United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA 22302-1500

DATE: September 21, 2006

MEMO CODE: SP-34-2006

SUBJECT: Change to Item 6 in the FNS-742, *School Food Authority Verification Summary Report*

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

As we indicated in our July 25, 2006, memorandum, Verification Sample Size (SP-27-2006), the Richard B. Russell National School Lunch Act (NSLA) now establishes an exact sample size for routine annual verification activities. Local educational agencies (LEAs) must verify applications in accordance with the procedures set forth in the above-cited memorandum.

The above change will affect the reporting for Item 6 *(Type of Verification Used)* on the FNS-742, *School Food Authority Verification Summary Report*. The current responses for this item are Random (coded 1), Focused (coded 2) and All Applications (coded as 3). In addition to the need to delete the All Applications option, we have noted that the current options are causing some difficulties in reporting because they do not correlate directly with the verification requirements in the NSLA, as amended by Public Law 108-265, the Child Nutrition and WIC Reauthorization Act of 2004. Therefore, effective with the 2007-2008 School Year reporting, we are changing the options for Item 6 of the Verification Summary Report as follows:

<u>Basic</u>

- LEA must verify three percent or 3,000, whichever is less, of all approved applications on file as of October 1
- Once the sample size is determined, error prone applications are the first selected; error prone applications are those with income within $100 monthly or $1200 annually of the appropriate income eligibility guideline
- If there are not enough error prone applications to complete the sample, the remainder of applications to be verified are selected from all applications subject to verification
- *This response should be coded 1*

Qualifying LEAs also may use one of two alternate sample sizes. These are:

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Alternate-Random

- LEA must verify three percent or 3,000, whichever is less, of all approved applications on file as of October 1
- Once the sample size is determined, applications are selected at random
- *This response should be coded 2*

Alternate-Focused

- LEA must verify:
    - the lesser of 1000 or one percent of all applications approved as of October 1 PLUS
    - the lesser of 500 or one-half of one percent of all applications approved as of October 1 that provided a case number in lieu of income.
- *This response should be coded 3*

No Verifications Performed

- LEA is not exempt from Verification Reporting, but no verifications were performed for the current school year. For example:
    - LEA has all Provision 2/3 non base year schools, so no verification was performed
    - LEA has only free eligibles who are not subject to verification (directly certified or other)
    - LEA had free/reduced price students eligible by application, but failed to perform verification
- *This response should be coded 4*

We are enclosing a prototype of the revised Verification Summary Report with the new responses for Item 6.

For School Year 2006-2007, LEAs should report Verification Type as Random or Focused, using the guidance supplied regarding the reporting for item number 6 in our memo of September 6, 2005, which is attached for your reference. As noted above, the All Applications option is not available as of School Year 2006-2007.

Verification Reporting Software

Because of the above change and other technical delays, we will not deploy the web-based verification reporting software for the SY 2006-2007 School Year reporting, which is due to FNS on April 15, 2007. You should report data for SY 2006-2007 in a consolidated electronic file in the same format you have used for the previous two years.

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Accuracy of Verification Reporting

We would also like to stress the importance of accurate reporting in completing the Verification Summary Report. We have kept the edits in the verification reporting software to a minimum in order to avoid reporting problems which could crop up due to unusual circumstances in individual LEA verification situations. However, the absence of an edit check does not eliminate the requirement for the State agency to insure that reporting for individual LEAs is accurate and internally consistent. In particular, we have noticed that for a significant number of LEAs, the number of applications reported verified is greater than the number on file. While some discrepancy might be possible for very small LEAs due to reporting timeframe differences, there are over 300 LEAs which reported a number of applications verified greater than 150% of number of applications on file. Please stress to your LEA's the importance of accurate reporting for ALL data elements of the required verification reporting.

Original Signed

FOR
STANLEY C. GARNETT
Director
Child Nutrition Division

Attachment

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United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive
Alexandria, VA
22302-1500

Date: September 6, 2005

SUBJECT: Clarification of Verification Reporting Requirements

TO: Special Nutrition Programs
All Regions

State Agencies
Child Nutrition Programs
All States

This memo provides information concerning the effect of the Child Nutrition and WIC Reauthorization Act of 2004 (the Act) on the reporting of results of verification activity by School Food Authorities (SFAs) operating the National School Lunch Program/School Breakfast Program (NSLP/SBP). The Act makes several changes to verification requirements under the NSLP/SBP which affect the following data elements on form FNS-742, the School Food Authority Verification Summary Report.

Item # 1 - Type of Free/Reduced Price Application Used: As of July 1, 2005, all SFAs are required to use a household application which identifies the name of each child in a household for whom meal benefits are requested. However, we are aware that there may be issues which prevent full implementation of this provision in some SFAs for School Year 2005-2006. Therefore, this data element will continue to be included on the FNS-742 at this time. SFAs should report the application type which they actually use during SY 2005-2006. An SA which has confirmed that all SFAs have implemented the household application may eliminate this question from the SFA level data collection, but in the submission to FNS, the data element should be included with a default value of 2.

SFAs which have implemented the household application should report their application type as Household even if all applications actually received only request benefits for a single enrolled student.

