

Section 15

Program Integrity

Section 15, Program Integrity

Program Integrity Update Guide

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| May 19, 2023 | Created new <i>Definitions</i> and <i>Contact Information</i> sections, located at the beginning of the <i>Administrator's Reference Manual (ARM)</i> . Removed definitions and contact information from this section. |
| July 28, 2022 | Updated <i>Section 16, Program Integrity</i> to clarify the following: <ul style="list-style-type: none">- Definitions |
| August 16, 2021 | Updated the definition of aggregate. |
| May 27, 2021 | Updated <i>Section 16, Program Integrity</i> to clarify the following: <ul style="list-style-type: none">- Definitions |

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Program Integrity

School Nutrition Programs (SNPs) are designed and funded to provide nutritional meals to students. Contracting entities (CEs) and CE employees are expected to operate these programs in a manner that promotes program integrity.

There are multiple terms that are commonly used related to program integrity—ethical standards, code of conduct, and conflict of interest; for this section, program integrity includes all these topics.

While program integrity is a key element of all aspects of program operation, the guidance in the following *Administrator's Reference Manual (ARM)* sections will also assist the CE in promoting program integrity:

- *Section 2, Program Application & Agreement*
- *Section 3, Civil Rights and Confidentiality*
- *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*
- *Section 30, Records Retention*
- *Section 31, Administrative & Other Compliance Reviews*

Intention for Program Integrity Efforts

Program integrity is defined as *an organized and structurally sound financial management system that promotes program efficiency and prevents the inappropriate use of program funds*. This type of financial management system provides safeguards that improve the stewardship of program income and costs and reduces fraud and improper payments by the use of internal controls.

Program Integrity and Financial Management Systems

School Nutrition Program (SNP) accounts are required to comply with generally accepted accounting principles (GAAP) for federally funded programs. Compliance with the GAAP includes compliance with the *Standards for Internal Control in the Federal Government*¹ issued by the Comptroller General of the United States or the *Internal Control Integrated Framework*² issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In Texas, CEs must also apply all local and state financial and accounting requirements that are not in conflict with USDA regulations. This includes, but is not limited to, Texas Education Agency (TEA) regulations that apply to school districts and charter schools.

A financial management system provides safeguards that improve the stewardship of federal money and reduce fraud and improper payments by the use of internal controls.

The CE is responsible for compliance with all program regulations. This includes, but is not limited to, the following:

- Procurement practices
- Use of all funds, including allowable and unallowable costs
- Credit for all income to the nonprofit school food service account, including, but not limited to, reimbursements and other payments to the program
- Credit for the value of USDA Foods
- Credits, rebates, and discounts
- Operational requirements as defined in regulation

For procurement, the internal controls incorporated into a CE's financial management system must (1) define actions related to financial and procurement processes, (2) establish standards of ethical conduct, and (3) provide full and open competition.³

External Contracts and Agreements

For CEs that have external contracts and agreements to assist them with financial operations and program operation, the CE's financial management system must also incorporate methods to manage these contracts in compliance with all applicable regulations.

Internal Controls

To foster program integrity, the CE must include internal controls in its financial management system, which includes, but is not limited to, the following:

1. Establish and maintain effective oversight over the SNP's financial management system to ensure that the CE is managing the program in compliance with all federal, state, and local regulations and terms and conditions of the program award.⁴
2. Establish and maintain effective oversight over actions related to all financial processes, including, but not limited to, accounting for revenue to the program.

¹ Available at www.gao.gov/products/gao-14-704G

² Available at www.coso.org

³ See the *Full and Open Competition* subsection in this section for additional information on this topic.

⁴ See *Administrator's Reference Manual (ARM), Section 14, Financial System* for additional information on this topic

3. Establish standards of ethical conduct for all financial actions, including, but not limited to, real or apparent conflicts of interest.
4. Govern the performance of employees, officers, or agents of the CE that are engaged in the selection, award, and administration of the contracts.
5. Prohibit the solicitation and acceptance of gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.⁵
6. Establish standards for situations when an unsolicited gift of nominal value may be accepted.⁶
7. Include procedures for employee disclosure of and action to address all real or apparent conflicts of interest.
8. Describe disciplinary actions for violations of ethical standards or code of conduct.
9. Establish training to assist employees in avoiding conflicts of interest and addressing conflicts of interest.

