



U.S. Department of Agriculture



Office of Inspector General
Western Region

Audit Report

Food and Nutrition Service Western Region Summer Food Service Program California and Nevada

Report No. 27099-34-SF
August 2007



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL
Western Region - Audit
75 Hawthorne Street, Suite 200
San Francisco, California 94105
TEL: 415-744-2851 FAX: 415-744-2871



REPLY TO

ATTN OF: 27099-34-SF

TO: Allen Ng
Regional Administrator
Food and Nutrition Service
Western Region

FROM: Frederick San Buenaventura /s/
Regional Inspector General
Western Region

SUBJECT: Summer Food Service Program
California and Nevada

This report presents the result of our audit of the Food and Nutrition Service's (FNS) Summer Food Service Program. Your August 8, 2007, written response to the draft report is included as exhibit H. Excerpts from your response and the Office of Inspector General's position have been incorporated into the relevant sections of the audit report.

Based on FNS' written response, we accept your management decisions on Recommendations 1, 2, 3, 4, 5, 8, and 12. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial Officer. In order to reach management decision on Recommendations 6, 7, 9, 10, and 11, please refer to the OIG Position sections of the audit report. Note that Departmental Regulation 1720-1 requires that a management decision be reached on each finding and recommendation within 6 months of report issuance, and final action be taken within 1 year of each management decision to preclude being listed in the Department's Performance and Accountability Report.

We appreciate the cooperation and assistance given by your staff during the audit.

Executive Summary

Food and Nutrition Service – Summer Food Service Program – California and Nevada Audit Report No. 27099-34-SF

Results in Brief

The Summer Food Service Program improves the nutrition of low-income populations of children by providing meals during periods that school nutrition programs are not operating. Under the program, participating sponsors are reimbursed for meals they provide to sites that serve the meals to children free of charge. We reviewed four private nonprofit sponsors in California and Nevada participating during program year 2006. Our objectives were to determine if the sponsors complied with program regulations and policies, and to evaluate the adequacy of the State agencies' administration of the program.

We noted concerns with all three sponsors we reviewed in California. None of the three sponsors fully complied with requirements of the State health and safety code regarding the safe handling of meals during transport to and storage at the service sites.

We also noted errors by all three sponsors resulting in inaccuracies in the numbers of meals, costs, or income reported on their claims for reimbursement. These errors resulted, in part, from the claiming of unallowable or unsupported meals or costs. One sponsor failed to fully report all of its program income. We questioned \$45,535 (24 percent) of the \$186,982 in reimbursement that was or would have been paid to the three sponsors for the claims we reviewed (see exhibit A1). In addition, one sponsor received an \$8,100 excess advance payment (see exhibit B, excess advance). In total, we recommend recovery of \$53,635.

Based on additional deficiencies we found at one of the three sponsors, we concluded the sponsor was seriously deficient in its administration of the program. Specifically, we found this sponsor failed to serve meals containing all required components, did not report accurately to the State agency on its operations and obtain required approvals, failed to adequately monitor its service site and train its staff, and did not maintain accurate and reliable records to support its operations. In accordance with program regulations, the State agency should terminate this sponsor from the program if it does not correct its deficiencies.

We concluded that the State agencies had generally carried out their administrative responsibilities in accordance with regulatory requirements. However, in light of the deficiencies found at the three California sponsors,

we concluded that the California State agency should make certain improvements to its oversight procedures, relating to safe food handling processes and identification of potential problem areas.

We did not note any reportable issues relating to either the State agency or the one sponsor we reviewed in Nevada.

**Recommendations
in Brief**

We recommend that the FNS Regional Administrator:

- Instruct the California Department of Education to bill the three sponsors \$53,635 to collect the overpayments they received.
- Instruct the California Department of Education to revise its sponsor controls, sponsor training, and sponsor review procedures to better ensure that sponsors comply with safe food handling procedures.
- Instruct the California Department of Education to revise its sponsor review procedures to better identify potential problem areas.
- Coordinate with the California Department of Education to evaluate the conditions discussed in this report pertaining to one of the three sponsors reviewed, and determine if the sponsor was seriously deficient in its administration of the program. If so determined, instruct the State agency to ensure that the deficiencies are corrected or the sponsor is terminated from the program.
- Instruct the California Department of Education to ensure that the two other sponsors we reviewed correct the deficiencies identified in this report.

**Agency
Response**

In its August 8, 2007, written response to the draft report, FNS concurred with all of the recommendations.

OIG Position

We accept FNS' management decision on all of the recommendations except for recommendations 6, 7, 9, 10 and 11. To accept management decision on these recommendations, we will need to receive copies of the billings issued by the State agency to the sponsors.

Abbreviations Used in This Report

CDE	California Department of Education
CFR	Code of Federal Regulations
FNS	Food and Nutrition Service
OIG	Office of Inspector General
PL	Public Law
SFSP	Summer Food Service Program
USDA	United States Department of Agriculture

Table of Contents

Executive Summary	i
Abbreviations Used in This Report.....	iii
Table of Contents	iv
Background and Objectives	1
Findings and Recommendations.....	3
Section 1. California Department of Education	3
Finding 1 Three California sponsors failed to ensure that safe food handling requirements were met.	3
Recommendation 1	6
Recommendation 2	7
Recommendation 3	7
Finding 2 One California sponsor was seriously deficient in its administration of the program.	8
Recommendation 4	19
Recommendation 5	19
Recommendation 6	20
Recommendation 7	20
Recommendation 8	21
Finding 3 Deficiencies noted at two other California sponsors.....	22
Recommendation 9	24
Recommendation 10	24
Recommendation 11	24
Recommendation 12	25
Scope and Methodology.....	26
Exhibit A – Summary of Monetary Results	28
Exhibit A1 – Summary of Monetary Results – Excluding Excess Advance.....	29
Exhibit B – Summary of Monetary Results – Sponsor A.....	30
Exhibit C – Summary of Monetary Results – Sponsor B.....	31
Exhibit D – Summary of Monetary Results – Sponsor C.....	32
Exhibit E – Schedule of Questioned Operating Costs – Sponsor A	33
Exhibit F – Schedule of Questioned Operating Costs – Sponsor B.....	34
Exhibit G – Schedule of Questioned Meals – Sponsor A.....	35
Exhibit H – Agency’s Response	37

Background and Objectives

Background

The Summer Food Service Program (SFSP) began in 1968 as a 3-year pilot program providing grants to States to help provide nutritious meals for children, ages 18 years and younger, when school was not in session. Under the program, free meals meeting Federal nutrition guidelines are provided to all children at approved program sites. Generally, sites are located in low-income areas, or serve specific groups of low-income children (low-income means that half of the children in the area or group are eligible for free or reduced-price school meals). Most sites are categorized as “open” (meals are available to all children in the area), “restricted open” (attendance is limited for safety or control reasons), or “closed enrolled” (only specified groups of children are served).

The SFSP is administered nationally by the Food and Nutrition Service (FNS) and within each State by the State educational agency, an alternate State-designated agency, or the appropriate FNS regional office. In California and Nevada, the State agencies administering the program are, respectively, the California Department of Education and the Nevada Department of Education. The program is operated locally by approved public or private nonprofit sponsoring organizations (sponsors) under annual agreements with the administering agency. Sponsors receive Federal reimbursement through the administering agency to cover the cost of preparing and serving meals, and associated administrative costs. Reimbursement is generally limited to the lesser of (1) the sponsor’s actual costs; (2) the number of eligible meals served times a predetermined rate per meal; or, for administrative costs only, (3) costs approved in the sponsor’s budget. Sponsors may prepare the meals themselves, either on-site or at a central kitchen, or purchase meals from a vendor.

State agency responsibilities include: (1) developing and disseminating State policy for the administration of the program; (2) reviewing and approving the sponsor applications to participate; (3) measuring progress in achieving program goals by monitoring local level operations; (4) providing technical assistance and guidance to sponsors; and (5) establishing a reimbursement system with appropriate controls.

Sponsor responsibilities include: (1) applying to the State agency to participate in the program; (2) entering into a written agreement with the State agency if the application is approved; (3) managing program operations at service sites; (4) maintaining accurate financial and accounting records, including support for all costs of operating the program; and (5) providing meals that meet program requirements.

