Section 31

Administrative & Other Compliance Reviews

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Update Guide	
June 8, 2026	Replaced references to *ARM Section 14a, USDA Foods Processing*. This section has been removed from the ARM and renamed to the "USDA Foods Processor Handbook." The handbook is located on the *Food Distribution Program for Child Nutrition Programs* landing page on SquareMeals, under *Policy/Handbook*.
March 11, 2026	Clarified guidance on reviews for new SFAs.
May 19, 2023	Created new *Definitions* and *Contact Information* sections, located at the beginning of the *Administrator's Reference Manual (ARM)*. Removed definitions and contact information from this section.
November 28, 2022	Updated *Section 31, Administrative & Other Compliance Reviews* to correct minor typos. Clarified information on the following topics: - Appeals timeframe - Cycle length Updated Texas Administrative Code (TAC) appeals citation.
August 12, 2020	Updated *Section 31, Administrative & Other Compliance Reviews* to update *Administrator's Reference Manual (ARM)* section references. Provided clarification on the following topics in addition to incorporating guidance from USDA: – Combining review activities
January 15, 2019	Updated *Section 23, Administrative Review* to incorporate the following USDA memos and guidance: – *USDA Administrative Review Manual* (May 18, 2018) – *USDA Memo SP 39-2017, Local Agency Procurement Reviews for School Food Authorities* (June 30, 2017) – *USDA Memo SP 03-2017, Draft Tool for Local Agency Procurement Reviews for School Food Authorities in SY 2016-2017—Revised Tool* (October 6, 2016) – *USDA Memo SP 45-2016, Draft Tool for Local Agency Procurement Reviews for School Food Authorities in SY 2016-2017* (June 30, 2016) – *USDA Memo SP 04-2016, Local Agency Procurement Reviews: School Year 2015-2016* (November 9, 2015) Provided clarification on the following topics in addition to incorporating guidance from USDA: – Administrative Review, Resource Management – Administrative Financial Review (AFR) – Corrective Action – Fiscal action – Noncompliance – Procurement Review (PR)

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Administrative & Other Compliance Reviews

The Texas Department of Agriculture conducts compliance reviews to promote program integrity and to assist contracting entities (CEs) in operating a program that is compliant with all regulations. The following Child Nutrition Programs (CNPs) are included in the compliance reviews described in this section:

- National School Lunch Program (NSLP)
  - Afterschool Care Program (AFCP)
  - Fresh Fruit and Vegetables (FFVP)
  - Seamless Summer Option (SSO)
- School Breakfast Program (SBP)
- Other Federal Programs
  - At Risk Child and Adult Care Food Program (At Risk CACFP), as applicable
  - Special Milk Program (SMP)

Compliance reviews are intended to address the following objectives:

1. Determine whether the contracting entity (CE) meets program requirements
2. Provide the CE with technical assistance
3. Secure needed corrective action
4. Assess fiscal action, and when applicable, to recover improperly paid funds.

Whenever possible these reviews incorporate collaborative compliance—a process which focuses not only on ensuring program compliance, but also includes the technical assistance CEs need to operate a CNP.

Information Box 1

Strategies to Prepare for a Compliance Review

Checklists: Use the TDA provided checklists to prepare for the compliance review and to ensure that all documentation is submitted in a timely manner.

Electronic Submission of Documentation: Work with the CE technology staff or the ESC to be prepared to work with PDF formats, scan documents, upload documents, and/or attach files.

File Naming Conventions: Make sure to name files with content specific names, so the file does not have to be opened in order to see its content. TDA staff also often provide naming conventions to assist with this effort.

Key Staff: Ensure that staff who have the greatest understanding or experience with the compliance review topics are available to respond to questions and requests.

Organizing: Organize documentation that supports the CE's responses to questions and requests in folders (electronic or paper) or a binder.

To accomplish these objectives, TDA uses risk-based tools for onsite and offsite evaluation processes to conduct three types of standardized compliance reviews which may be conducted separately or together:

- **Administrative Review (AR)**—Comprehensive review of the CE's operational practices including, but not limited to, meal access and reimbursement, meal pattern and nutritional quality, and general operational practices.
- **Administrative Financial Review (AFR)**—Comprehensive review of the CE's financial management system of School Nutrition Programs (SNP).
- **Procurement Reviews (PR)**—Comprehensive review of the CE's procurement practices and contract management.

While each CE will participate in these reviews on a routine schedule, TDA may also conduct additional ARs, AFRs, or PRs when warranted.