Each of these internal controls must be addressed in the CE's written procedures and communicated to CE employees.

Well-designed internal controls for financial systems will result in the following qualities:

- Effectiveness and efficiency of operations
 - Trackable method to reconcile all financial transactions, including but not limited to, bank statements and claims
 - Method to maintain accountability for assets
- Reliability of reporting for internal and external use
 - Preparation of reliable financial statements and reports
 - Safeguards for the loss from unauthorized use or disposition of funds, property, and other assets which safeguarded against loss from unauthorized use or disposition which includes, but is not limited to, the following:
 - Segregation of financial duties
 - Restricted access to information, i.e., one person does not control all financial operations without oversight
 - Edit check mechanisms built into all financial management operations
- Compliance with applicable laws and regulations.
 - Demonstrate compliance with federal, state, and local statutes, regulations, and the terms and conditions of the program award
 - Prompt action when instances of noncompliance are identified including, but not limited to, noncompliance identified in audit findings.

⁵ See the *Nominal Value* and *Real or Apparent Conflict of Interest* subsections in this section for additional guidance on this topic

⁶ See the *Nominal Value* and *Real or Apparent Conflict of Interest* subsections in this section for additional guidance on this topic

Real or Apparent Conflicts of Interest, CE Employees

For this section, the term CE employee will be used to represent a CE employee or official; a family member of CE employee or official; or business partner of a CE employee or official.

CE employees must not solicit or accept gratuities, favors, or anything of value to perform improper financial actions, including actions related to procuring contractors or parties to subcontracts. When this occurs, there is a conflict of interest.

A conflict of interest is any action that allows a person to benefit at the expense of the public interest or the expense of his or her employer. A conflict of interest may be real or apparent, i.e., a conflict of interest does not have to be acted upon to be considered a conflict of interest.

A real or apparent conflict of interest occurs in situations such as the following:

- CE employee has a financial or other interest in a business being considered for a contract.
- CE employee receives a tangible personal benefit from a business being considered for a contract.
- CE employee has a personal relationship or friendship with a business being considered for a contract.
- CE employee is employed by, about to be employed by, or is seeking employment from a business being considered for a contract.

In all cases, if the CE has a question about whether a specific situation is a conflict of interest, the CE should consult with legal counsel.

Nominal Value

CEs should set standards for situations in which the financial interest is not substantial, or the gift is an unsolicited item of nominal value.⁷ The nominal value is commonly defined as the cost of a cup of coffee. Nominal value must be included in the CE's written procedures and communicated to CE employees.

CE Employee Tangible Benefit

If a CE employee receives a tangible benefit for taking a financial action or procurement, there is a conflict of interest. A tangible benefit includes, but is not limited to, the following:

- Offering a special item at a much lower price than the price structure for a current contract.
- Offering an item not presently used by the CE at a special price that is below market value.

Information Box 1 Individuals or Entities, Conflict of Interest
The following circumstances may foster conflicts of interests: <ul style="list-style-type: none">– Arbitrary action– Business interest in or corporate relationship among those involved– Financial or other interest– Noncompetitive contracts– Organizational conflicts– Relationships between affiliate or subsidiary organizations/firms/companies– Tangible benefit received

⁷ Examples of nominal value include inexpensive aprons, calendars, mousepads, or coffee cups.

- Offering an incentive, such as equipment or other prizes for purchasing items.
- Allowing staff to make purchases from a CE-procured contract. See *Information Box 2, Employee Purchase of Items on a CE’s Contract Conflict of Interest* for additional guidance on this topic.

Contracts

When there is a real or apparent conflict of interest, the employee, officer, or agent cannot participate in the selection, award, or administration of a contract supported by federal funds.

Incentives, Gratuities, or Kickbacks

CE employees cannot receive incentives, gratuities, or kickbacks to take a financial action or procure an item or service; this includes, but are not limited to, personal gifts, gratuities, or personal purchases⁸ off a CE-procured contract. These benefits or incentives may be construed to have been given to influence the purchasing process.

Incentive or Benefits Received

In a case where a benefit offered as part of a responsive⁹ offer is allowable, the benefit or incentive must become the property of the SNP. Under no condition can the incentive become the property of an individual.