In 1979, Public Law (P.L.) 96-108 placed limitations on the size of some participating private nonprofit sponsors. The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) prohibited private nonprofit sponsors, except for schools and camps, from participating in the program. This exclusion came about because some of the organizations had been found to have mismanaged program funds. In 1989, the Child Nutrition and WIC Reauthorization Act (P.L. 101-147)¹ readmitted private nonprofit sponsors, with certain restrictions. In 1994 and 1998, the Healthy Meals for Healthy Americans Act (P.L. 103-448) and the William F. Goodling Child Nutrition Act (P.L. 105-336) removed the remaining restrictions.

Program regulations are located at 7 Code of Federal Regulations (CFR) 225, “Summer Food Service Program.” Sponsors are required to operate their meal service within the provisions of the above regulations and any instructions or handbooks issued by FNS or by the State agency. Guidance provided to sponsors by FNS includes four handbooks (“Administrative Guidance for Sponsors,” “Monitor’s Guide,” “Site Supervisor’s Guide,” and “Nutrition Guidance for Sponsors”). Financial management guidance is provided through FNS Instruction 796-4.

Objectives

Our objectives were to

- Evaluate the adequacy of the State agencies’ administration of the program.
- Evaluate sponsor compliance with program regulations and policies.

See the Scope and Methodology section at the end of this report for details of our audit methodology.

¹ The Special Supplemental Nutrition Program for Women, Infants, and Children is most commonly known as the WIC program.

Findings and Recommendations

Section 1. California Department of Education

None of the three California sponsors we reviewed fully complied with safe food handling procedures designed to minimize the risk of food contamination. We also concluded that one of the three sponsors (Sponsor A) was seriously deficient in its administration of the program, and should be terminated from the program if it does not correct the deficiencies identified. We identified lesser deficiencies at the other two sponsors we reviewed (Sponsors B and C). We questioned \$45,535 (24 percent) of the \$186,982 in reimbursement that was or would have been paid to the three sponsors for the claims we reviewed. This represented 42 percent of Sponsor A's reimbursement, 10 percent² of Sponsor B's reimbursement, and 59 percent of Sponsor C's reimbursement. We are recommending that FNS collect back \$53,635 from the State agency (the California Department of Education) for the overpayments. This amount exceeds the amount questioned due to an excess advance payment of \$8,100 which is still outstanding (see exhibit B, excess advance).

We concluded that the California Department of Education had carried out its administrative responsibilities in accordance with regulatory requirements. However, in light of the deficiencies found at the three California sponsors, we concluded that the California State agency should make certain improvements to its oversight procedures, relating to safe food handling processes and identification of potential problem areas.

Finding 1

Three California sponsors failed to ensure that safe food handling requirements were met.

None of the three California sponsors we reviewed fully ensured that program meals were prepared, transported, and stored under safe and sanitary conditions. Each sponsor failed to maintain meals at proper temperatures while being transported to service sites, and two of the sponsors failed to ensure that meals were stored at proper temperatures at the sites. While sponsors bear the primary responsibility for ensuring they comply with program requirements, State agency procedures were not adequate to ensure that weaknesses in sponsor controls over food safety were identified. As a result, the risk of food contamination was increased.

² For one of the claim months reviewed (June 2006), Sponsor B participated in both the SFSP and a California snack pilot program. Data for both programs is combined and reported on the same claim for reimbursement form. For this reason, the percentage of costs questioned for the SFSP is understated somewhat, because we did not have the data necessary to separately identify the actual costs for just the SFSP.

Regulations³ require that sponsors comply with State and local health codes. In California, these requirements are set forth in the California Health and Safety Code. The code⁴ requires that, generally, meals be stored at no more than 41 degrees (up to 45 degrees if being transported for over 30 minutes). Regulations⁵ and the FNS sponsor's handbook⁶ require that meals be delivered no more than one hour in advance of meal service, unless the site has proper food storage facilities.

Among their responsibilities for administering the program, State agencies are required to review sponsors and sites to ensure compliance with regulations and other program requirements. The frequency of reviews varies, but at a minimum, sponsors must be reviewed at least once every three years. As part of each sponsor review, the State agency must also review at least 10 percent of the sponsor's sites, or one site, whichever number is greater. State agency review procedures cover the area of safety and sanitation, but do not specifically require evaluation of whether meals are being kept at proper temperatures.⁷

Preparation of Meals. We observed numerous flies in Sponsor A's kitchen, sometimes landing on food, while program meals were being prepared. This was due to the lack of a door on one kitchen doorway, and a screen door with a large hole in it on another doorway. The California Health and Safety Code (section 114030) requires food facilities to be equipped and operated as to keep out, among other things, insects. The concern about flies had been noted in a 2004 State agency review, but Sponsor A was not required to fix the problem, and had not done so.

Transporting of Meals. None of the three sponsors made sure that meals were kept at proper temperatures while being transported to service sites. The sponsors did not utilize refrigerated trucks or keep meals in cooled containers (such as ice chests with ice packs). Meals were placed in uncooled ice chests, open plastic crates, and cardboard boxes, for transport in personal vehicles or unrefrigerated delivery trucks.

Sponsor A's single site was located about 10 minutes away, by car, from the sponsor's kitchen. Sponsor B had over 20 sites, and used two nonrefrigerated delivery trucks, each truck making one daily trip. Although deliveries generally took two to three hours to complete, the sponsor did not believe the meals were in the trucks long enough to justify the cost of refrigerated trucks. Sponsor C made separate trips to its two sites (one about 5 minutes away and one about 20 minutes away).

³ 7 CFR 225.16 (a), dated January 1, 2006.

⁴ Section 113995 (c), effective 2006. Note that section 113875 states that "Retail" means the storing, preparing, servings, transporting or otherwise handling food for dispensing or sale directly to the consumer.

⁵ 7 CFR 225.16 (c)(5), dated January 1, 2006.

⁶ 2006 Administrative Guidance for Sponsors, page 44, revised December 2005.

⁷ This requirement exists for vended sites; however, all of the reviewed sponsors prepared the meals themselves.

At one of Sponsor C's sites, a sample of milk we measured registered 56 degrees, even though it had just been removed from a 40-degree refrigerator. The site supervisor said that the milk had been too warm when it was delivered, and that this was an ongoing problem. Although a sponsor official told us that milk was delivered in ice chests, we observed it actually being transported in open milk crates.

Receipt of Meals at Site. At the time meals were delivered to Sponsor A's site, personnel did not inspect and count the meals, sign for delivery, and check food temperatures, as required by the site supervisor's handbook.⁸ Section 114003 (c) of the California Health and Safety Code also requires that "food shall be inspected as soon as practicable upon receipt [and] potentially hazardous food shall be inspected for signs of spoilage and randomly checked for adherence to the temperature requirements set forth in Section 113995."

Storage of Meals. We also noted concerns with how meals were stored by Sponsor A both before and after delivery to its site. According to the sponsor's executive director, lunches were normally taken from the kitchen to the site about three hours before lunch service, due to the lack of adequate refrigerator space at the sponsor's site. We confirmed this by observing one lunch preparation. Meals were prepared by 7:45 a.m. and stored in plastic ice chests, due to the lack of adequate refrigerator space in the sponsor's kitchen. The meals were taken for delivery at 9 a.m., for a 12 noon meal service. On an earlier day, we had observed meals being stored at the site in ice chests, and noted that they had no means of keeping the food cool (i.e., ice or ice packs). While the site had a refrigerator for storing milk, it did not have refrigerators for the rest of the meals.

The refrigerators at one of Sponsor C's two satellite sites were unable to cool down to the required 41 degree maximum. The sponsor rented the refrigerators for the site, was aware of the problem and had arranged to get the refrigerators repaired, but the repairs were ineffective. When we visited the site, one refrigerator registered 60 degrees and the other 70 degrees. We believe that until the refrigerators were effectively repaired, the sponsor should have delivered the meals later (not more than one hour of meal service, which would have complied with regulations). Instead, meals were delivered an average of two hours before lunch service and more than five hours prior to snack service.

Storage of Food Inventory. Sponsor B lacked a process to ensure the oldest foods in storage were used first. Sponsor B purchased some food items in bulk quantities from commercial food vendors and stored them in a refrigerated trailer. FNS' nutritional guidance handbook⁹ requires sponsors to use foods on a

⁸ 2006 Site Supervisor's Guide, page 5, revised December 2005.

