As you are aware, the Richard B. Russell National School Lunch Act (NSLA) requires that State educational agencies (SAs) conduct additional administrative reviews of selected local educational agencies and outlines conditions under which they may retain a portion of improperly paid funds recovered as a result of their Coordinated Review Effort (CRE) process and the Additional Administrative Review (AAR) requirement. See SP 39-2009 for more details.

This memo is a reiteration of previous policy, not a change; however, because states have requested guidance on when to use their retained funds, as well as how to report these funds, we are emphasizing the following:

States must obligate the retained funds in the same fiscal year in which they are retained, i.e., by September 30th of the fiscal year in which they retained the funds. Any unobligated funds will be recovered as part of the close out process.

If a SA chooses to retain funds as a result of a CRE or AAR, they must account and report on the retained funds as per federal reporting requirements. Failure to properly report on the retained funds via the SF-269 (Financial Status Report) could result in a discrepancy between earnings and obligations during the normal fiscal year closeout process. SAs are asked to report all retained funds in the “Remarks” section of the SF-269. In using the “Remarks” section, SAs should report the retained funds according to outlays, total unliquidated obligations, and unobligated balance per reporting period. Accounting and reporting of the retained funds separately via the “Remarks” section of the SF-269, will allow SAs to track the use of these funds outside of their normal reimbursement procedures.
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State agencies with questions on this memorandum should contact their Regional Offices. Regional office questions should be directed to Lynn Rodgers-Kuperman.

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