



U.S. Department of Agriculture



Office of Inspector General
Northeast Region

Audit Report

Audit of the Avella, PA School District's Use of National School Lunch Program Funds

Report No. 27010-34-Hy
December 2005



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Northeast Region

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December 1, 2005

REPLY TO

ATTN OF: 27010-34-Hy

TO: Yvette Jackson
Regional Administrator
Mid-Atlantic Regional Office
Food and Nutrition Service

ATTN: James Harmon
Director, Special Nutrition Programs
Mid-Atlantic Regional Office
Food and Nutrition Service

FROM: Gil H. Harden /s/
Acting Regional Inspector General
for Audit

SUBJECT: Audit of the Avella, Pennsylvania School District's use of National School Lunch Program Funds

This report presents the results of our review of the Avella, Pennsylvania School District's use of National School Lunch Program (NSLP) funds.¹ The U.S. Attorney for the Western District of Pennsylvania requested this audit as a result of allegations that misappropriation of funds occurred in the school district. During the period of July 1, 2003 through June 30, 2004, the NSLP provided approximately \$109,000 in funds to the Avella school district, the School Food Authority (SFA). The objective of our review was to ascertain whether the SFA spent the NSLP funds in accordance with Federal regulations. We found that the \$109,000 was used in the operation of the non-profit school food service in the form of wages and fringe benefits payable to the cafeteria workers. Nothing came to our attention during the audit that would indicate that NSLP funds were not being spent in accordance with Federal regulations.

BACKGROUND:

On June 4, 1946, Congress passed the National School Lunch Act (42 U.S.C. 1751), now the Richard B. Russell National School Lunch Act (Act) as amended December 29, 2001, authorizing Federal assistance to the States in the establishment, maintenance, and operation of school lunch programs. The Act established the NSLP to safeguard the health and well being of

¹ For purposes of this report the term NSLP denotes NSLP and School Breakfast Program (SBP).

the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities. Section 4 of the Act authorizes general cash assistance payments for all lunches served to children in accordance with the provisions of the NSLP and additional special cash assistance for lunches served under the NSLP to children determined eligible for free or reduced-price lunches. The SFAs receive an advance of funds to support operations, or are reimbursed funds through their State agency at various rates, per lunch, depending on whether the child was served a free, reduced-price, or full-price (paid) lunch.

The NSLP and SBP are promulgated primarily through Title 7, Code of Federal Regulations (C.F.R.) part 210 and part 220 respectively. Other regulatory requirements related to cost management include Office of Management and Budget Circular A-87² and U.S. Department of Agriculture (USDA) Departmental Regulation 3016.³

The Food and Nutrition Service (FNS) National office, through its seven regional offices, administers the NSLP and provides technical assistance to the States. At the State level, the NSLP is usually administered through a State's Department of Education (known as the State agency), which has the responsibility for administration of the NSLP. Each State agency is required to enter into a written agreement with FNS for the administration of the NSLP Statewide and written agreements with the SFA for local administration. The SFA is responsible for the administration of the program at the school district level. The SFA and its schools are responsible for the onsite operation of the NSLP, including the implementation of adequate meal accountability systems, and the review and approval of student applications for free and reduced-price meals.

OBJECTIVE:

The objective of our review was to ascertain whether the SFA spent NSLP and SBP funds in accordance with Federal regulations. Specifically, we reviewed the level of NSLP funding received by the State agency through reimbursements and assured that the same level of funding was used in the Avella school district's cafeteria operations. We also examined revenues and expenditures that were made through the operation of the non-profit school food program.

SCOPE AND METHODOLOGY:

We reviewed the Avella school district's use of NSLP and SBP funds for the school year ending June 30, 2004. We performed fieldwork at the Avella school district in Avella, Pennsylvania. We also contacted the Pennsylvania State Department of Education (DOE) and the FNS Mid-Atlantic Regional Office (MARO) in Robbinsville, New Jersey.