⁹ 2005 Nutrition Guidance For Sponsors, page 65, dated January 2004.

“first-in, first-out” basis, meaning that when items are removed from inventory, the oldest items should be taken first. However, the sponsor did not date-mark food items upon receipt. The sponsor employee who was responsible for maintaining the stored food inventory told us that he knew which items had been received first, and relied on his memory to ensure the oldest goods were used first. However, in the event this employee was not working, other employees would not be able to determine which items should be used first.

Sponsor B also failed to adequately safeguard food in storage from contamination. Sponsor B rented a refrigerated trailer to store bulk refrigerated and frozen food prior to use. FNS’ nutrition guidance handbook¹⁰ requires sponsors to maintain the integrity of food in storage, and safeguard it from contamination. The trailer’s refrigeration unit was mounted at the front of the trailer, with a portion of the unit extending into the interior of the trailer. Some boxes containing food items were stored underneath the refrigeration unit, allowing condensation to drip on the stored items. Sponsor officials were unaware of this problem until it was brought to their attention by a county health inspector. A sponsor official agreed to move the food boxes from under the refrigeration unit and install a drip pan under it. We could not confirm the corrective action was taken because, at the time of our followup visit, the 2006 program had ended and the trailer had been returned to the vendor. However, if the sponsor rents a food storage trailer in the future, the State agency should ensure that this problem does not recur.

Recommendation 1

Instruct CDE to implement a requirement that all sites document, on a daily basis, the temperatures of meals received from the sponsor, and maintain these records for subsequent review by the sponsor and State agency.

Agency Response.

FNS agreed with this recommendation and will instruct CDE to, within 60 days, implement procedures to assess, during reviews, that sites take meal temperatures upon receipt on a daily basis. (Estimated completion date: October 31, 2007)

OIG Position.

We accept FNS’ management decision on this recommendation.

¹⁰ 2005 Nutrition Guidance For Sponsors, page 65, dated January 2004.

Recommendation 2

Instruct CDE to revise its review procedures to place a greater emphasis on monitoring sponsor compliance with food safety requirements. Specifically, CDE reviewers should be required to (1) evaluate whether sponsors are transporting and storing meals at proper temperatures, and (2) measure the temperature of refrigerators when conducting site reviews.

Agency Response.

FNS agreed with this recommendation and will instruct CDE to, within 60 days, revise its sponsor and site review procedures to assess sponsor compliance with all aspects of food safety requirements. FNS will also accompany CDE on its fiscal year 2008 reviews to ensure the procedures have been implemented. (Estimated completion date: October 31, 2007)

OIG Position.

We accept FNS' management decision on this recommendation.

Recommendation 3

Instruct CDE to emphasize, in the training it provides to sponsors, the requirements relating to safe food handling discussed in this report, particularly as they relate to holding temperatures.

Agency Response.

FNS agreed with this recommendation and will instruct CDE to place greater emphasis on food safety, specifically food handling, holding temperatures, and storing and transporting meals during its fiscal year 2008 training. (Estimated completion date: June 15, 2008)

OIG Position.

We accept FNS' management decision on this recommendation.

Finding 2**One California sponsor was seriously deficient in its administration of the program.**

Sponsor A violated numerous program requirements, and as a result, failed to provide adequate nutrition to participating children, and claimed excessive costs and meals for reimbursement. In accordance with regulations, the State agency should determine the sponsor seriously deficient, and terminate it from the program if it fails to correct its deficiencies. While the sponsor bears the ultimate responsibility for complying with program requirements, we concluded that State agency procedures were not adequate to identify sponsor noncompliance with program requirements.

Regulations¹¹ instruct State agencies to terminate (or not enter into) agreements with seriously deficient sponsors. However, prior to termination, State agencies are required to provide such sponsors an opportunity to correct their deficiencies. The regulations cite the following as examples of serious deficiencies which could result in termination or nonapproval, including (but not limited to) the following program violations at a significant proportion of the sponsor's sites: non-compliance with meal service time restrictions, failure to maintain adequate records, failure to adjust meal orders to conform to variations in the number of participating children, claiming of payments for meals not served to participating children, serving a significant number of meals which did not include required quantities of all meal components, and excessive instances of off-site meal consumption. The State agency provided additional guidance regarding serious deficiencies.¹²

As mentioned previously, State agencies are required to review sponsors and sites to ensure compliance with regulations and other program requirements. California State agency procedures do not require reviewers to, in preparation for conducting reviews, review reports from prior year reviews. We believe this would be useful, so that reviewers would be aware of concerns that were noted in the past. A minor deficiency that does not rise to the level of being a reportable finding based on a single occurrence may be of more concern if it is part of a recurring pattern.

Reviewers are required to complete a "High Risk Survey Sheet" during the review. The High Risk Survey Sheet was developed in response to an audit of the Child and Adult Care Food Program and is used for multiple nutrition programs administered by the State agency. It is intended to identify sponsors needing increased review. At the time of the audit, there were no SFSP sponsors identified as high risk. However, because the form was not designed specifically

¹¹ 7 CFR 225.11 (c), dated January 1, 2006.

¹² Section 1600 of the Programs Reference Guide (dated August 2006), and a policy document entitled "SFSP Procedures for Seriously Deficient Sponsors (dated May 2006).

for the SFSP, it does not include the types of concerns we identified in the audit as detailed in the following sections. We believe a program-specific form should be developed to identify risk factors pertinent to the SFSP.

Based on the deficiencies discussed in Finding 1, and the additional deficiencies detailed below, we concluded that Sponsor A should be determined seriously deficient in its administration of the program. We discussed this conclusion, and the basis for it, with FNS and CDE officials, and they concurred with it. Although some of the same concerns were noted in State agency reviews in 2002 and 2004, the sponsor failed to take corrective action.

As discussed in the following sections, we determined that 2,939 of the 8,547 meals the sponsor claimed for reimbursement should not be reimbursed.¹³

A. Sponsor A failed to include all required components in meals, or served less than the minimum amount required.

The National School Lunch Act¹⁴ requires sponsors to serve meals meeting prescribed nutritional standards. The specific standards are set forth in regulations,¹⁵ which specify four food categories (called meal components): milk, vegetables and fruits, bread and bread alternates, and meat and meat alternates. Minimum quantities are specified for each component. Lunches and suppers must include all four components; breakfasts must include three components (all but meat); and snacks must include two components. Sponsors may be reimbursed only for meals that include specified quantities of all required components.¹⁶

Required components were missing from some meals claimed. We observed two meal services, a breakfast and a lunch, at Sponsor A's site. Breakfasts must include milk, fruit or vegetable, and bread or bread alternate. The breakfast service we observed consisted of cold cereal (which satisfies the bread requirement) and milk, but no fruit item. Site staff told us the same items were served each day, and fruit was not included, although the sponsor's meal production records¹⁷ for that (and every other) day of service listed fruit as part of the breakfast meal. We questioned the 35 meals served at the breakfast we observed (see exhibit G, code D).

We also observed a lunch service. Lunches must include all four food components. The lunch we observed consisted of a sandwich (2 slices of

¹³ The total number of meals questioned in the following sections of this report exceeds the number we are recommending not be reimbursed because some meals are questionable for more than one reason. See exhibit G for details.

¹⁴ Richard B. Russell National School Lunch Act, section 13 (f), dated July 2, 2004.

¹⁵ 7 CFR 225.16 (b) and (d), dated January 1, 2006.

¹⁶ FNS Instruction 796-4, Rev. 4, paragraph XII B 3 a (2) (f), dated May 21, 1992.

¹⁷ The State agency requires sponsors (through a provision in the sponsor agreement) to maintain meal production records to support that sufficient quantities of food were utilized to satisfy serving size requirements. These records document the amounts of each food component used and the number of meals produced.

bread and cheese), a plum, and a cucumber. However, instead of milk, a “punch” drink was served. The drink was prepared from a powdered mix and dispensed from a large beverage cooler.