Food Taken from SNP Sites

No food, not even leftover food (including milk), can be taken from SNP sites by CE employees for personal use, personal gain, or benefit to another person or entity.¹⁰

The CE must address these issues in its written procedures and must communicate these procedures to CE employees. See the *Written Procedures to Support Program Integrity* subsection in this section for additional guidance on written procedures for this purpose.

Information Box 2
Employee Purchase of Items on a CE’s Contract Conflict of Interest
When a CE employee makes a purchase for an item on a CE-awarded contract, the individual is accepting the cash difference between the bid or discount price and the amount the CE employee would have paid for the item in the regular retail market. This is a financial incentive.
Even though the individual pays for the purchase, the payment does not remove the financial incentive. Even if the contractor were to charge the retail price, the individual would still be receiving the convenience of a personal delivery and would be accepting a favor from the contractor—therefore, this is an unallowable practice.

Real or Apparent Conflicts of Interest, Other Individuals or Entities

Any individual or entity acting on behalf¹¹ of a CE operating a Child Nutrition Program (CNP) is also required to follow all state and federal program integrity regulations.

Actions that can result in real or apparent conflicts of interest apply to any individual or agency that is affiliated with, associated with, partnered with, or has a subsidiary relationship with the individual or agency acting on behalf of the CE.

⁸ See *Information Box 2, Employee Purchase of Items on a CE’s Contract Conflict of Interest* for additional guidance on this topic
⁹ See *Administrator’s Reference Manual (ARM), Section 17, Procurement* for additional information on responsive offers.
¹⁰ See *Administrator’s Reference Manual (ARM), Section 14, Financial System* and *Section 21, Meal Service* for additional information on giving food away at no charge and donation programs.
¹¹ See the *Definitions for This Section* subsection in this section for additional information on this topic.

[NOTE: These types of real or apparent conflicts of interest often result in duplicative services and lack of competition.]

CE Communication

A CE must communicate its expectations and applicable procedures related to program integrity to individuals and entities acting on the CE's behalf.¹² This information must be included in solicitations, agreements, contracts, and other communications as appropriate. The expectations and applicable procedures must include, but are not limited to, documentation to demonstrate compliance with all requirements and regulations.

Necessary Documentation

All third-party entities must provide the CE with adequate documentation,¹³ so the CE is able to determine if the procurement regulations have been implemented appropriately by the third-party entity. This includes, but is not limited to, documentation related to credits, rebates, discounts, and USDA Foods values.

Information Box 3
Individuals or Entities, Conflict of Interest
Individuals or agencies acting on behalf of the CE include, but are not limited to, the following:
– Agent
– Business
– Consultant
– Contractor
– Cooperative
– Distributor
– Food Processor
– Food Service Management Company (FSMC)
– For Profit Organization
– Nonprofit Organization
– Third party
– Vendor

Third Parties, Including Contractors and Cooperatives, Acting on Behalf of the CE

USDA also prohibits third party contractors or cooperatives that procure products and/or services on behalf of the CE from procuring the products and/or services from the third party's parent company, subsidiary of the parent company, or other entities with a financial relationship to the third party. These types of situations represent a real or apparent conflict of interest, limit competitive procurement, and result in the use of school nutrition funds to pay for the costs of duplicative services. Duplicative costs are unallowable to nonprofit school food service account.

Conflict of interest circumstances include, but are not limited to, a third-party purchasing from the third party owned (contractor or cooperative) or affiliated vendors. Moreover, when a third party publishes a solicitation and procures on behalf of a CE, the third party cannot award a contract to the third party's parent company, a subsidiary company of the third party's parent company, or any entity with a financial relationship with the third party.

In this circumstance, awarding a contract to an entity that has a financial relationship with a third party acting on behalf of the CE constitutes an unfair advantage and is in violation of federal procurement requirements. This type of arrangement may also result in the CE paying for duplicative services. Duplicative costs are an unallowable cost to the nonprofit school food service account.

¹² See the *Definitions for This Section* subsection in this section for additional information on this topic.

¹³ See the *Records Retention* subsection in this section for additional information on documentation.

