



U.S. Department of Agriculture



Office of Inspector General
Midwest Region

Audit Report

Meal Accountability at Choice Schools in Milwaukee, Wisconsin

Report No. 27004-0005-Ch
May 2007



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Midwest Region
111 North Canal Street - Suite 1130
Chicago, IL 60606-7213



MAY 03 2007

REPLY TO

ATTN OF: 27004-0005-Ch

TO: Ollice Holden
Regional Administrator
Food and Nutrition Service
77 West Jackson, 20th Floor
Chicago, IL 60603

THROUGH: Adele Greco
Audit Coordinator
Financial Management Division

FROM: Edward R. Krivus /s/ Dennis J. Boedigheimer for
Regional Inspector General

SUBJECT: Meal Accountability at Choice Schools in Milwaukee, Wisconsin

This report presents the results of our audit of the National School Lunch (NSLP) and School Breakfast Programs (SBP) at Milwaukee Parental Choice Program (Choice) schools. Your agency's response to the official draft report is included in its entirety as Exhibit A, with excerpts and the Office of Inspector General's position incorporated into the relevant section of the report.

Our audit evaluated the schools' meal counting systems, the accuracy of claims school officials submitted for reimbursement, the students' applications for free and reduced meals, and the Wisconsin Department of Public Instruction's (DPI) monitoring and training procedures. We found that some schools had not accurately counted and reported the number of meals served to students. Also, some schools had not maintained applications for all students. This problem could be detected and corrected if the Wisconsin DPI modifies its monitoring process. More frequent reviews would provide greater assurance that schools are submitting accurate meal claims and complying with program regulations.

Based on your response, dated April 25, 2007, we have reached management decision on Recommendation 1. Please follow your agency's internal procedures in forwarding documentation for final action to the Office of the Chief Financial Officer. In accordance with Department Regulation 1720-1, final action is to be taken within 1 year of the management decision. We appreciate the courtesies and cooperation extended to us by your staff during this review.

BACKGROUND

The NSLP and SBP are federally assisted meal programs operating in public schools, non-profit private schools, and residential child care institutions. Both programs provide nutritionally balanced, low-cost or free lunches to children.¹ The Food and Nutrition Service (FNS) funds the NSLP and SBP, which are usually administered by State educational agencies. The States' agencies operate the programs through agreements with school food authorities or individual schools.²

In Wisconsin, DPI officials administer the NSLP and SBP. They also administer the Choice Program, which allows students under specific circumstances to attend private sectarian and nonsectarian schools located in the city of Milwaukee, Wisconsin, free of charge.³ As of September 2006, 71 Choice schools in Milwaukee participated in the NSLP, and 46 of the 71 also participated in the SBP. Both the FNS Midwest Regional Office and the Wisconsin DPI officials requested that OIG audit the Milwaukee Choice School participation in the NSLP, based on concerns over the accuracy of claims submitted by one of its schools.

OBJECTIVES

To assess meal accountability procedures at Choice Schools, and evaluate the Wisconsin DPI's efforts to ensure compliance with program requirements.

SCOPE AND METHODOLOGY

We performed our audit at the Wisconsin DPI in Madison, Wisconsin, and at 5 of 71 schools participating in the NSLP. Our audit included the school lunch program for the 2005—2006 and 2006—2007 academic years, and the current SBP operations. For the 2005—2006 academic year, the five schools in our review received \$548,664 of the \$5,085,611 reimbursed to all 71 Choice schools participating in the NSLP and SBP. For the 2006—2007 academic year, as of December 31, 2006, the five schools in our review received \$190,046 of the \$1,888,271 reimbursed to all 71 Choice schools participating in the NSLP and SBP.

We judgmentally selected three Choice schools based on a risk analysis of their average daily claims per month during the 2005—2006 academic year, and randomly selected two other Choice schools for review. For four schools, we judgmentally sampled claims data for two months during the 2005—2006 academic year based on either the months with a significant increase in claim amounts,

¹ The NSLP was established through the National School Lunch Act, passed by Congress June 4, 1946, now the Richard B. Russell National School Lunch Act, as amended October 22, 1999. The SBP was established through the Child Nutrition Act of 1966.

² School food authorities are the governing bodies responsible for the administration of the NSLP and SBP at one or more schools.

³ The ability to participate in the Choice program is affected by income level and availability of school openings.

the months with the highest claim amounts, or the months with no variation in claim amounts from prior months. At the fifth school, we reviewed claims for all months during the 2005—2006 academic year. We conducted fieldwork from September through December 2006, and performed the audit in accordance with *Government Auditing Standards*.