The site was operated by a religious school. Sponsor personnel told us that milk was not served with meals including meat in accordance with their religious dietary laws. A site staff member told us this occurred about twice a week. The sponsor’s cycle menu¹⁸ and meal production records also indicated that sandwiches with meat were served twice a week.¹⁹

FNS policy²⁰ provides alternative procedures to accommodate this dietary requirement. It allows sites to substitute full-strength fruit juice for milk, up to twice a week. However, the punch drink would not satisfy this requirement, as it is not full-strength fruit juice. In addition, on the day we observed lunch, no meat was served, so milk could have been served.

We questioned the 38 lunches claimed on the day we observed lunch, which did not include milk (see exhibit G, code E).

Some meals did not contain the minimum serving sizes of food components. Sponsor A’s records showed that lunches included both cheese sandwiches and yogurt on each Monday for the first six weeks of the program, and that these items were also served on Friday of the seventh week.²¹ In total, the sponsor claimed 824 lunches served on these seven days during the seven week period.

Both cheese and yogurt can satisfy the meat component requirement. By themselves, the cheese sandwiches would not have satisfied the requirement because they did not include the minimum serving size of 2 oz. of cheese. Sponsor records showed the sponsor purchased only 48 pounds of cheese, which would have allowed an average serving size of only 0.9 oz. per sandwich. The sponsor’s meal production records also supported the conclusion that insufficient quantities were used, showing that 82 pounds of cheese were used to make 950 sandwiches, an average of less than 1.4 oz. per sandwich.

The yogurt by itself would have satisfied the requirement, as each serving contained the required 8 oz. However, according to its records, the sponsor purchased only 650 servings of yogurt, or 174 fewer than the number of

¹⁸ A cycle menu describes the meals to be served over a specified number of days. When the end of the period is reached, the menu is repeated. In this case, the menu covered five days (Monday through Friday), so the meal provided on any given day (Monday, Tuesday, etc.) would also be provided on the same day in any other week.

¹⁹ Meal production records indicated that the same menu items were prepared each week (150 lunches and 150 breakfasts) for the first six weeks of the sponsor’s eight-week program. For the seventh week (which was the week of our visit), a smaller number of meals were prepared (50 breakfasts and 50 lunches), with some of the menu items served on different days than in the preceding weeks.

²⁰ FNS Instruction 783-13 (Rev. 2, dated 12/3/92)

²¹ We did not have available records for the eighth week of the program.

meals claimed. Any meals containing cheese sandwiches but not yogurt would not have satisfied the minimum serving size requirements. We are therefore questioning these 174 meals (see exhibit G, code F).

Sponsor A served meals “family-style,” but was not eligible to use this type of meal service. FNS policy²² provides an exception, called “family-style” meal service, to the general requirement that each meal claimed for reimbursement must contain the minimum serving size of each required component. Under family-style meal service, children may initially be served less than the minimum serving size, provided certain conditions are met. Specifically, each child must be given some amount of each component, and be encouraged to take the full portion. Additional food must be placed on each table, available to children wishing to take another serving. Only camps are eligible to use family-style meal service.

We observed Sponsor A using family-style meal service for breakfast. Children were provided empty bowls and cups, then served milk and cereal from bulk containers. We also observed drinks being served family-style at lunch. Children were provided empty cups, which they brought to another table, where they were served the “punch” drink from a large beverage cooler.

Because Sponsor A’s site was not classified as a camp, it was not allowed to use this type of meal service (as discussed below, Sponsor A’s site was classified as a “closed enrolled” site).

- B. The numbers of meals served, operating expenses, and administrative costs reported by Sponsor A on its claims for reimbursement were inaccurate, unallowable, or not supported by reliable records.

Regulations²³ require sponsors to maintain accurate records in support of all meals claimed and costs reported, and cite the lack of records as grounds for denying reimbursement.

Sponsor A claimed excessive numbers of meals served. Sponsor A overclaimed at least 1,744 meals (at least 868 excess breakfasts and 876 excess lunches) for the two-week period July 24 through August 4, 2006. The overclaim resulted from the sponsor claiming meals in excess of the number of children that were enrolled during this period.

Sponsor A told us the site operated three summer sessions. According to the sponsor, the first two sessions had more children enrolled than the third session (which purportedly began on August 7, the date of our initial visit to

²² FNS Instruction 783-3 (dated 8/28/86). The FNS sponsor handbook provides similar guidance.

²³ 7 CFR 225.15 (c)(1), dated January 1, 2006.

the sponsor). The sponsor was able to provide us only one enrollment roster, which listed the names of 132 children. We obtained a second roster at the site (for the then-current session) which listed 44 children. Meal count forms recorded that between 128 and 134 children were served at each meal service between June 26 and August 4, then the number of children served dropped to between 32 and 38 per meal service between August 7 and 18.

Based on documentation and information gathered through interviews,²⁴ we concluded that there were in fact only two sessions, with the second session beginning on July 24. Therefore, for this two-week period, although the sponsor claimed 128 or more meals per meal service, it should not have claimed more than 44, based on the number of children enrolled during this period.

We determined that 1,744 excess meals were claimed by disallowing all meals claimed during this period in excess of 44 per meal service²⁵ (see exhibit G, code B).

We are also questioning 207 meals claimed for August 16 through 18, based on documentation stating that the second session ended on August 15;²⁶ and an additional 261 meals claimed for July 4, a day its site was closed. The sponsor claimed 131 breakfasts and 130 lunches for that day, although the sponsor had reported to the State agency that it would be closed (see exhibit G, code A).

On four days, Sponsor A claimed more meals than were supported by its enrollment records. Although these records showed only 132 children were enrolled for the first six weeks of the program, the sponsor claimed 133 breakfasts on two days, 133 lunches on one day, and 134 lunches on another day. We questioned these 5 meals (see exhibit G, code I).

Sponsor A filed two claims for reimbursement, one for June and July 2006, and one for August 2006. There were minor discrepancies between the total number of meals reported on the two claims, and the total numbers of meals recorded on the daily meal count forms. The claims for reimbursement included one less breakfast and four more lunches than recorded on the meal count forms (see exhibit G, code K). However, because the sponsor was not paid on the claims it submitted (as discussed below), this discrepancy had no impact on the monetary recommendation for Sponsor A.

²⁴ We based our conclusion that there were only two sessions, with the second session beginning on July 24, on the following: (1) we were only provided two enrollment lists, the latter of which was entitled "Second Session;" (2) a newsletter put out by the site clearly referred multiple times to a "second session" which would begin on July 24 and end on August 15; and (3) on our first visit to the site, a site staff person told us that there were two sessions, the first being mandatory (for children enrolled at the school) and including 150 to 200 students, and the second being optional, and including about 50 students.

²⁵ The number of meals overclaimed is likely substantially greater than 1,744, as we have allowed 44 meals per meal service, although the sponsor actually only reported between 32 and 38 meals per meal service, and we observed even fewer (27 lunches and 32 breakfasts).

²⁶ Newsletter cited in prior footnote.

Sponsor A did not take “point-of-service” meal counts. Sponsor A also did not follow procedures to ensure the numbers of meals claimed were accurate, and as a result, claimed more meals than had been served. FNS’ sponsor handbook²⁷ requires that counts of meals served be taken at “point-of-service,” and provides a proforma meal count form to facilitate this process. The form includes a grid of sequential numbers and instructions to the user to cross off the next number as each child is served. Although these forms were used by the sponsor to record meal counts, they were not prepared at the point-of-service. Instead, they were prepared and signed after the meal service was over, by the site supervisor, who was not normally present at meal services. The site supervisor told us he had delegated responsibility for counting meals to a junior staff member, who would count the meals served and call the site supervisor with the number after the meal service was over. The junior staff member confirmed this process, and told us he counted the meals “in his head.”

This process resulted in inaccurate meal counts. The forms for both of the meal services we observed recorded more meals than had actually been served. At one meal service, we observed 27 lunches served to children, but the meal count form recorded 38 lunches. At the other meal service, 32 breakfasts were served, but the meal count form recorded 35 breakfasts.²⁸ We questioned the 14 excess meals claimed (see exhibit G, code J).

