school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to the submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts which suggest the likelihood of lunch counting problems.

(1) **On-site reviews.** Every school year, each school food authority with more than one school shall perform no less than one on-site review of the lunch counting and claiming system employed by each school under its jurisdiction. The on-site review shall take place prior to February 1 of each school year. Further, if the review discloses problems with a school's meal counting or claiming procedures, the school food authority shall: ensure that the school implements corrective action; and, within 45 days of the review, conduct a follow-up on-site review to determine that the corrective action resolved the problems. Each on-site review shall ensure that the school's claim is based on the counting system authorized by the State agency under Sec. 210.7(c) of this part and that the counting system, as implemented, yields the actual number of reimbursable free, reduced price and paid lunches, respectively, served for each day of operation.

(2) **School food authority claims review process.** Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches.

(i) Any school food authority that was found by its most recent administrative review conducted in accordance with Sec. 210.18, to have no meal counting and claiming violations may:

(A) Develop internal control procedures that ensure accurate meal counts. The school food authority shall submit any internal controls developed in accordance with this paragraph to the State agency for approval and, in the absence of specific disapproval from the State agency, shall implement such internal controls. The State agency shall establish procedures to promptly notify school food authorities of any modifications

needed to their proposed internal controls or of denial of unacceptable submissions. If the State agency disapproves the proposed internal controls of any school food authority, it reserves the right to require the school food authority to comply with the Provisions of paragraph (a)(3) of this section; or

(B) Comply with the requirements of paragraph (a)(3) of this section.

(ii) Any school food authority that was identified in the most recent administrative review conducted in accordance with Sec. 210.18, or in any other oversight activity, as having meal counting and claiming violations shall comply with the requirements in paragraph (a)(3) of this section.

(3) Edit checks.

(i) The following procedure shall be followed for school food authorities identified in paragraph (a)(2)(ii) of this section, by other school food authorities at State agency option, or, at their own option, by school food authorities identified in paragraph (a)(2)(i) of this section: the school food authority shall compare each school's daily counts of free, reduced price and paid lunches against the product of the number of children in that school currently eligible for free, reduced price and paid lunches, respectively, times an attendance factor.

(ii) School food authorities that are identified in subsequent administrative reviews conducted in accordance with Sec. 210.18 as not having meal counting and claiming violations and that are correctly complying with the procedures in paragraph (a)(3)(i) of this section have the option of developing internal controls in accordance with paragraph (a)(2)(i) of this section.

(4) Follow-up activity. The school food authority shall promptly follow up through phone contact, on-site visits or other means when the internal controls used by schools in accordance with paragraph (a)(2)(i) of this section or the claims review process used by schools in accordance with paragraphs (a)(2)(ii) and (a)(3) of this section suggest the likelihood of lunch count problems. When problems or errors are identified, the lunch counts shall be corrected prior to submission of the monthly Claim for Reimbursement. Improvements to the lunch count system shall also be made to ensure that the lunch counting system consistently results in lunch counts of the actual number of reimbursable free, reduced price and paid lunches served for each day of operation.

(5) Recordkeeping. School food authorities shall maintain on file, each month's Claim for Reimbursement and all data used in the claims review process, by school. Records shall be retained as specified in Sec. 210.23(c) of this part. School food authorities shall make this information available to the Department and the State agency upon request.

Appendix D

Provision 2 Example Timeline