Item # 6 – Type of Verification Used: Beginning with SY 2005-2006, SFAs must determine their response rate for verification in the preceding year in order to determine their current year verification sample size and method and whether they are required to select error-prone applications for verification. SFAs which are required to select error-prone applications, or which qualify for the alternative sample size and choose to select error-prone applications, must select additional applications at random if they do not have enough error-prone applications to meet their minimum sample size.

All SFAs which select at least one application for verification based on error prone criteria should report the type of verification used as 'focused'. An SFA that selects its entire verification sample at random, either because it has no error-prone applications or because it qualifies for the alternative sample size and chooses the 3000/3 percent option, should report the type of verification used as random. SFAs may still choose to verify all applications and indicate this choice in Item 6.

Items 4 and 5 – Number of Free and Reduced Eligibles and Number of Applications. The required dates for SFAs to determine the number of applications on file for verification and to report the number of free and reduced price eligibles to the SA are now different. SFAs must select their verification samples based on the number of applications on file as of October 1, while the count of free and reduced price eligibles will still be reported as of the last operating day in October. To avoid requiring SFAs to make an additional count of applications or eligibles, SFAs should report the counts of eligibles required for items 4A through 5-1A as of the last operating day in October, and report the counts of applications required for items 4-2B, 4-3B, and 5B as of October 1.

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Other Verification Reporting Issues:

- *Clarification of non-response rate***:** Several SAs have asked whether students who reapplied and were reapproved for benefits after being terminated for non-response could be counted as having responded when determining the response rate. Under the terms of the Act, these students may NOT be counted as having responded to verification.

- *Weekly, biweekly, and bimonthly income thresholds for selecting error-prone applications:* Several SAs have asked for clarification on the selection of error-prone applications in cases when applications have been approved based on weekly, bi-weekly, or bimonthly income figures. The Act defines error-prone applications as those with income within $1200 of the annual limit or $100 of the monthly limit for free or reduced price meals. The equivalent thresholds for weekly, biweekly, and twice monthly incomes are determined by dividing the annual limit by the number of times per year the income is received. Therefore, the thresholds would be $23.08 for weekly income ($1200/52), $43.16 for bi-weekly income ($1200/26), and $50 for twice monthly income (1200/24). For administrative simplicity, an SFA may use rounded thresholds of $24 for weekly income and $44 for bi-weekly income when selecting error-prone applications. SFAs may not round the calculated thresholds down because that would exclude applications which the statute defines as error prone.

- *Clarification of column headings applicable to items 2,3,4 and 5 of the FNS 742:* Please be sure your SFAs understand that the column A and B headings for items 2 and 3 on the FNS -742 are different from the column A and B headings for items 4 and 5.
    - For items 2 and 3, column A is used to report total participating schools and total enrollment; column B is used to report the number of schools and the enrollment for Provisions 2 and 3 schools which are not operating a base year.
    - For items 4 and 5, the data requested is for all schools, not just Provision 2/3 schools. Column A is used to report the number of eligibles for each category and sub-category; column B is used to report the number of applications approved as categorically eligible free (4-2), income-eligible free, (4-3) and reduced price eligible (5).

- *Required submission dates for Verification Summary Reports:* The dates for submission of the Verification Summary Reports are not affected by the Act. SFAs must report their verification summary data to SAs not later than March 1, and SAs must submit the electronic file with the data for each of their SFAs to FNS by April 15.

- *Report of analysis of verification data and ameliorative actions:* Although most SAs submitted the SFA Verification Summary data on a timely basis, most have not yet submitted the required report of ameliorative actions the SA has taken or intends to take in SFAs with high levels of applications changed as a result of verification. If you have not yet submitted this report, please submit it to your FNS Regional Office by September 30, 2005. Item 9 in the Question and Answer section of the Spring, 2004 Guidance for Verification Reporting and Recordkeeping Requirements provides information on the requirements for the report of ameliorative actions.

- *Requirement to submit data in a consolidated electronic file:* SAs are reminded that they are required to submit the Verification Summary Report Data for their SFAs in a single electronic file in the format provided in the State agency reporting software supplied by FNS in September 2004. If you anticipate any problems in creating the electronic file for the April, 2006 report, please contact FNS well in advance of the reporting deadline so that steps can be taken to allow you to report in the required format.

  FNS is in the process of awarding a contract to develop a web based reporting instrument which SAs will use to submit their electronic files to FNS. This instrument will have the same function as the previously supplied MS Access
  software; it will allow SAs to either enter data for individual SFA Verification Summary reports or to upload a data file which is in the same format as that required for the MS Access software. However, it is likely that you will need to use the MS Access software for the April 2006 report. Since the web-based software will accept uploaded files which are in the same format as those for the current

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software, you should not have to make any changes in reporting instruments which you have developed which create files in the current file format.

If you have any questions on verification reporting issues, you or your staff may contact Susan Fouts of my staff at 703-305-2881, or by email at Susan.Fouts@fns.usda.gov.

Original Signed

STANLEY C. GARNETT
Director
Child Nutrition Division

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