Sponsor A failed to adjust daily meal orders. The site did not adjust the number of meals prepared and delivered on a daily basis, as required by regulations for the purpose of providing only one meal per child.²⁹ According to Sponsor A, this was because attendance did not vary much, if at all, from day to day. Meal production records indicated that 150 lunches per day were prepared for the first session, and 50 lunches per day for the second session. However, for the lunch service we observed, only 32 meals were served (27 children, 4 program adults, and 1 nonreimbursable meal served to a nonenrolled child), and for the 2-week period corresponding to our initial visit, Sponsor A claimed only 33 to 38 lunches per day.

Sponsor A did not provide documentation to support some food costs. According to the meal production records, Sponsor A satisfied the meat component requirement for Friday lunches during the first six weeks of the program by serving peanut butter sandwiches and eggs. However, no receipts were provided to us to support the purchase of these items.

²⁷ 2006 Administrative Guidance for Sponsors, page 66.

²⁸ We concluded that the excess meals had been claimed for reimbursement, as the August 2006 claim included 4 more breakfasts than had been recorded on the meal count forms, and the number of lunches was the same. For the June/July 2006 claim, Sponsor A underclaimed one lunch. The number of breakfasts matched.

²⁹ 7 CFR 225.15 (b)(3), dated January 1, 2006.

Therefore, we are questioning the 790 lunches claimed on these dates (see exhibit G, code G).

Some of the operating costs claimed by Sponsor A were questionable. Sponsor A provided us with receipts to support the actual operating costs (i.e., meal costs) it reported on its claims. However, some of the items shown on the receipts (such as a coffee creamer) clearly could not have legitimately been used in the program. Some supply items would not likely have been needed based on the specific food items that were served per the meal production records (such as compartmentalized plates and forks). Sponsor A operated two other food programs (a senior meal program, and bread sales from the sidewalk in front of its office), and some items could have been used in these other programs (the plates, for example). It appeared that the amount of bread purchased (the cost of which was included in the sponsor's claim) significantly exceeded what was needed for the program. Based on meal production records, the sponsor would have needed 270 loaves of bread for the first five weeks of the program.³⁰ However, for this period, the sponsor reported the cost of 378 loaves, or 40 percent more. In total, we questioned \$2,368 in operating costs. See exhibit E for details of specific questioned costs.

Sponsor A did not provide documentation to support administrative costs claimed. We questioned the full \$2,666 in administrative costs reported by Sponsor A due to the lack of supporting documentation. Even after several requests, the sponsor failed to provide us supporting documentation for the administrative costs reported on its 2006 claims. Also, although Sponsor A told us that most of the administrative costs it reported were indirect costs, it had not indicated on the budget it submitted to the State agency that it would claim indirect costs. Sponsors electing to use indirect costs must provide additional information to the State agency, and obtain approval of the rate.

We also noted errors on the claims filed by sponsors B and C. Because we do not believe they constitute serious deficiencies, we are reporting the errors separately in finding 3.

C. Sponsor A failed to carry out various administrative responsibilities.

Sponsor A failed to carry out some of the administrative responsibilities it agreed to carry out as part of its agreement with the State agency.

Sponsor A did not provide timely training to staff. Sponsor A provided program year 2006 training to site staff on July 1, 2006, but began claiming meals on June 26, a full week earlier. Regulations³¹ prohibit sites from

³⁰ We excluded the first two days of this period from our calculations, because there were no bread receipts to cover this period.

³¹ 7 CFR 225.15 (d)(1), dated January 1, 2006.

operating before the sponsor trains the staff. Furthermore, neither the site supervisor nor the junior staff member in charge of supervising meal services attended the training; five other junior staff members were listed on the training records. While the regulations only require that a trained person be on site at all times during meal service (which may have occurred), we believe that the persons in charge of the meal service should have been trained.

It appeared that site staff were unaware of a number of significant program requirements, as they readily described practices which violated program requirements, and gave no indication that they were aware the practices were not allowed (for example, the use of family-style meal service, or the failure to record point-of-service meal counts). This indicates ineffective training on the part of Sponsor A.

Sponsor A may not have conducted required site monitoring. Sponsor A's program director told us that she had performed a first-week visit and two subsequent reviews (regulations require a first-week and a fourth-week review³²). The four-week review was documented, but the first week visit was not. According to FNS' sponsor handbook, documentation of all visits is required.³³ However, both the junior staff member in charge of meal services and another junior staff member told us they had never seen anyone from Sponsor A at the site, and they did not recognize the program director's name.

Sponsor A failed to report and obtain approval for serving meals on field trips. When we visited the site to observe a third meal service, we were told that the children and meals had been loaded onto a bus for a field trip, and that the meals would be served during the field trip. Earlier, a site staff member had told us that field trips were taken about twice a week, and that sometimes (about 3 or 4 times a month) program meals were taken along. Although Sponsor A's program director denied being aware of the field trips, the executive director knew of them (he told us that they sometimes adjusted meal delivery times to accommodate the field trips). Sponsor A did not inform the State agency of field trip dates, or ask for approvals, as required. State agency files documented only one schedule deviation request/approval, a closure on July 4. FNS's sponsor handbook³⁴ requires that field trips be approved in advance by the State agency, and if the sponsor fails to do so, meals served during the field trip are not reimbursable. We questioned the 35 meals claimed by the sponsor for the day of the field trip (see exhibit G, code C).

³² 7 CFR 225.15 (d)(2) and (3), dated January 1, 2006.

³³ 2006 Administrative Guidance for Sponsors, page 68.

³⁴ 2006 Administrative Guidance for Sponsors, page 43.

As discussed below, Sponsor A had previously been cited for this violation in 2002 and 2004 state reviews, and had agreed to comply with requirements in the future.

Sponsor A failed to report nonoperating sites to the State agency. For 2006, Sponsor A reported to the State agency that it would operate two sites, beginning June 26, and received advance funding of more than \$27,000 based on this assertion. After being told of our audit, Sponsor A notified the State agency that one of the two sites did not open and was not operating in the current year, by submitting a revised Schedule A (listing of sites) on August 4. As a result of this error, the sponsor received a larger advance payment than it was entitled to. Sponsor A claimed that it had originally submitted the revised Schedule A on July 1 (which, if true, would have also been untimely, as meal services began on June 26). However, we question whether the notification had actually been made, because Sponsor A apparently did not follow up when the approved Schedule A was not received, and because the sponsor had made a similar assertion in 2002 (i.e., upon being questioned by a State reviewer about a nonoperating site, the sponsor claimed to have previously reported to the State agency that the site would not operate, but State agency files contained no evidence that it had).

Sponsor A failed to notify the State of nonoperating sites and obtain approval to serve meals at an alternate location in at least two prior years, 2002 and 2004, as documented in State agency reviews. In performing a 2002 review, a State reviewer found that two of the sponsor's five sites had not opened that year, but Sponsor A had not notified the State of this fact. The reviewer also attempted to visit two sites, but was told in both cases that the children were on field trips.

In performing the 2004 review, a State reviewer again found that one of Sponsor A's sites had not opened that year, and the sponsor had failed to timely notify the State agency of this fact. The reviewer visited two sites, but found that the children had been moved from one of the sites (a site run by Sponsor A at its own location) to an alternate, nonapproved location without notifying the state or obtaining approval. Additionally, the reviewer noted that the sponsor did not have available required meal count forms, menus, meal production records, and meal transport records.

In both cases, Sponsor A had been informed of the problems and the requirements, and had agreed to comply in the future, yet we found similar problems during this review.

Sponsor A's site staff changed meal service times without informing Sponsor A, resulting in insufficient time between meals, and the serving of meals outside approved meal times. For the two meals we observed, the site did not serve meals during times approved by the State agency, and as a result, did not allow the minimum time required (three hours) between meal start times to elapse.³⁵ We observed that the site served breakfast beginning at 9:35 a.m. and lunch starting at noon. According to site staff, the meals were served at approximately the same time each day. The approved times were 9:00 a.m. to 9:30 a.m. for breakfast and 12:30 p.m. to 1:00 p.m. for lunch. (Regulations³⁶ state that meals served outside approved meal times are not reimbursable. We questioned the 73 meals claimed for the two meal services we observed (see exhibit G, code H).

Sponsor A's program director told us she was unaware the site was not complying with the approved meal times. While this violation was attributable to site staff, we believe that more diligent monitoring by Sponsor A could have detected the noncompliance. As noted earlier, site staff told us that they never saw a sponsor monitor at the site.

