

Direct Certification Performance Awards Questions and Answers – Spring Guidance on the FY 2012 Awards

In addition to these Q&As and the attached Sample Template (Attachment B), please refer to 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/cnd/governance/Policy-Memos/2011/SP33-2011.pdf>, and to the attached Reference Chart (Attachment C) showing direct certification rates by State from the Reports to Congress for FY 2008 through FY 2011.

Outstanding Performance Awards For FY 2012

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 an award in this 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 2011-2012 if it is available (or based on SY 2010-2011 data if the latter is not available in time to make the awards);
- Have SNAP direct certification rates at or above 80% (the benchmark for SY 2011-2012); and
- 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.

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

No, not necessarily. FNS can make a total of up to 15 awards across both categories. We do not know how many awards we will be able to make in the Outstanding Performance category until the data is available. We will be looking for clustering and natural splits in the data both in this category and in the Substantial Improvement category before making 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 in September 2012 and asked to formally verify three things: (1) that the State has phased out the letter method, (2) that the State would accept the award, if selected, and (3) that the State’s banking information on file is correct so that an electronic funds transfer (EFT)—should the State be among the final awardees—would be timely. FNS will need a very quick turnaround on this

information. Please note that receipt of this communication does not mean that the State is among the awardees, just that the State is being considered.

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 wins an Outstanding Performance Award this year, can the same State win one again next year?

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 phasing out of the “Letter Method,” and the changes in the data elements to compute rates, that fewer States may meet all the criteria next 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?

Not necessarily. Each awarded State will be guaranteed a certain base amount, but the additional amount will depend upon such factors as 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.

Substantial Improvement Awards For 2012

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

To apply for this award, the State agency that administers the NSLP must submit a “Letter of Intent to Compete” **by June 30, 2012.**

2. If a State agency does not submit a “Letter of Intent to Compete,” could the State still be eligible for a 2012 Substantial Improvement Award?

No. To be eligible for consideration for a Substantial Improvement Award, a State agency must submit a “Letter of Intent to Compete” **by June 30, 2012.**

3. What needs to be included in the “Letter of Intent to Compete,” and where should it be sent?

The “Letter of Intent to Compete” should be a simple letter, emailed to FNS at the following email address: cnstatesystems@fns.usda.gov, Attn: Vivian Lees, Chief, State Systems Support Branch, FNS/USDA. (Please request a “read-receipt.”)

The “Letter of Intent to Compete” is to be comprised of seven sections:

- I. State Information;
- II. Contact Person Information;
- III. Intent Statement;
- IV. Data Use Option;
- V. Letter Method Phase-Out Status;
- VI. (OPTIONAL) a Supplemental Information Statement (limited to 500 words or less); and
- VII. Signature of Authorized Administrative Official.

To facilitate the application process, FNS has developed a proposed template (See Attachment B, *Sample Template - “Letter of Intent to Compete” for a FY 2012 Direct Certification Substantial Improvement Award*) that you may wish to use. If you choose not to use the template, please include in your narrative the same information and in the same order as is presented in the template. Specific directions regarding requirements are included in the template.

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

To determine the pool of States eligible for this award, FNS will use the most recent data we have available in time to make the September 2012 awards. Our intent is to use a State’s SY 2011-2012 direct certification rates as compared to the State’s SY 2010-2011 rates. If the SY 2011-2012 data is not available by the time we need to make the awards, however, we will use SY 2010-2011 data as compared to SY 2009-2010. We will check to be sure that:

- The State has submitted the “Letter of Intent to Compete” by June 30, 2012, and has provided satisfactory answers for each of the required components;
- The most recent year’s data shows a substantial increase in the State’s direct certification performance rates over the previous year;
- The most recent year’s rate is higher than either of the previous two years; and
- The increase is not because of an error or due to a large drop the year before.

