

FY 2014 Direct Certification Performance Awards Guidance Questions and Answers

In addition to these Q&As, please refer to the following memoranda:

- FNS Memorandum SP 33-2011 - *Child Nutrition Reauthorization 2010: Direct Certification Performance Awards and Use of Funds*, dated April 28, 2011, found at <http://www.fns.usda.gov/sites/default/files/SP33-2011.pdf>.
- FNS Memorandum SP 54-2013 - *Transmittal of the Questions and Answers on the Computation of the Direct Certification Performance Rate with the Supplemental Nutrition Assistance Program (SNAP)*, dated August 16, 2013, found at <http://www.fns.usda.gov/transmittal-qas-computation-direct-certification-performance-rate-supplemental-nutrition-assistance>.

Outstanding Performance Awards for FY 2014

1. How does a State agency apply for an Outstanding Performance Award?

State agencies do not apply for this award. States will be selected based on direct certification rate data.

2. What are the selection criteria for Outstanding Performance Awards?

States that receive this award category will be selected from the pool of States that:

- Have the highest direct certification rates for children in households receiving SNAP benefits, based on data from SY 2013-2014;
- Have SNAP direct certification rates at or above 95% (the benchmark for SY 2013-2014);
- Have phased out the “letter method” as a form of direct certification with SNAP and have transitioned to data matching techniques to meet the direct certification with SNAP requirements; and
- Were able to report their SNAP direct certification data separately on line 3-2 of the School Food Authority Verification Collection Report (FNS-742) for SY 2013-2014.

3. If a State meets all the above criteria, will it get an Outstanding Performance Award?

Not necessarily. FNS can make a total of up to 15 awards across both categories (the Outstanding Performance Category and the Substantial Improvement Category). We do not know how many awards we will be able to make in the Outstanding Performance category until the final data is available. We will be looking for clustering and natural splits in the data in both categories to make our determinations on the number of awards.

4. Will FNS communicate with State agencies during the selection process for the Outstanding Performance Awards?

Yes. States that are being considered for an Outstanding Performance Award will be contacted by September 2014 and asked to formally verify that: (1) the State has phased out the letter method as a form of direct certification with SNAP; and (2) the State would accept the award if selected. FNS will need a very quick turnaround on this information.

Additionally, each State that accepts an Outstanding Performance award must complete a vendor profile form to provide FNS with bank routing information for an electronic funds transfer (EFT) of the award to the State. The vendor profile form will be provided with the award notification and must be completed and returned before the EFT can be made. The timing of this request will be late September 2014 with an immediate return requested.

5. Can a State win an Outstanding Performance Award and a Substantial Improvement Award in the same year?

No. A State cannot win both awards in the same year.

6. If a State won an Outstanding Performance Award in FY 2012 or FY 2013, can the same State win one in FY 2014?

Generally, no. The preference is for States that are awarded for Outstanding Performance to be ineligible for that same award in the following year(s). This is in acknowledgement that there may be more States that meet all of the criteria than can be awarded in a single year, and it gives some hope to those States that also excel. There is a possibility, however, that with the rising benchmarks, the changes in the data reporting process this year, and the changes in the data elements to compute rates, that fewer States may meet all the criteria in this year. If this is the case, FNS reserves the right to award some States that continue to meet the new criteria but that have previously received an Outstanding Performance Award.

7. Will all Outstanding Performance Awards be for the same dollar amount?

Most likely not. Each awarded State will be guaranteed a certain base amount, but the additional amount will depend upon such factors as the number of school food authorities (SFAs) in the State, the number of children in the State that are certified as free, and the number of awards given out in this category.

Substantial Improvement Awards For 2014

1. How does a State agency apply for a Substantial Improvement Award?

State agencies do not have to apply for this award in FY 2014. States will be selected based on available direct certification rate data. Due to the increase in available data made possible through the changes in data reporting initiated for SY 2013-2014, State agencies **will not be required** to submit a “Letter of Intent to Compete” to be considered for an FY 2014 Substantial Improvement award. Please note that unlike previous years, all eligible State agencies will be considered for Substantial Improvement awards based on data already available to FNS.