During program year 2006, Sponsor A operated only one site, which was classified as a "closed enrolled" site. Regulations³⁷ allow a closed enrolled site to participate in the program only if half or more of the children enrolled have been determined eligible to receive free or reduced-price meals under USDA child nutrition programs. Eligibility is based primarily on the child's household size and income. Information necessary to make an eligibility determination is reported by parents to the sponsor on income eligibility forms. If half or more of the children enrolled are determined eligible for free or reduced-price meals, the sponsor is allowed to claim reimbursement for meals served to all enrolled children, even those not income eligible.

Sponsor A failed to establish that at least half of the children enrolled at its single site were eligible. The site conducted two separate sessions during the summer. We determined that the first session ran from June 26 to July 21, 2006, with 132 children enrolled;³⁸ and the second session ran from July 24 to August 15, 2006, with 44 children enrolled. According to site and sponsor records, income eligibility forms had been submitted for only 45 of the 132 enrolled children; and only 19 of the 45 forms demonstrated eligibility (the other forms were either incomplete or showed income exceeding eligibility guidelines). Therefore, only 14 percent (19 of 132) of the children qualified for

³⁵ 7 CFR 225.16 (c), dated January 1, 2006.

³⁶ 7 CFR 225.16 (c)(3), dated January 1, 2006.

³⁷ 7 CFR 225.6 (d)(i), dated January 1, 2006, requires sites to be located in "areas in which poor economic conditions exist," which is defined in 7 CFR 225.2 (same date) as categorically including a "closed enrolled site." The same section defines "closed enrolled site" as "a site which is open only to enrolled children, as opposed to the community at large, and in which at least 50 percent of the enrolled children at the site are eligible for free or reduced price school meals under the National School Lunch Program and the School Breakfast Program..."

³⁸ As discussed previously, although Sponsor A claimed different session dates; based on evidence obtained, we concluded the session dates were as stated herein.

free or reduced-price meals. For the second session, income eligibility forms were submitted for 15 of the 44 enrolled children; but of these, only 8 met eligibility guidelines, meaning that only 18 percent of enrolled children (8 of 44) were shown to be eligible.

We reported this issue to FNS in a September 19, 2006, management alert. We recommended that FNS instruct the State agency to withhold program year 2006 payments from Sponsor A (at that time, the sponsor had not yet submitted any 2006 claims). In its September 28, 2006, response, FNS agreed with the recommendation. However, FNS subsequently informed us of an unnumbered FNS policy memo, issued on November 17, 2002, that allowed some closed enrolled sites to participate based on their location. The memo states

We are issuing this memorandum to permit closed enrolled sites to be eligible based on area free and reduced price data for the location of the site, rather than on documentation that at least half of the enrolled children at each site are eligible for free or reduced price meals.

Therefore, any site located in an area in which at least 50 percent of the children are from households eligible for free or reduced price meals will be eligible for SFSP reimbursement for all meals served to eligible children, regardless of whether the site serves an identified group of children or is open to the community.

This policy is also incorporated into FNS' 2006 Administrative Guidance for Sponsors (page 20), which states "Sponsors can document an enrolled site's eligibility by... using 'area' eligibility data for the location of the site, rather than using the income eligibility form documenting that at least half of the enrolled children [at] each site are eligible for free or reduced-price meals."

Sponsor A's site was in such a location, so based on the policy, it could participate without having to collect income eligibility forms, and claim reimbursement for all meals served.

In the management alert, we advised FNS that there were additional concerns regarding Sponsor A's noncompliance with program requirements. For this reason, FNS told us it would instruct the State agency to withhold processing of the sponsor's claims, pending issuance of this audit report.

In all, we questioned 2,939 of the 8,547 meals claimed by Sponsor A for 2006. We also questioned \$2,368 of the \$21,842 in operating costs reported by the sponsor. After applying these adjustments, we determined the sponsor was eligible for \$10,961 in program reimbursement for operating expenses (based on meals-times-rates, as this yielded a lower amount than the adjusted actual

operating costs of \$19,474). The sponsor received an advance payment for operating expenses of \$24,885, resulting in an overpayment of \$13,924.

We questioned all of the \$2,666 in administrative costs reported, due to the lack of supporting records. The sponsor had received an advance payment for administrative expenses of \$2,221, resulting in an overpayment of this amount. See exhibit B for details.

Recommendation 4

Instruct CDE to revise its sponsor review procedures to ensure that potentially recurring issues are identified. Specifically, CDE reviewers should examine documentation from prior-year reviews when preparing for current-year sponsor reviews, to ensure they are fully aware of issues that have been identified in the past.

Agency Response.

FNS agreed with this recommendation and will work with CDE to revise its procedures to include researching the sponsor's prior reviews findings and to document them on the current review form to ensure continuity. FNS will instruct CDE to implement use of prior review findings in its current-year sponsor reviews within 60 days. FNS will also accompany CDE on its fiscal year 2008 reviews to ensure the procedures have been implemented. (Estimated completion date: October 31, 2007)

OIG Position.

We accept FNS' management decision on this recommendation..

Recommendation 5

Instruct CDE to develop an SFSP-specific High Risk Survey Sheet. The revision should include risk factors relating to those identified in this report, such as the sponsor's failure to inform CDE of significant changes to its program operations (i.e., nonoperating sites), or no children being present when site visits are performed.

Agency Response.

FNS agreed with this recommendation and will work with CDE to develop a High Risk Survey sheet to identify sponsors with a history of noncompliance. The survey sheet will help identify agencies needing follow up reviews to ensure permanent corrective action was implemented. FNS will request CDE develop the survey sheet within 60 days and implement use of the sheet during its fiscal

year 2008 SFSP reviews. FNS will also accompany CDE on its fiscal year 2008 reviews to ensure the procedures have been implemented. (Estimated completion date: October 31, 2007)

OIG Position.

We accept FNS' management decision on this recommendation.

Recommendation 6

Instruct CDE to bill Sponsor A for \$13,924, to collect the overpayment it received for operating costs.

Agency Response.

FNS agreed with this recommendation and will instruct CDE to bill Sponsor A for the overpayment within 30 days. In addition, FNS will instruct CDE to provide status reports on the collection efforts.

OIG Position.

For acceptance of FNS' management decision, please provide, within 60 days, a copy of CDE's billing to Sponsor A, along with an estimated date for collection of the amount.

Recommendation 7

Instruct CDE to bill Sponsor A for \$2,221, to collect the overpayment it received for administrative costs.

Agency Response.

FNS agreed with this recommendation and will instruct CDE to bill Sponsor A for the overpayment within 30 days. In addition, FNS will instruct CDE to provide status reports on the collection efforts.

OIG Position.

For acceptance of FNS' management decision, please provide, within 60 days, a copy of CDE's billing to Sponsor A, along with an estimated date for collection of the amount.

Recommendation 8

In coordination with CDE, evaluate the conditions discussed in this report to determine if Sponsor A is seriously deficient in its administration of the program. If Sponsor A is so determined, and is approved for future program participation, instruct CDE to (1) ensure that the sponsor corrects its deficiencies, or (2) terminate Sponsor A from the program.

Agency Response.

FNS agreed with this recommendation and will work with CDE to determine if Sponsor A is seriously deficient in operating the SFSP and follow through with the prescribed regulatory process to permanently correct the deficiencies. FNS in coordination with CDE will implement the recommendation within 30 days. (Estimated completion date: September 30, 2007)

OIG Position.

We accept FNS' management decision on this recommendation.

Finding 3**Deficiencies noted at two other California sponsors.**

Sponsors B and C made errors on their claims for reimbursement. Sponsor B claimed administrative expenses based on an unapproved indirect cost rate and Sponsor C did not report all income earned. In addition, these sponsors claimed unsupported operating expenses. These program violations occurred because the sponsors misunderstood program requirements and made inadvertent errors. As a result, sponsors B and C were overpaid \$37,490.

While the deficiencies discussed below do not constitute serious deficiencies and are not systemic in nature in our opinion, they do need to be addressed by the State agency.

Sponsor B

We questioned \$12,929 (\$12,267 in administrative costs and \$662 in operating costs) paid to Sponsor B on its June and July 2006 claims for reimbursement. We questioned the \$12,267 in administrative costs the sponsor claimed because it used an unapproved indirect cost rate to calculate the costs. FNS' financial management handbook³⁹ requires that, if indirect cost rates are used, they be approved, included in the sponsor's budget, and adequately documented.