This section provides general information on the reviews TDA conducts. TDA provides detailed guidance for CEs receiving reviews on SquareMeals at *https://squaremeals.org/Programs/NationalSchoolLunchProgram/NationalSchoolLunchProgramCompliance.aspx*.

Administrative Review (AR)

The Administrative Review (AR) process is a comprehensive review of the CE's operational practices, including, but not limited to, meal access and reimbursement, meal pattern and nutritional quality, and general operational practices. While each type of review has its own focus, TDA will combine review tasks for different types of reviews whenever possible.

Cycle

CEs participating in NSLP or SBP must be reviewed at least once during the established five-year cycle. New CEs entering the program at any point during a five-year cycle must be reviewed during that five-year cycle. TDA may also conduct additional ARs based on identified needs.

Notification

TDA will post a list of ARs to be conducted for each year in the five-year cycle on *www.SquareMeals.org*. TDA will contact the CE approximately twelve to fourteen weeks before the review to request information or documentation and describe the actions both TDA and CE will take during the AR.

Review Period

The review period is the most recent month with at least 10 operating days for which a claim for reimbursement has been submitted. The latest claim information can be found in the Texas Unified Nutrition Programs System (TX-UNPS).

Special Situation, Review Scheduled Early in the School Year

If the review occurs early in the school year and the CE has not filed a claim for the current school year, TDA may designate the month of review as the last claim in the previous school year. In this case, TDA would review the previous school year's eligibility determinations, benefit issuance documents, and procedures for updating eligibility.

Focus Areas for the AR

At a minimum, the review will include, but is not limited to, the following areas of review:

- Critical Areas of Review
  - Critical Area 1 (Performance Standard 1), Meal Access and Reimbursement
    - Certification and Benefit Issuance
    - Meal Counting and Claiming
    - Verification
  - Critical Area 2 (Performance Standard 2), Meal Pattern and Nutritional Quality
    - Dietary Specifications and Nutrient Analysis
    - Meal Components and Quantities
    - Offer versus Serve
- General Areas of Review
  - Resource Management
    - Indirect Costs

        - Maintenance of the Nonprofit School Food Service Account
        - Paid Lunch Equity
        - Revenue from Nonprogram Foods
    - General Program Compliance
        - Buy American
        - CE Onsite Monitoring
        - Civil Rights
        - Competitive Food Services
        - Food Safety
        - Local School Wellness Policy and School Meal Environment
        - Professional Standards
        - Reporting and Recordkeeping
        - School Breakfast Program (SBP) and Summer Food Service Program (SFSP) Outreach
        - Water Availability
        - USDA Foods
    - Other Federal Program Reviews (as appropriate)
        - Afterschool Care Program (ASCP)
        - At Risk Child and Adult Care Food Program (At Risk CACFP)
        - Fresh Fruit & Vegetable Program (FFVP)
        - Seamless Summer Option (SSO)
        - Special Milk Program (SMP)
- Other Areas as Determined by TDA
    - Areas TDA determines to be relevant, including nutrition policy in Texas schools

Format

While TDA will continue to collect information specific to sites, much of the focus for an AR is a CE-wide process-oriented, risk-based review. The design of the AR process includes a web-based set of questions provided in a web-based instrument and documentation submitted through a web-based portal. The CE's responses to the questions and the requested documentation are an important element of a successful AR process.

The AR will include (1) offsite and onsite activities and (2) observations of meal preparation and meal service.

Offsite Review Processes

Twelve to fourteen weeks prior to the onsite review, TDA will begin to guide the CE through a series of actions that include submitting documentation to TDA and completing web-based assessments. Both of these tasks are completed in TX-UNPS. TDA provides a list of file naming conventions to assist CEs in labeling uploaded files in an easily identifiable manner.

CEs will also be expected to provide information or complete actions for the offsite process in a specified timeframe as described in AR notifications and phone calls with TDA staff members. Not submitting documentation in a timely manner is considered to be noncompliance and will prompt a comprehensive review.

Assessments

During the offsite review process, TDA will ask or direct CEs to answer questions for three assessments: *Meal Compliance Risk Assessment Tool*, *Dietary Specifications Risk Assessment Tool*, and *Resource Management Risk Indicator Tool* that are located in TX-UNPS.

High Risk School

During the offsite review, the assessment process is intentionally designed to identify one school site that has the highest risk score. This school site is designated as the site with the highest risk for noncompliance. This designation does not mean the school is out of compliance. There will be a school identified as high risk for every AR.

Although a nutrient analysis may be conducted based on the high-risk identification, the determination about whether to conduct this analysis is not determined until after the onsite review process has been completed.