To accomplish our objectives, we:

- reviewed pertinent program regulations, policies, and guidance;
- interviewed FNS, Wisconsin DPI, and school officials;
- observed meal services for lunch and breakfast at the selected schools;
- analyzed meal count documentation from each school to verify claim amounts submitted to the Wisconsin DPI;
- reviewed applications maintained by the selected schools;
- evaluated the Wisconsin DPI's administrative review process for the NSLP and SBP; and
- reviewed training material and schedules provided to Choice schools.

FINDING

Additional State Monitoring Needed to Detect Deficiencies at Schools

The Choice schools we visited had not always accurately counted the number of meals provided to students. In addition, some schools did not have applications on file to support the number of eligible students reported to the Wisconsin DPI. Due to infrequent monitoring, the Wisconsin DPI did not detect these program violations. Consequently, we cannot ensure that meal claims made by Choice schools in Milwaukee, Wisconsin, are accurate.

FNS regulations require States to conduct administrative reviews at least once during each five-year review cycle, but it also encourages additional reviews for any school food authorities that may benefit from a more frequent interval than the minimum five-year cycle.⁴ The Wisconsin DPI reviews the Choice schools once every five years. When the schools are up for review, all of them are evaluated during the same academic year.

Wisconsin DPI officials requested that OIG conduct an audit because of problems noted at one of the Choice schools in Milwaukee. To identify similar schools such as this one, we performed a risk analysis of the monthly meals claimed for 71 Choice schools, using criteria such as the average daily meals claimed per month, and the number of approved meals. We identified 18 schools that had greater than expected month-to-month fluctuations in these categories, and selected 3 of them for further review. In addition, the FNS Region officials requested that we select two additional schools. We randomly selected them for review. The deficiencies we found are described as follows.

⁴ 7CFR 210.8 (C) (1 and 2).

Meal Counting Procedures

We discovered that four of the five schools we reviewed submitted questionable meal claims. Discrepancies were particularly evident at two schools. For example, one school submitted questionable meal counts that exceeded ten percent of the monthly claim. Our review of the documents supporting the meal claims disclosed that the meal counts were not tallied at this school. Once we tallied and compared the results to the claims submitted for reimbursement, we found discrepancies.

For instance, we calculated that the school personnel overclaimed 221 of 1749 free-lunch meals and 241 of 763 reduced-lunch meals over a three-week period in February 2006, and underclaimed at least 581 free-lunch meals, 972 were actually claimed, in January 2006. Our inquiry disclosed that the claims were inaccurate because the foodservice manager had calculated meals for reimbursement by subtracting the total number of absent students from the total number of approved applications in each category during each week, resulting in inaccurate claims. In the Wisconsin DPI's review of the school five years ago, meal counting and claiming problems were also found. However, since that review, the manager and the subsequent replacement no longer work at the school, and the current manager has been in charge less than one year.

At the other school, officials did not have documentation to support meal claims for the first week in December 2005. Nor did they have supporting documents to verify the total monthly claims they submitted for December 2005, and February 2006. The manager could neither explain nor provide additional documentation for the unsupported meal claims. Therefore, we have no assurance that the school's meal counts submitted to the Wisconsin DPI were accurate. Although the DPI reviewed this school 5 years ago, since then the school has hired another foodservice manager. FNS regulations state that meals should be correctly counted and recorded.⁵ Also, records should be maintained to demonstrate compliance with program requirements, including documentation of participation data in support of the claims for reimbursement.⁶

Application Processing

We examined the applications for all students identified as eligible for free and reduced meals during the 2005—2006 and 2006—2007 academic years. Completed applications are necessary to determine a student's eligibility and level of reimbursement for NSLP and SBP meals, which are based on household income and size. We noted that four of the five schools reviewed had missing applications, or the applications were lacking specific critical information such as income, income frequency, or food assistance case number.⁷

For the 2005—2006 academic year, one school was missing applications for 44 of the 329 children listed as eligible for free or reduced meals. Another school was missing 14 of the 261 applications for the 2006—2007 academic year. Of all the applications we reviewed, 36 from the 2005—2006 school year and 6 from the 2006—2007 academic year were incomplete

⁵ 7CFR 210.18(g)(1)(i)(C)(2) and 210.9(b)(8,9).

⁶ 7CFR 210.15(b)(1)

⁷ Evidence of participation in the Food Stamp Program, Temporary Assistance for Needy Families, or the Food Distribution Program on Indian Reservations qualifies a student for free meals if the case number or other identifier is provided on the NSLP application.

because they were either missing sufficient income information or lacking the necessary identification numbers for students that qualified for food assistance. The schools' officials stated that they neglected to ensure the applications were completed.