After this basic test, 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. 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 has taken action to improve the direct certification process, and these actions can explain the improved rates (documented in its “Letter of Intent to Compete”), then this will have a positive impact on the analysis;
- If a State has provided FNS with information in its “Letter of Intent to Compete” that substantiates that its improvement is even more marked because the data does not show

certain struggles the State had to overcome (like a recovery after dropping the “Letter Method,” for instance);

- 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; and/or
- 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.

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

No, 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.

6. Does a State need to have a direct certification rate above the 80% benchmark in order to be eligible for a FY 2012 Substantial Improvement Award?

No, not for awards in this category.

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

Yes. States that are being considered for a Substantial Improvement Award will be contacted in September 2012 and asked to formally verify two things: (1) that the State would accept the award if selected, and (2) that the State’s bank routing information on file is correct so that an electronic funds transfer (EFT)—should the State be among the final awardees—would be timely. FNS will need an immediate turnaround on this information. Please note that receipt of this communication does not mean that the State is among the awardees, just that the State is being considered.

FNS may also need to contact a State agency to clarify information received in the “Letter of Intent to Compete.”

8. If a State wins a Substantial Improvement Award this year, can the same State win one again next year?

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.

9. If a State does not know whether it is competitive for a Substantial Improvement Award, is it beneficial for the State agency to submit a “Letter of Intent to Compete”?

FNS will also not know whether a State is competitive for a Substantial Improvement Award this year until the data is available. Refer to Attachment C of the FY 2012 guidance for Direct Certification Performance Awards—a reference chart of each State’s direct certification rates since SY 2007-2008—and take a look at how your State has been doing and how it measures up to other States. A quick look at the chart will show that in SY 2010-2011, quite a few States had improved their direct certification rates. It is expected that this number will be even higher for SY 2011-2012. If a State has been able to track its own performance, it may have a pretty good

idea where it stands. In any case, the procedure for submitting a “Letter of Intent to Compete” is not too difficult.

10. Is it worth the State agency’s efforts to provide the Optional Supplemental Information Statement when submitting a “Letter of Intent to Compete”?

The Optional Supplemental Information is just that—optional. The maximum word count is 500 words, and there is detailed guidance in FNS Memorandum SP 33-2011 and on the attached template, Attachment B, *Sample Template - “Letter of Intent to Compete” for a FY 2012 Direct Certification Substantial Improvement Award*. The information may prove to be useful for FNS to differentiate among those States whose improvement rates are clustered near the same value, but it is entirely possible to qualify for and win this award without providing supplemental information.

11. In Section IV of the “Letter of Intent to Compete,” State agencies are given the option to submit their own data for FNS to consider in addition to or in lieu of the FNS data for these Substantial Improvement awards. What is required for that?

This option is in recognition that a State agency may have a valid methodology for computing direct certification rates in its State that differs from the methodology that FNS uses. State agencies that have monitored their own direct certification performance for many years may have reliable data that shows that their performance has improved, even when this same improvement is not reflected in the FNS data. FNS is giving these States the option of providing data for assessment by FNS. FNS will assess the quality, completeness, and credibility of the data. In order to utilize this option, the State agency must select the option in Section IV, and must provide ample justification, the methodology, and the sources of data that clearly show an increase in the percentage of school-aged children living in households receiving SNAP benefits who were directly certified for free school meals in SY 2011-2012 over SY 2010-2011. All supporting materials must accompany the “Letter of Intent to Compete” and are due **by June 30, 2012**. *If selecting this option, please be sure that all supporting materials are complete, detailed, and reliable. The submission should provide all the information needed to assess the efficacy of the State’s assertion. Incomplete or deficient submissions will not be considered.*

12. 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 State’s bank routing information on file in the Integrated Program Accounting System (IPAS). This should be a smooth process, occurring in late September or in October. If a change in the routing information is necessary, the EFT may be delayed.

2. Can the State agency pass some or all of its award to its 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 its 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 use of the funds must be monitored by the State agency during the Administrative Review process. 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 State agencies be expected to report on its use of funds?

State agencies will need 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 States would 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. 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 as expended.

7. How must the funds be used?

Funds may be used only for purposes directly benefitting the 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.