TDA strongly recommends that school nutrition directors reach out to the CE's technology staff to ensure that the CE is able to access information, complete web-based assessments, and upload documents in TX-UNPS as early as possible in the AR process. CEs that do not submit required documentation in a timely manner are considered to be high risk.

Onsite Review Processes

The onsite review process also allows TDA staff to validate information collected during the offsite assessment, to observe school nutrition program operations at the selected sites and evaluate the CE's compliance with program requirements. The onsite review includes a formal entrance conference, observation of meal preparation and service, additional questions on specified topics, additional documentation review, and an exit conference.

Administrative Financial Review (AFR)

The Administrative Financial Reviews (AFR) process is a comprehensive review of the CE's financial management system. This review is conducted in addition to the CE's yearly single audit.[1] While each type of review has its own focus, TDA will combine review tasks for different types of reviews whenever possible.

Cycle

Each CE will receive at least one AFR every five years on the same cycle as the AR, but TDA may also conduct AFRs (1) when findings or errors from other compliance reviews indicate an AFR is warranted, (2) when the investigation of a complaint warrants an AFR, (3) when a report from another agency identifies areas of noncompliance or financial management weakness, or (4) when TDA and/or USDA determines additional monitoring is warranted.

Notification

TDA will post a list of AFRs to be conducted for each year in the five-year cycle at *www.SquareMeals.org*. TDA will contact the CE directly if there will be an AFR conducted outside of the regular review cycle. TDA will align the timing of the request for documentation for the AFR with the request for documentation for the AR whenever possible.

[1] CEs are required to align financial procedures and processes to generally accepted accounting principles (GAAP). See *Administrator's Reference Manual (ARM) Section 16, Financial System* for additional information on single audits and other financial requirements; *Section 15, Program Integrity* for additional information on maintaining financial program integrity; and *Section 17, Procurement* for additional information on procurement requirements.

Review Period

While TDA may review multiple years of financial records, the focus will be on the most recently completed fiscal year and the current fiscal year.

Focus Areas for the AFR

At a minimum, the focus areas include, but, are not limited to the following:

- Accounting method for tracking and verifying income and costs
- Allowable and unallowable costs
- Conflict of interest
- Credits, discounts, and rebates
- Direct and indirect costs
- Financial management system including CE's standard accounting practices
- Grant funds (i.e., equipment, professional standards, or others), receipt and use
- Methods to promote program integrity and internal controls
- Paid lunch equity
- Proportion of nonprogram and program food revenue and costs
- Single audit
- Written financial management procedures, policies, and practices including internal controls

Format

Whenever possible the AFR will be conducted offsite. The CE will submit documentation as requested by TDA. However, an onsite review process may also be used. While the review will focus on CE-wide operations, the review may also include an assessment of individual financial transactions that occur at the site level.

Procurement Review (PR)

The Procurement Review (PR) process is a comprehensive review of the CE's procurement practices and contract management. While each type of review has its own focus, TDA will combine review tasks for different types of reviews whenever possible.

Cycle

Each CE will receive at least one PR every five years on the same cycle as the AR, but TDA may also conduct a PR (1) when findings or errors from other compliance reviews indicate an AFR is warranted, (2) when the investigation of a complaint warrants an PR, (3) when a report from another agency identifies areas of noncompliance or financial management weakness, or (4) when TDA and/or USDA determines additional monitoring is warranted.

Notification

TDA will post a list of PRs to be conducted for each year in the five-year cycle at *www.SquareMeals.org*. TDA will contact the CE approximately three to four weeks prior to the review to communicate timing for each step in the process:

(1) identification of the CE contact who will coordinate with TDA; (2) assessment of the types of procurement the CE uses; and (3) collection of procurement samples.

Review Period

While TDA may review multiple years of financial records, the focus will be on the most recently completed fiscal year and the current fiscal year. However, TDA may review additional years if warranted.

Focus Areas for the PR

At a minimum, the focus areas for PR include, but are not limited to the following:

- Buy American
- Conflict of interest
- Contract management
- Cooperative purchasing
- Food service contacts
- Management of credits, discounts, and rebates
- Processor contacts
- Solicitation and contract award process
- Written procurement processes, procedures, and practices, including internal controls

Format

Whenever possible the PR will be conducted offsite. The CE will submit documentation as requested by TDA. While the review will focus on CE-wide operations, the review may also include assessment activities for individual site procurement transactions that occur at the site level.

Follow-up Reviews

TDA may conduct a targeted or full follow-up review to verify corrective action for findings for any compliance review. TDA strongly recommends that CEs seek assistance from their regional education service center (ESC) nutrition specialist for any actions or issues related to a Follow-up Review.