However, State agencies have the **option** to submit additional information to describe substantial improvements that may not be reflected clearly in the available direct certification data. For the additional information to be considered in the State selection process, State agencies must submit an “Information for Consideration” response to FNS no later than **Friday, August 8, 2014**. A sample response template for submitting the optional additional information is attached for your reference—Attachment B *“FY 2014 Direct Certification Substantial Improvement Awards - Information for Consideration.”*

2. What are the selection criteria for Substantial Improvement Awards?

To determine the pool of States eligible for this award, FNS will use data from SY 2013-2014 as compared to the State's SY 2012-2013 rates. We will check to be sure that:

- The State was able to report their SNAP direct certification data separately on line 3-2 of the School Food Authority Verification Collection Report (FNS-742) for SY 2013-2014;
- The most recent year's rate is higher than either of the previous two years (See *Attachment C – FY 2014 Direct Certification Performance Awards – Reference Rate Chart for rates by State for the past 3 years*);
- The State has phased out the "letter method" as a form of direct certification with SNAP and has transitioned to data matching techniques to meet the direct certification with SNAP requirements; and
- The increase is not because of an error in reporting in previous years.

After these basic tests, the States will be ranked according to improvement shown by the difference in direct certification rates from the most recent school year as compared to the previous school year, with a look at percentage increase to help qualify "substantial" increases. States at the top of the rankings are the potential candidates for this award. If there is a close clustering of States' rates of improvement, and the whole cluster of States cannot be awarded, then other factors will be examined, including:

- If two States have similar improvement rates this year, but one also had significant improvement last year, then that State will rank higher than the State that did not show as much improvement last year.
- If a State's rate is already high, that State's equivalent improvement may be more significant than a State that had more room for improvement.
- If a State's improvement in its direct certification rate is due to some extraneous effect and not the State's actual efforts, then this will have a negative impact on the analysis.

3. If the State meets all the above criteria, will it get a Substantial Improvement Award?

Not necessarily. The initial criteria merely place States into the pool of potential recipients. There are other factors to be considered, including the number of awards that can be given in the category.

4. Does a State need to have a direct certification rate at or above the 95% benchmark in order to be eligible for a FY 2014 Substantial Improvement Award?

No, the benchmark does not have to be met for this award category.

5. Will FNS communicate with State agencies during the selection process for the Substantial Improvement Awards?

Yes. States that are being considered for an Outstanding Performance Award will be contacted by September 2014 and asked to formally verify that: (1) the State has phased out the letter method as a form of direct certification with SNAP; and (2) the State would accept the award if selected. FNS will need a very quick turnaround on this information.

FNS may also need to contact a State agency to clarify information received in the “Information for Consideration” letter, if submitted. Additionally, each State that accepts an Outstanding Performance award must complete a vendor profile form to provide FNS with bank routing information for an electronic funds transfer (EFT) of the award to the State. The vendor profile form will be provided with the award notification and must be completed and returned before the EFT can be made. The timing of this request will be late September 2014 with an immediate return requested.

6. If a State won a Substantial Improvement Award in FY 2012 or FY 2013, can the same State win one in FY 2014?

Yes, potentially. Although a State cannot win both a Substantial Improvement Award and an Outstanding Performance Award in the same year, a State could potentially win a Substantial Improvement Award each year.

7. If a State won an Outstanding Performance award in FY 2012 or FY 2013, can the same State win a Substantial Improvement award in FY 2014?

No. States that have received Outstanding Performance awards in previous years are not eligible for a Substantial Improvement award in FY 2014.