Sponsor B indicated on its budget, submitted as part of its program application, that it would report only direct administrative costs. However, during the audit, Sponsor B's accountant told us that it had actually used an indirect cost rate to determine its administrative costs (the sponsor engaged in activities unrelated to the SFSP, and some of its administrative costs benefited both the SFSP and the other activities).

According to the accountant, the indirect cost rate was calculated by (1) determining the projected amounts of operational and administrative reimbursement, by multiplying the projected number of meals by the applicable reimbursement rates; then (2) determining what percentage of the projected operational reimbursement the projected administrative reimbursement represented. (To illustrate, if the sponsor expected to receive \$10,000 in operational reimbursement, and \$1,500 in administrative reimbursement, the result would be 15 percent.)

³⁹ FNS Instruction 796-4, Rev. 4, paragraph X B, dated May 21, 1992.

We had several concerns about the methods used by the sponsor to determine and apply the rate:

- The rate was calculated based on estimates of revenue, not actual costs.
- A pool of actual indirect administrative costs was not determined.
- The rate was not applied against a base that represented all of the organization's activities that benefited from the indirect costs.
- Application of the rate did not result in an allocation of the organization's actual indirect administrative costs to all benefiting activities.

If the sponsor wishes to claim administrative costs, it needs to supply the State agency with sufficient support for the costs reported, including documentation supporting the indirect cost rate, if it chooses to use one.

We also questioned \$662 in reimbursement for operating expenses paid to Sponsor B, although in total we questioned \$2,075 of the expenses it reported. This is because the sponsor had been previously reimbursed based on the "meals-times-rates" amount, a lower amount than its actual operating costs.⁴⁰ See exhibit C for details.

The costs we questioned are detailed in exhibit F. They included \$1,644 in double-charged payroll expenses, resulting from the sponsor reporting both the gross pay and the amount of employee deductions. However, the sponsor also failed to claim some allowable employer payroll costs (State unemployment insurance and workers compensation payments). We could not determine the allowable amount, but if the sponsor is able to provide adequate support to the State agency, the costs would be allowable.

Sponsor C

Sponsor C failed to report \$23,840 in program income on its program year 2006 claims, as required. The sponsor prepared and sold meals to another sponsor, in addition to the meals it prepared for its own sites. Although the sponsor included the full cost of the meals it sold in the operating expenses it reported, it only reported a portion of the income earned. Sponsor C reported \$1,640 in program income, representing the amount it had received, rather than the \$25,480 it earned. Regulations⁴¹ require that program income be reported on the claim for the period in which it was accrued, not received.

Sponsor C also double-counted three invoices, totaling approximately \$721,⁴² when calculating the operating expenses it reported on its July 2006 claim for

⁴⁰ Sponsors are paid based on the total number of meals served, and total amounts of costs reported, for the year to date, rather than for the claim month alone. As each claim is processed, the State agency adds amounts from the current claim to amounts reported in prior months, to determine year-to-date amounts for both the "meals-times-rates" and actual cost calculations. For this reason, we calculated the overpayment based on year-to-date data obtained from the State agency. This data reflected full-year 2006 data (through September 2006).

⁴¹ 7 CFR 225.9 (d), dated January 1, 2006.

⁴² Three receipts from Costco for purchases during July 2006.

reimbursement. These two errors resulted in an overpayment to the sponsor of \$24,561. Because the actual expenses reported by the sponsor were lower than the amount determined by multiplying the number of meals claimed by rates, the sponsor was reimbursed the amount of the actual expenses it reported (see exhibit D). Therefore, the full \$24,561 should be collected back from the sponsor.

Recommendation 9

Instruct CDE to bill Sponsor B for \$662, to collect the overpayment it received for operating costs.

Agency Response.

FNS agrees with this recommendation and will instruct CDE to bill Sponsor B for the overpayment within 30 days. In addition, FNS will instruct CDE to provide status reports on the collection efforts.

OIG Position.

For acceptance of FNS' management decision, please provide, within 60 days, a copy of CDE's billing to Sponsor B, along with an estimated date for collection of the amount.

Recommendation 10

Instruct CDE to bill Sponsor B for \$12,267, to collect the overpayment it received for administrative costs.

Agency Response.

FNS agrees with this recommendation and will instruct CDE to bill Sponsor B for the overpayment within 30 days. In addition, FNS will instruct CDE to provide status reports on the collection efforts.

OIG Position.

For acceptance of FNS' management decision, please provide, within 60 days, a copy of CDE's billing to Sponsor B, along with an estimated date for collection of the amount.

Recommendation 11

Instruct CDE to bill Sponsor C for \$24,561, to collect the overpayment it received.

Agency Response.

FNS agrees with this recommendation and will instruct CDE to bill Sponsor C for the overpayment within 30 days. In addition, FNS will instruct CDE to provide status reports on the collection efforts.

OIG Position.

For acceptance of FNS' management decision, please provide, within 60 days, a copy of CDE's billing to Sponsor C, along with an estimated date for collection of the amount.

Recommendation 12

Instruct CDE to ensure that the deficiencies identified in this report pertaining to Sponsors B and C are corrected and to provide these sponsors training in the areas in which they were found deficient.

Agency Response.

FNS agreed with this recommendation and will instruct CDE to follow up with Sponsors B and C to ensure permanent corrective action is implemented and the needed training is provided within 60 days. In addition, FNS will instruct CDE to confirm Sponsors B and C properly corrected the deficiencies and are operating the program according to regulations. (Estimated completion date: October 31, 2007)

OIG Position.

We accept FNS' management decision on this recommendation.

Scope and Methodology

For fiscal year 2005, FNS reported that cash payments totaling \$234 million⁴³ were awarded to program sponsors in 53 States/Territories⁴⁴ during this period. There were 208 participating sponsors in California and Nevada that were paid \$12.3 million (\$11.7 million and \$0.6 million, respectively) of the \$234 million.

Our review was limited to private nonprofit sponsors. As discussed earlier, private nonprofit sponsors had been excluded from participating in the program in 1981 due to concerns that some of the sponsors had mismanaged the program. We limited our scope to sponsors in OIG's (and FNS') Western Region. (OIG's Southeast Regional Office concurrently conducted an audit of sponsors in that region.) We judgmentally selected California and Nevada based on participation levels of private nonprofit sponsors, concerns noted by FNS personnel, and logistical considerations. Within these states, we judgmentally selected four sponsors based on amount of reimbursement received, concerns noted by State agencies, analysis of prior-years State agency reviews, and logistical considerations. In fiscal year 2005, the four sample sponsors were paid \$0.7 million, or 25 percent, of the \$2.8 million paid to the 53 private nonprofit sponsors participating in California and Nevada.

We conducted fieldwork at the FNS National Office in Alexandria, Virginia; FNS' Western Regional Office in San Francisco, California; State Departments of Education in California and Nevada; program sponsors and service sites in Los Angeles and San Diego Counties, California, and Clark County, Nevada. Audit field work was conducted between May and October 2006.

This audit was performed in accordance with generally accepted government auditing standards. To accomplish our audit objectives, we performed the following audit steps and procedures:

- Reviewed all applicable laws and regulations to gain an understanding of the SFSP.
- Interviewed FNS National Office and regional office personnel to solicit comments or concerns about and/or sponsor participation, to identify processes for overseeing the SFSP and to identify procedures used for monitoring State agencies.

⁴³ This information was based on data reported by FNS as of November 24, 2006. These payments do not include administrative expenses or commodity costs and may be subject to revision.

⁴⁴ This includes the 50 US States plus the District of Columbia, Puerto Rico, and the Virgin Islands.

- Interviewed State agency personnel to determine if any complaints were received or irregularities noted with respect to participating sponsors.
- Examined sponsor applications to determine if the State agency's process for approving sponsors was sufficient to ensure that sponsors met eligibility requirements.
- Reviewed State agency and sponsor training procedures to determine if program information was adequately disseminated to ensure sufficient understanding of SFSP policies and procedures.
- Evaluated State agency and sponsor review procedures to determine whether adequate oversight was in place to ensure that sponsors and sites were complying with SFSP policies and procedures.
- Analyzed sponsor records, interviewed sponsor personnel, visited service sites, and observed meal services; to determine if claim reimbursements were supported and program requirements were complied with by sponsors and site personnel.