Return to Program (RTP) Reviews

TDA will conduct a targeted review 90 days after the start of program operations for all CEs returning after self-termination or mutual termination.

Previously terminated CEs may be placed on fiscal hold prior to review depending on their standing with TDA at the time of termination:

- CEs that self-terminate in good standing **will not** be placed on fiscal hold prior to the review. If the review is unsuccessful, CEs will be placed on fiscal hold until a full AR/PR is completed the following year.
- CEs that self-terminate or mutually terminate in poor standing **will** be placed on fiscal hold prior to the review. If the review is unsuccessful, CEs will remain on fiscal hold until a full AR/PR is completed the following year.

Following the desk review, TDA may place the new CEs on the AR/PR schedule for the following year.

Resources to Assist CEs in a Review

The *Resources to Assist in Preparing Documentation Chart* provides information on which *Administrator's Reference Manual (ARM)* sections provide additional information on records to retain specifically for the areas of compliance categories listed.

Resources to Assist in Preparing Documentation Chart	
Record Retention Categories	**Administrator's Reference Manual (ARM) Section for this Topic**
Eligibility and Verification	– *Section 3, Civil Rights & Confidentiality* – *Section 4, Eligibility Determination* – *Section 5, Special Provision Options* – *Section 6, Verification of Eligibility* – *Section 10, Afterschool Snacks & Meals* – *Section 11, Summer Meals* – *Section 13, Special Milk Program* – *Section 28, Residential Child Care Institutions*
Communication and Outreach	– *Section 4, Eligibility Determination* – *Section 5, Special Provision Options* – *Section 11, Summer Meals* – *Section 13, Special Milk Program* – *Section 29, Local Wellness Policy & Stakeholder Engagement*
Competitive Foods	– *Section 22, Competitive Foods*
Counting and Claiming	– *Section 4, Eligibility Determination* – *Section 5, Special Provision Options* – *Section 10, Afterschool Snacks & Meal* – *Section 11, Summer Meals* – *Section 13, Special Milk Program* – *Section 20, Counting & Claiming* – *Section 26, Residential Child Care Institutions*
Financial and Accounting	– *Section 14, USDA Foods* – *Section 15, Program Integrity* – *Section 16, Financial System* – *Section 16a, Contract Management* – *Section 17, Procurement* – *Section 17a, Procurement Procedures* – *Section 17b, Buy American* – *Section 17c, Cooperative Purchasing* – *Section 18, Food Service Contracts* – *Section 19, Meal Pricing* – *Section 20, Counting & Claiming*

Resources to Assist in Preparing Documentation Chart	
Record Retention Categories	**Administrator's Reference Manual (ARM) Section for this Topic**
Meal Pattern and Meal Preparation	– *Section 2a, Meal Pattern Certification* – *Section 9, Pre-Kindergarten Meals* – *Section 7, Breakfast Meals* – *Section 8, Lunch Meals* – *Section 10, Afterschool Snacks & Meals* – *Section 11, Summer Meals* – *Section 13, Special Milk Program* – *Section 21, Meal Service* – *Section 23, Food Product Labeling* – *Section 25, Meal Accommodations*
Program Agreement and Application(s)	– *Section 2, Program Application and Agreement* – *Section 16, Program Integrity*
General Issues, Program Operation	– *Section 14, USDA Foods* – *Section 15, Program Integrity* – *Section 19, Meal Pricing* – *Section 24 Disaster Situations* – *Section 26, Food Safety* – *Section 27, Professional Standards* – *Section 28, Residential Child Care Institutions* – *Section 29, Local Wellness Policy & Stakeholder Engagement* – *Section 30, Records Retention*

TDA Forms

TDA also provides a list and description of use for all TDA developed forms, samples, and templates on the *School Nutrition Programs (SNPs) Records Retention List* which located at *www.SquareMeals.org*.

Records Retention

CEs must retain documentation related to all compliance reviews. If a case occurs where records used or needed for the compliance review process exceed the number of years required for documents to be retained, the CE must retain all compliance review related records until the appropriate number of years have passed from the date the compliance review was closed.

CEs have the option to maintain records on paper or electronically. All documentation or records must be kept on file for a minimum of five years for public and charter schools or three years for private schools, nonprofit organizations, and residential childcare institutions (RCCIs) after the end of the fiscal year to which they pertain.

Information Box 2

Records Retention

Public and charter schools are required to keep documentation related to school nutrition programs for 5 years.

Private schools, other nonprofit organizations, and residential child care institutions (RCCIs) are required to keep documentation for 3 years.