8. Is it worth the State agency’s efforts to provide the “Information for Consideration” letter?

The optional “Information for Consideration” letter is just that—optional. The maximum length is 500 words. The information may prove to be useful for States whose improvements rates are clustered near the same value, where FNS has to make distinctions among closely aligned States, but it is entirely possible to qualify for and win this award without providing the letter.

9. Will all Substantial Improvement Awards be for the same dollar amount?

Most likely not. Each awarded State will be guaranteed a certain base amount, but the additional amount will depend upon such factors as the amount of improvement shown, the number of SFAs in the State, the number of children in the State that are certified as free, and the number of awards given out in this category.

Use Of Funds

1. If a State wins one of the awards, when can it expect to receive the funds?

The funds will be electronically transferred to the award-winning State using the Integrated Program Accounting System (IPAS). The funds cannot be electronically transferred until FNS receives the State’s bank routing information for the EFT. In late September, FNS will send selected States a vendor profile form to complete. The sooner that form is completed with the appropriate bank routing information and returned to FNS, the sooner the funds can be transferred.

2. Can the State agency pass some or all of its award to their school food authorities (SFAs)?

A State agency that receives either an Outstanding Performance Award or a Substantial Improvement Award may transfer all of the funds, or any portion of the funds, to SFAs for use in carrying out the program. All funds received or transferred from these awards must be treated as program income and used for program purposes.

3. If the State chooses to keep the funds at the State agency level, how will the use of the funds be monitored.

The use of the funds will be monitored during the normal Management Review (ME) process.

4. If the State transfers the funds to the SFAs, how will the use of funds be monitored?

In this case, the State agency must first ensure that the funds have been deposited into the nonprofit school food service account. Once in the account, the State will monitor the use of funds during the Administrative Review process in the same manner it monitors all funds deposited in the nonprofit school food service account. If the State agency decides to keep some of the funds at the State level and to transfer only some of the funds to the SFAs, then monitoring will be done by both the ME and the Administrative Review.

5. How will we be reporting on our use of funds?

You will need only to acknowledge receipt of the funds and to keep appropriate records normally required for use of program funds. There will be no other reporting.

6. What are the timeframes within which we need to expend these funds?

There is no federally mandated timeframe tied specifically to expenditure of these funds. However, FNS would expect funds to be used as soon as practicable to benefit the National School Lunch Program and/or School Breakfast Program. FNS would not expect to see the award funds to carry over from one ME review cycle to the next. Once the State agency either spends the funds for program improvements at the State level or passes the funds to SFAs, FNS will consider the funds expended.

7. How must the funds be used?

Funds may be used only for purposes directly benefitting the National School Lunch Program and/or the School Breakfast Program. The funds are subject to the Federal regulations regarding allowable costs. See OMB Circular A-87 (2 CFR Part 225), http://www.whitehouse.gov/sites/default/files/omb/fedreg/2005/083105_a87.pdf, for guidance on allowable and unallowable costs for use of program funds.

See OMB Circular A-122 (2 CFR Part 230), http://www.whitehouse.gov/sites/default/files/omb/assets/omb/fedreg/2005/083105_a122.pdf, for guidance on allowable and unallowable costs for use of program funds in private schools.

Performance award funds received under this provision that are used at the State level could be used for any purpose that would otherwise be an allowable charge to the State Administrative

Expense (SAE) account, and funds used at the SFA level could be used for any purpose that would otherwise be an allowable charge to the non-profit food service account.

- 8. May a State Agency use the funds to pay for direct certification data-sharing services from its partner State agencies that administer SNAP, Temporary Assistance to Needy Families (TANF), Food Distribution Program on Indian Reservations (FDPIR), foster care, or Medicaid (for those States participating in the direct certification with Medicaid demonstration projects)?**

Yes, the funds can be used for this purpose. In fact, they can be used for any purpose benefitting the program, so long as the expense is allowable under federal regulations and the cost-principle guidance in the OMB circulars referenced in question #7 of this section.