SUMMARY

We attribute the above deficiencies found at the schools we visited to the turnover of foodservice management positions during the five-year period between Wisconsin DPI reviews. To better monitor Choice schools, the Wisconsin DPI needs to modify their procedures to ensure problems are timely detected and corrected. We believe DPI could accomplish this goal in one of two ways. Firstly, instead of reviewing all of the Choice schools once every five years (during the same academic year), DPI officials could divide the administrative reviews up over a five-year period by reviewing 20 percent of the schools each year. At the end of each of the annual reviews, the DPI officials could summarize the noted deficiencies at the schools reviewed and distribute the overall results to all the Choice schools to function as guidance of the standards they should follow. Secondly, the officials could replicate this audit's methodology by performing a risk assessment of the schools. They could establish criteria needed to identify at-risk schools, and then perform additional visits. In conclusion, the Wisconsin DPI's current monitoring procedures should be modified to conduct reviews more frequently.

Recommendation 1

Require the Wisconsin DPI to perform more frequent reviews of Choice schools to prevent recurring discrepancies.

Agency Response

In its response, dated April 25, 2007, FNS Midwest Region officials agreed with our recommendation. The officials stated that the Wisconsin DPI will apply for a grant that will allow them to hire two consultants, and provide three years of consecutive reviews, training and technical assistance for Choice schools with high administrative errors. If the grant is not funded, the Wisconsin DPI will conduct reviews and provide technical assistance for Choice schools with high administrative errors. The estimated date of completion is March 31, 2008.

OIG Position

We accept FNS' management decision for this recommendation. Final action can be achieved when the Wisconsin DPI and the FNS Midwest Regional Office advise the Office of the Chief Financial Officer that additional reviews and technical assistance have been made at Choice schools.

Exhibit A – Agency Response

Exhibit A – Page 1 of 2



United States Department of Agriculture
Food and Nutrition Service

Midwest Region

APR 25 2007

Reply to
attn of: MW S&CNP: SA 03-2 Office of Inspector General (OIG) Audit Report No. 27004-0005-Ch

Subject: Official Draft Audit Report No. 27004-0005-Ch, "Meal Accountability at Choice Schools in Milwaukee, Wisconsin"

To: Edward Krivus
Regional Inspector General
Midwest Regional Office
111 North Canal Street – Suite 1130
Chicago, Illinois 60606-7295

FNS received the Official Draft Report entitled: "Meal Accountability at Choice Schools in Milwaukee, Wisconsin", Audit Report No. 27004-0005-Ch. FNS has reviewed and agrees with the Official Draft Audit Report. The Recommendation is addressed below.

Recommendation: Require the Wisconsin Department of Public Instruction (DPI) to perform more frequent reviews of Choice schools to prevent recurring discrepancies.

Estimated date of completion is March, 2008.

State Agency Response: Conduct a risk assessment of Choice schools to determine which schools should be targeted for additional reviews. The DPI applied for a grant which would focus on administrative reviews, training and technical assistance for selected Choice schools demonstrating a high level of administrative error in Milwaukee. If awarded, the DPI would hire two consultants to work for two years beginning with the 2007-08 school year. This targeted approach would result in three consecutive years of reviews, training and technical assistance. The grant contains an evaluation component to assess and determine a permanent approach of addressing high levels of administrative error.

If the grant is not funded, DPI will direct limited resources to conduct reviews and provide technical assistance in Choice schools experiencing high administrative errors. Its risk assessment will be based on the review findings of Milwaukee Choice schools discovered during the 2006-07 year and through evaluation of claims submitted in 2006-07.

FNS agrees with this Corrective Action.

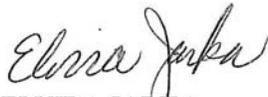
77 W. Jackson Blvd., 20th Floor ■ Chicago, IL 60604-3591

USDA IS AN EQUAL OPPORTUNITY PROVIDER AND EMPLOYER

Exhibit A – Agency Response

Exhibit A – Page 2 of 2

If you have any additional questions, please contact Florence Cannon at 312-353-1863 or Dan Whitmore at 312-353-4109.



ELVIRA JARKA
Regional Director
Special Nutrition Programs

Informational copies of this report have been distributed to:

U.S. Government Accountability Office	1
Office of the Chief Financial Officer	
Director, Planning and Accountability Division	1
Office of Management and Budget	1