To accomplish our objectives we (1) reviewed pertinent Federal regulations, (2) interviewed FNS MARO officials to obtain background information, (3) interviewed the State agency - DOE officials to obtain lunch claim information and to obtain an understanding of the flow of funds from the DOE through the SFA, (4) obtained SFA business office documentation and accounting

² Cost Principles for State, Local, and Indian Tribal Governments

³ Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

records regarding the general fund, Pennsylvania Local Government Investment Trust (PLGIT) fund, and the cafeteria account (Fund 50) in regards to the use of NSLP subsidies, and (5) interviewed officials in the SFA business office for clarification on any other issues.

Fieldwork for the audit occurred from July 1, 2005 through October 21, 2005. The audit was performed in accordance with generally accepted government auditing standards.

SUMMARY

During our review, nothing came to our attention to indicate that NSLP subsidies were not used in accordance with Federal regulations for the school year ending June 30, 2004.

The Avella school district received approximately \$109,000 in NSLP subsidies from the State agency based on Avella's meal claims. Our review did not include an examination of Avella's meal claim system. Through interviews with SFA officials and examination of the SFA's accounting records, we traced the use of the NSLP funds. We found that the funds were used to pay wages and fringe benefits of cafeteria employees, a proper use of NSLP subsidies according to the regulations.⁴

We found that after the State agency processed Avella's claims for reimbursement, the NSLP subsidies were deposited into the Avella school district's PLGIT investment account. The SFA then transferred the subsidies into the general fund to pay for wages and fringe benefits. We traced the subsidies through these accounts into the cafeteria fund where they are recorded as "cafeteria due from general fund." We reviewed cafeteria fund documentation which supported the use of these funds for wages and fringe benefits. No discrepancies were noted in identifying the amount of NSLP subsidies and tracing them to the cafeteria account.

We examined documentation supporting the revenues produced through the cafeteria operations, which included daily lunch reports, deposit slips, and detailed revenue reports for a sample of months (February, March, and April) for the Avella Elementary School and High School. We determined that revenues reported on each daily lunch report were equal to the amount reported on the deposit slips for every school day in the sample. We also examined daily lunch reports to assure that no material changes were made to the data to reflect lesser amounts collected thus smaller deposits. We found no indication that material changes were made to the data. We also traced the revenues reported on the daily lunch report to the detailed revenue report for each respective month. No discrepancies were noted.

We reviewed cafeteria expenditures, which are paid with revenues produced through the non-profit school food program using the same sample of months (February, March, and April) as we did for the review of revenues.⁵ For our sample, we examined checks and the respective invoices for cafeteria expenditures. We traced the food and non-food items listed on the invoices to the respective amounts on the check stubs. We then added up the check stub amounts to assure

⁴ 7 C.F.R. part 210.6-Use of Federal Funds

⁵ Note that we reviewed and found documentation supporting cafeteria expenditures for the entire year; however, to be consistent with our review of revenues, we created a detailed excel chart supporting our work for the months of February, March, and April.

that they equaled the amounts listed on each check. We also traced the food and non-food amounts to the expenditures report. We found supporting documentation for all food and non-food expenditures listed in the expenditures report. This documentation included invoices, check stubs, and cleared checks listed in bank statements. Finally, we contacted each food service or non-food service provider by telephone to confirm their existence. No discrepancies were noted.

During our visit to the SFA, we were provided with worksheets which listed, by employee, the number of hours worked per month and the hourly wage received by that employee. We traced these amounts to the payroll account history report and to the updated detailed expenditures report. No discrepancies were noted.

Informational copies of this report have been distributed to:

Agency Liaison Officer	(3)
Government Accountability Office	(1)
Office of Management and Budget	(1)
U.S. Attorney, Western District, PA	(1)
Office of the Chief Financial Officer	
Director Planning and Accountability Division	(1)
Administrator, FNS MARO	(6)