Compliance

USDA regulations require that CEs comply with all requests for information and documentation to demonstrate compliance in a timely manner. If a CE does not provide the information and documentation in a timely manner, the CE is out of compliance with regulations. When a CE is found to be out of compliance with regulations, the CE must take action to achieve compliance with the submission of required documentation in order to continue operation of the program.

Whenever a CE is out of compliance, the CE will be required to perform and document corrective action for the area of non-compliance. CEs are expected to provide approvable corrective action documents (CADs) or corrective action plans (CAPs) that demonstrate that the CE has taken action to resolve all findings according to the timeline and directions that TDA provides. CEs will upload CAD responses into TX-UNPS for ARs and as directed for AFRs and PRs CADs or CAPs. Corrective action must be applied to all sites to ensure that correction for all findings or errors are made CE-wide.

Notification of Findings or Errors

TDA will provide a description of preliminary findings or errors at the exit conference or, if an offsite-only review, in the preliminary results notification. In the final compliance review report, TDA will notify the CE of any findings or errors that must be corrected in order for the CE to continue operation of the program.

Notification for findings or errors will include, but is not limited to, the following:

1. Description of the finding or error
2. Statement describing the corrective action the CE must take to resolve all findings and errors immediately and in the future
3. Description of the result or outcome that must occur when the CE corrects the finding or error
4. Timeline for submitting documentation to TDA that demonstrates corrective action has occurred
5. Description of the method to submit documentation demonstrating compliance

Fiscal Action

TDA will take fiscal action as described by USDA regulation and policy and may terminate the Food and Nutrition Division Permanent Agreement for any CE that is not in compliance with all requirements.

Fiscal Action for ARs

The regulations require fiscal action for Critical Areas of Review[2] and provide a framework to allow TDA to take fiscal action or withhold payments for program noncompliance in the General Areas of Review.[3] This includes, but is not limited to, the following:[4]

- Fiscal action may result if an overclaim is noted during the review.[5]
- Fiscal action may be taken when there are repeated findings across reviews of any type.

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2 Critical Area 1: Meal Access and Reimbursement and Critical Area 2: Meal Pattern and Nutritional Quality
3 Fiscal action is authorized or required by 7 CFR Parts 210, 2015, or 220, as applicable.
4 See the *Administrator's Reference Manual, Section 20, Counting & Claiming* for additional information on this topic.
5 An overclaim is the portion of a CE's claim for reimbursement that exceeds the federal financial assistance that is properly payable.

- Fiscal action may be applied CE-wide for noncompliance related to eligibility determination (Meal Access and Reimbursement).
- Fiscal action may include the suspension of the performance-based reimbursement for meal pattern noncompliance.
- TDA has an option to disregard any overclaim of $600 or less per program[6] each fiscal year.

Additional Action for AR, AFR, and PR Which May Impact the CE Financially

Findings from an AR, AFR, and PR may require payment from the CE's general fund to reimburse the nonprofit school food service account for unallowable costs—reimburse the nonprofit food service account for unallowable costs.

TDA may also place a financial hold on a CEs funds until a CE has achieved compliance. Once the CE has achieved compliance, the financial hold will be removed. To receive reimbursement for the period of time when the CE's funds are placed on financial hold, the CE must continue to submit claims each month while funds are on hold.

Termination of the Agreement

According to federal regulations, TDA will evaluate whether the degree of noncompliance by a CE demonstrates long-term, willful or egregious, and/or systemic noncompliance which warrants termination of the Food and Nutrition Division Permanent Agreement.

[6] NSLP, SBP, or CACFP

Appeals

An appeals procedure is provided when fiscal action is taken, when reimbursement of unallowable costs is required, or when a CE's funds are placed on hold. A CE can appeal fiscal action resulting from the denial of all or part of a claim for reimbursement, reimbursement for unallowable costs, or withholding of payments. Findings cannot be appealed. The *Appeals Timeframe Chart* provides a summary of the appeals actions and timelines.[7]

Appeals Timeframe Summary Chart	
CE submits written request for an appeal—postmarked or submitted to TDA within 15 calendar days of receipt of notice of fiscal action or withholding of funds notice.	TDA and CE are informed of the Administrative Review Official's (ARO's) decision on appeal of fiscal action or withholding of funds—within 60 calendar days of the date of receipt of the CE's request for an appeal.
TDA acknowledges receipt request for appeal—within 10 calendar days of receipt of appeal request.	
TDA and CE are given notice of the date of the appeal hearing—at least 10 calendar days before hearing.	

[7] The requirements for an appeal are set out in *Title 4, Part 1, Chapter 26, Subchapter E,* as applicable of the Texas Administrative Code.