Persons and Companies Assisting in Developing a Solicitation

When acquiring goods and services, CEs may contract with agents or companies that provide technical information in drafting procurement specifications and/or technical requirements. This provision is intended to encourage program administrators to obtain information from as many sources as possible to assist them in drafting procurement documents.¹⁴

Potential Offerors or Interested Parties Involved in Developing a Solicitation

It is a conflict of interest for a potential offeror to have prior knowledge of the solicitation or assist in the development of solicitation. Prior knowledge and assistance include, but are not limited to, the potential offeror having input into any aspect of solicitation specifications and/or technical requirements, solicitation documentation, evaluation criteria, or award process.

For Example: If a food service management company (FSMC) provides a cycle menu to a CE that will be included in a solicitation, the FSMC cannot submit an offer for the contract.

If a potential consultant contractor writes a job description for the scope of work to be included in the solicitation, the consultant cannot submit an offer for the contract.

If a CE awards a contract to any individual, entity, business, or organization that has provided information or documentation for the solicitation or contract, the costs of the contract are unallowable and cannot be paid with funds from the nonprofit school food service account.

Therefore, the CE must not (1) engage an individual, entity, business, or organization in the development of a food service solicitation and/or contract if that individual, entity, business, or organization will be submitting an offer for a food service contract or (2) use information that is prepared by any individual, entity, business, or organization that will be submitting an offer for a contract.

Moreover, when any individual, entity, business, or organization assists a CE in the development of a solicitation or contract to procure additional services and/or products outside of a current contract, the CE must not award the contract to an offeror if any one of the following conditions exists:

- The offer is submitted by an individual, entity, business, or organization that assisted the CE in the development of the solicitation.
- The offer is submitted by the parent company of the individual, entity, business, or organization that assisted the CE in the development of the solicitation.
- The offer is submitted by any subsidiaries of the individual, entity, business, or organization that assisted the CE in the development of the solicitation.

CE Survey of Possible Bidders for Product and/or Service Availability

A CE may survey prospective offerors to determine if there are individuals, entities, businesses, or organizations that are able to provide specific products and services. In cases where CEs conduct a survey of potential offerors, the CE must take care to ensure

¹⁴ See the *Written Procurement Procedures* subsection in this section for additional information on requirements related to this topic.

that possible offerors do not assist the CE in preparing the solicitation/contract. If a potential bidder assists the CE in preparing a solicitation or contract, the potential offeror cannot be awarded the contract.

A CE's written procedures must address when and how it will use agents or companies to assist them in developing solicitations.

Certification Regarding Lobbying

Lobbying certification requirements are applicable to grants, subgrants, cooperative agreements, and contracts exceeding \$100,000 in federal funds. CEs must have procedures in place that describe how this requirement will be met, which include, but are not limited to, the following:

- Documentation: Actions taken to ensure that the proper documentation is prepared, shared as required, and retained.¹⁵
- Use of Funds: Statement that federal funds must not be paid by or on behalf of the CE to any person influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, or cooperative agreement.

Debarment and Suspension

CEs and their subcontractors must not make or permit any award, subaward, subgrant, or contract with an individual or entity that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

In its written procedures, the CE must define how it will obtain a debarment and suspension certification from each of its contracts.

The CE may use any of the following actions to accomplish this purpose:

- Include the following debarment and suspension certification in the written agreement with the subcontractor:
{Enter name of subcontracting organization} certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participating in this Agreement by any federal department or agency or by the State of Texas. {Enter name of subcontracting organization} shall immediately provide written notice to {Enter name of CE} if at any time the {Enter name of subcontracting organization} learns that this certification was erroneous when submitted or has become erroneous by reason of changed circumstances. {Enter name of CE} may rely upon a certification of a subcontractor that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered contract, unless it knows that the certification is erroneous.
- Require the subcontractor to sign and submit the TDA form entitled *Certification Regarding Debarment, Suspension, Ineligibility and*

¹⁵ See *Administrator's Reference Manual (ARM), Section 17, Procurement* for additional information on this topic.

*Voluntary Exclusion for Covered Contracts (H2048)*¹⁶ and maintain the signed form with its contract record.

- Print the page from the System for Award Management, which indicates the subcontractor is not presently debarred or otherwise excluded from participation in the contract by any federal department or agency or by the State of Texas and maintaining that document on file with the contract documents. The System for Award Management can be accessed at www.sam.gov/portal/SAM/#1.

