

WITHHOLDING STANDARD OPERATING PROCEDURE
for
Administrative Reviews

OVERVIEW:

To specify the conditions and procedures for withholding of reimbursement.

PROCEDURE:

1. State Agency shall withhold **all** program payments to the SFA for critical area violations when:
 - a. the corrective action documentation is not postmarked by the response date deadline specified in the "OFFICIAL NOTIFICATION"; and/or
 - b. a follow-up review is not conducted, and the corrective action was not completed within the deadlines specified in the "OFFICIAL NOTIFICATION OF FINDINGS AND CORRECTIVE ACTION " or as extended by Food and Nutrition Services;
 - c. the follow-up review reveals that corrective actions have not been satisfactorily completed in accordance with the documented corrective action and requires further fiscal action for the critical area violation, the submission of a revised "OFFICIAL NOTIFICATION OF FINDINGS AND CORRECTIVE ACTION" and another follow-up review at the request of the SFA which produces satisfactory results for the release of the funds withheld;
 - d. the follow-up review reveals that the violation continues to exceed the review threshold despite the completion of the corrective action as specified a new critical area violation will be cited and handled as stated below for a new critical area violation.
2. State Agency may withhold program payments to SFAs for general area violations. State Agency will withhold for critical area violations:
 - a. documented corrective action is not postmarked by the response date specified in the "OFFICIAL NOTIFICATION OF FINDINGS AND CORRECTIVE ACTION ";
 - b. corrective action is not complete;
 - c. corrective action was not taken as specified in the "OFFICIAL NOTIFICATION OF FINDINGS AND CORRECTIVE ACTION ".
3. During a follow-up review, a new critical area violation will be handled by State Agency as follows:

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- a. shall submit corrective action documentation, be subject to fiscal action and another follow-up review within 6 operating months of the first follow-up review; and/or
 - b. the SFA shall submit corrective action documentation within specified timeframes and be subject to fiscal action, however if the corrective action documentation is not received within the specified timeframes program payments shall be withheld.
4. During a follow-up review, State Agency shall withhold program payments for general area violations when corrective actions have not been taken in accordance with the "OFFICIAL NOTIFICATION OF FINDINGS AND CORRECTIVE ACTION".
5. During a follow-up review, new and general area violations unresolved by previous corrective actions shall be handled by State Agency as follows:
- a. the SFA shall submit corrective action documentation within specified timeframes; however, if the corrective action documentation is not received within the specified timeframes program payments shall be withheld.
6. If corrective action does not resolve critical area violations after the second follow-up review, the Director or designee shall declare the SFA a pervasive problem program 210.18 (4) (see Pervasive Problem Policy) in addition to withholding program payments.
7. The withholding payments will be to revoke the claim form approval permissions for the reporting on line system (revoke password for legal agent) by the system administrator.
- a. The School Food Authority will be notified in writing that funds will be withheld based on program violations.
 - i. The written notification will include the appeal process for the decision.
 - ii. **Effective Date:** Withholding of program payments must begin immediately upon notification to the SFA. The SA must withhold payments for any original or upward adjusted claim, regardless of the date submitted to the SA. The SA may process downward adjustments to previously paid claims during the withholding period.
 - iii. **Duration:** The SA must promptly release withheld program payments in the proper amount when the following is complete:
 1. The SFA completes all required corrective action
 2. The SA receives documentation of corrective action
 3. The SA completes any required follow-up review
 4. The SA determines the corrective action was successful (7 CFR 210.18(1)(2))

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- iv. **Claim Submissions during Withholding:** Since the SFA continues to earn program payments during a period of withholding, the SFA must continue to submit Claims for Reimbursement on a timely basis.
- v. **Letter of Claim Adjustment:** Upon receipt of the SFA's documented corrective actions, the SA must send the SFA a notice letter that details the grounds on which the denial of all or a part of the Claim for Reimbursement or withholding payment is based. This notice must be sent by certified mail, return receipt requested. (7 CFR 210.18(j))

8. Responsibilities

- a. reviewer will notify SFA and director to confirm action to be taken, and when CAP accepted.
- b. reviewer will notify SFA of withholding and when reimbursement is released
- c. system administrator will revoke ability to approve a reimbursement for payment, will reinstate when all is acceptable
- d. system will post and notify the staff managing of the AR tracker.

Reference 7 CFR 210.18
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