Staff Taking Food for Personal Use

SNP staff must also be mindful that they cannot take SNP food for personal use,¹⁷ i.e., personally profit from the SNP. CEs must have policies or guidelines in place that ensure that SNP staff do not profit from the SNP, including through donation programs.

Written Procedures to Support Program Integrity

CEs are required to have written procedures to encourage and support program integrity that establishes ethical standards for the operation and management of Child Nutrition Programs (CNPs). These written procedures must **reflect applicable local, state,¹⁸ and federal regulations** that include, but are not limited to, checks and balances that provide internal controls for all financial matters.

CEs may have a set of overarching procedures at the CE level and more detailed procedures at the site level. Or, they may have a single set of procedures that are applied at all levels. They may have a written plan which describes actions specific to topics or schedules with timelines and tasks in procedures or as standalone documents.

For this section, the term procedure is used to refer to processes, protocols, plans, standards of behavior, expectations, or any other written method of describing actions employees are to take.

The CE's procedures must state how the CE will incorporate program integrity requirements into its financial management system and must state the specific roles and responsibilities of employees in maintaining internal controls. These procedures are intended to (1) guide employees by defining the roles and responsibilities for all involved and (2) address the code of conduct that governs the performance of the CE's employees, officers, and agents as required by local, state, and federal regulations.

These procedures must also ensure that CE personnel do not circumvent federal and state regulations—no matter the reason, well-intentioned or fraudulent.

¹⁶ Available at www.squaremeals.org

¹⁷ SNP staff assisting with the operation and supervision of the nutrition program may be served a meal at no cost before, during, or after the meal service.

¹⁸ CEs that are administered or managed by a state or local government or Indian tribe may be required to follow written standards of conduct established by the governing state or local government or Indian tribe. In these cases, the CE must ensure that the code of conduct required by the state or local government or Indian tribe is also in compliance with USDA regulations.

Written Procedures, Conflict of Interest

Procedures for conflict of interest include, but are not limited to, the following:

- Definitions for conflict of interest terms, including, but not limited to, real or apparent conflicts of interest; nominal value; tangible benefits; incentives, gratuities, or kickbacks; incentives or benefits; and food taken from SNP sites.¹⁹
- Disciplinary actions to be applied for violations of such standards by CE employees, CE officers, or individuals or agents acting on the CE's behalf.
 - This includes methods to address how employees will avoid conflicts of interest and how the CE will treat situations where individuals receive incentives, gratuities, or kickbacks for financial transactions.
 - This includes addressing situations where the CE or individual, or entity acting on behalf of the CE, is unable, or appears to be unable, to be impartial in conducting action involving a related entity or organization.
- Guidance on how to avoid undue influence.
- Method(s) for an individual to disclose in writing any possible situations where there is an appearance of incentives, gratuities, or kickbacks being received.²⁰

Resources

CEs may find the following resources helpful in establishing procedures for program integrity:

Texas Resources

Resources include the following:

- Texas Procurement and Support Services (TPASS) (Formerly the Texas Building and Procurement Commission). Available at www.window.state.tx.us/procurement/
- Texas Comptroller of Public Accounts. Available at www.cpa.state.tx.us
- *Texas Comptroller's Office, Model Purchasing Manual for Texas Cities and Counties 2010*, which includes information that applies to all governmental entities including schools. Available at www.texasahead.org/lga/finances/purchasing/96-449_Model_Purchasing_Manual_11_10.pdf
- *Texas Comptroller's Office, State of Texas Contract Management Guide* which provides guidance and recommendations on improving existing contract management processes and practices. Available at www.comptroller.texas.gov/purchasing/publications/contract-management-guide.php
- *Texas Education Agency, Financial Accountability System Resource Guide* provides detailed guidance of financial accountability, including Module 5, Purchasing, for local education agencies and charter schools. Available at www.tea.texas.gov/Finance_and_Grants/Financial_Accountability/Financial_Accountability_System_Resource_Guide/

¹⁹ See the Real or Apparent Conflict of Interest subsections in this section for additional guidance on this topic.

²⁰ The Texas Education Agency has additional requirements related to proper disclosure. These requirements are not in conflict with USDA regulations. TEA requires that school districts and charter schools use *Form 1295, Certificate of Interested Parties* for this purpose. CEs may include the use of this form to address potential conflicts of interest in SNP procurement.

United States Office of Management and Budget (OMB)

- *2 Code of Federal Regulations (CFR), Part 200*—These regulations provide detailed information on the required federal procurement process. Available at www.fns.usda.gov/es/node/73141

National Institute of Government Purchasing (NIGP)

- Universal Public Purchasing Certification Council/National Institute of Government Purchasing (NIGP), available at www.nigp.org

Records Retention

The CE must maintain records for all program operations, including procedures and processes related to program integrity. Records related to program integrity will include documentation related to all operational issues, including, but not limited to, financial management and procurement. CEs have the option to maintain records on paper or electronically.

These records must be accessible to appropriate CE employees and federal or state reviewers. TDA may request documentation related to program integrity during both offsite and onsite administrative review processes as well as reviews specific to procurement.

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, other nonprofit organizations, and residential child care institutions (RCCIs) after the end of the fiscal year to which they pertain.

Information Box 4

Records Retention

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

Nonprofit private schools, other organizations, and residential childcare institutions (RCCIs) are required to keep documentation for 3 years.

Compliance

While there are many practices a CE may implement to promote program integrity, there are state and federal regulations that also require that TDA take an active role in ensuring that all SNPs operate with program integrity. At a minimum, each CE will participate in the following efforts to ensure program integrity.

Administrative Review of SNPs

Conducted by TDA—TDA reviews the operational practices, including resource management or financial operations, of each CE at least once every three years. Reviews may also be conducted more frequently based upon TDA's risk assessment.

Procurement Review of SNPs

Conducted by TDA—TDA reviews the CE's procurement practices at least once every three years. Reviews may also be conducted more frequently based upon TDA's risk assessment.

Single Audit of CE's General Accounting Practices

Administered as required by Texas Education Agency (TEA) and conducted by a third-party auditor—The third-party auditor assesses the CE's general financial management system, including the financial management of nonprofit school food service account funds, each year. TDA reviews the CE's single audit documentation to ensure that the CE is compliant with all CNP requirements.

Administrative Financial Review

Conducted by TDA—TDA reviews the CE’s financial management system focusing on financial transactions related to SNP operation at least every three years. Reviews may also be conducted more frequently based upon TDA’s risk assessment.

TDA endeavors to conduct each type of review within the same program or fiscal year.

TDA may take appropriate fiscal action or terminate the Food and Nutrition (FND) Agreement for any CE that is not in compliance. CEs must make available, upon request of the awarding agency (state or federal), any or all of the documentation described in the *Records Retention* subsection in this section. TDA will assess compliance with the related operational, accounting, procurement, and financial requirements based on the documentation that CE has submitted throughout the year as well as documentation submitted for offsite and onsite administrative review processes or other procurement review activities.

Obligation of the Contracting Entity (CE) to Report Fraud, Bribery, and Gratuity Violations

CE’s must report, in writing to TDA, all violations of federal criminal law—fraud, bribery, or gratuity.

The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in § 200.338 Remedies for noncompliance, including suspension or debarment. (2 CFR 200.113; 31 U.S.C. 3321).

Criminal Penalty

The maximum fine for embezzling, willfully misapplying, stealing, or obtaining by fraud, funds, assets, or property acquired under the National School Lunch Act or Child Nutrition Act is \$25,000.

Fraud

Whoever embezzles, willfully misapplies, steals or obtains by fraud any funds, assets or property provided under the National School Lunch Program and/or School Breakfast Program [and/or Special Milk Program] whether received directly or indirectly, shall, if such funds, assets or property are of a value of \$100 or more, be fined no more than \$25,000 or imprisoned not more than 5 years or both; or if such funds, assets or property are of a value of less than \$100, be fined not more than \$1,000 or imprisoned not more than 1 year or both. Whoever receives, conceals or retains for personal use or gain, funds, assets or property provided under the National School Lunch Program and/or School Breakfast Program, whether received directly or indirectly, knowing such funds, assets or property have been embezzled, willfully misapplied, stolen or obtained by fraud, shall be subject to the same penalties.

Termination of the Permanent Agreement for Financial Fraud or Misuse of Funds

If serious deficiencies, such as fraud or misuse of funds occur, and corrective action is not practical, TDA will terminate the CE’s participation in the SNP. In this case, TDA may also refer the matter to the appropriate local, state, and/or federal authorities.