Exhibit A – Summary of Monetary Results

FINDING NUMBER	RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
2	6	Sponsor A, advance payment in excess of allowable operating costs.	\$13,924	Questioned Costs - Recovery Recommended
2	7	Sponsor A, advance payment in excess of allowable administrative costs.	\$2,221	Unsupported Costs - Recovery Recommended
3	9	Sponsor B, unallowable operating costs.	\$662	Questioned Costs - Recovery Recommended
3	10	Sponsor B, unsupported administrative costs.	\$12,267	Unsupported Costs - Recovery Recommended
3	11	Sponsor C, unreported program income and unallowable operating costs.	\$24,561	Questioned Costs - Recovery Recommended
TOTAL MONETARY RESULTS			\$53,635	

Exhibit A1 – Summary of Monetary Results – Excluding Excess Advance

Exhibit A1 – Page 1 of 1

SPONSOR	REIMBURSEMENT		OIG QUESTIONED COSTS	PERCENTAGE QUESTIONED
	PER CLAIMS	PER OIG		
A	\$ 19,006	\$ 10,961	\$ 8,045	42%
B ⁴⁵	126,443	113,514	12,929	10%
C	41,533	16,972	24,561	59%
Total	<u>\$186,982</u>	<u>\$141,447</u>	<u>\$45,535</u> ⁴⁶	24%

⁴⁵ Figures shown above in the reimbursement columns for Sponsor B differ from those in Exhibit C because they reflect amounts for June 2006 and July 2006 only.

⁴⁶ This figure differs from the Total Monetary Results of \$53,635 reported in exhibit A. Exhibit A includes an \$8,100 excess advance payment which is still outstanding.

Exhibit B – Summary of Monetary Results – Sponsor A

	PER CLAIMS	PER AUDIT	DIFFERENCE
MEALS			
Breakfasts	4,256	3,116	1,140
Lunches	<u>4,291</u>	<u>2,492</u>	<u>1,799</u>
Total	<u>8,547</u>	<u>5,608</u>	<u>2,939</u>
OPERATING COSTS			
A. Actual	\$ 21,842	\$ 19,474	\$ 2,368
B. Meals Times Rate			
Breakfasts (\$1.47)	\$ 6,256	\$ 4,581	⁴⁷ \$ 1,676
Lunches (\$2.56)	<u>10,985</u>	<u>6,380</u>	<u>4,605</u>
Total	<u>\$ 17,241</u>	<u>\$ 10,961</u>	⁴⁸ <u>\$ 6,280</u>
Lesser of A. or B.	\$ 17,241	\$ 10,961	\$ 6,280
ADMINISTRATIVE COSTS			
A. Actual	\$ 2,666	\$ 0	\$ 2,666
B. Meals Times Rate			
Breakfasts (\$0.1450)	\$ 617	\$ 452	\$ 165
Lunches (\$0.2675)	<u>1,148</u>	<u>667</u>	<u>481</u>
Total	<u>\$ 1,765</u>	<u>\$ 1,119</u>	<u>\$ 646</u>
Lesser of A. or B.	\$ 1,765	\$ 0	\$ 1,765
TOTAL OPERATING AND ADMINISTRATIVE COSTS	<u>\$ 19,006</u>	<u>\$ 10,961</u>	<u>\$ 8,045</u>

Total Recommended for Collection:

Advance operating payment received by Sponsor A	\$ 24,885	
Less: Allowable reimbursement per audit		<u>10,961</u>
Equals: Amount recommended for collection		\$ 13,924

Advance administrative payment received by Sponsor A	\$ 2,221	
Less: Allowable reimbursement per audit	<u>0</u>	
Equals: Amount recommended for collection		<u>2,221</u>
Total recommended for collection		<u>\$ 16,145</u>

Excess Advance:

Advance operating payment	\$ 24,885	
Plus: Advance administrative payment	<u>2,221</u>	
Equals: Total advance		\$ 27,106
Less: Total operating and administrative expenses claimed		<u>19,006</u>
Equals: Excess advance		<u>\$ 8,100</u>

⁴⁷ \$1.00 difference due to rounding.

⁴⁸ \$1.00 difference due to rounding.

Exhibit C – Summary of Monetary Results – Sponsor B

	PER CLAIMS	PER AUDIT ⁴⁹	DIFFERENCE
MEALS			
Breakfasts	3,283	3,289	<6>
Lunches	46,281	46,222	59
Suppers	7,614	7,614	0
Snacks	<u>432,207</u>	<u>432,207</u>	<u>0</u>
Total	<u>489,385</u>	<u>489,332</u>	<u>53</u>
OPERATING COSTS			
A. Actual	\$398,038	\$395,963	\$ 2,075
B. Meals Times Rate			
Breakfasts (\$1.47)	\$ 4,826	\$ 4,835	<\$ 9>
Lunches (\$2.56)	118,479	118,328	151
Suppers (\$2.56)	19,492	19,492	0
Snacks ⁵⁰	<u>253,828</u>	<u>253,828</u>	<u>0</u>
Total	<u>\$396,625</u>	<u>\$396,483</u>	<u>\$ 142</u>
Lesser of A. or B.	\$396,625	\$395,963	\$ 662
ADMINISTRATIVE COSTS			
A. Actual	\$ 43,667	\$ 31,400 ⁵¹	\$ 12,267
B. Meals Times Rate			
Breakfasts (\$0.1450)	\$ 476	\$ 477	<\$ 1>
Lunches (\$0.2675)	12,380	12,364	16
Suppers (\$0.2675)	2,037	2,037	0
Snacks ⁵²	<u>31,041</u>	<u>31,041</u>	<u>0</u>
Total	<u>\$ 45,934</u>	⁵³ <u>\$ 45,920</u>	⁵⁴ <u>\$ 15</u>
Lesser of A. or B.	\$ 43,667	\$ 31,400	\$ 12,267
TOTAL OPERATING AND ADMINISTRATIVE COSTS	<u>\$440,292</u>	<u>\$427,363</u>	<u>\$ 12,929</u>

Note: The sponsor operated the California snack pilot program when the SFSP was not in effect. The data shown above includes the results of both programs for the full year. Because sponsors are reimbursed on the lower of (1) actual costs or (2) meals-times-rates (on a cumulative annual basis), it is necessary to show data for the entire year.

⁴⁹ We noted minor discrepancies between the numbers of meals reported on the claims and supporting documentation. These did not impact the amounts of costs we ultimately questioned.

⁵⁰ The operating cost reimbursement rate for the last three months of 2005 was \$.58 per snack. The rate for the first nine months of 2006 was \$.59 per snack.

⁵¹ The amount per audit (\$31,400) is the actual administrative costs claimed for fiscal year 2006 (\$43,667) less the questioned actual administrative costs claimed for June and July (\$12,267).

⁵² The administrative cost reimbursement rate for the last three months of 2005 was \$.0700 per snack. The rate for the first nine months of 2006 was \$.0725 per snack.

⁵³ \$1.00 difference due to rounding.

⁵⁴ \$1.00 difference due to rounding.

Exhibit D – Summary of Monetary Results – Sponsor C

Exhibit D – Page 1 of 1

	PER CLAIMS	PER AUDIT	DIFFERENCE
MEALS			
Lunches	15,190	15,190	0
Snacks	<u>17,449</u>	<u>17,449</u>	<u>0</u>
Total	<u>32,639</u>	<u>32,639</u>	<u>0</u>
OPERATING COSTS			
A. Actual	\$ 37,141	\$ 12,580	\$ 24,561
B. Meals Times Rate			
Lunches (\$2.56)	\$ 38,886	\$ 38,886	\$ 0
Snacks (0.59)	<u>10,295</u>	<u>10,295</u>	<u>0</u>
Total	<u>\$ 49,181</u>	<u>\$ 49,181</u>	<u>\$ 0</u>
Lesser of A. or B.	\$ 37,141	\$ 12,580	\$ 24,561
ADMINISTRATIVE COSTS			
A. Actual	\$ 4,392	\$ 4,392	\$ 0
B. Meals Times Rate			
Lunches (\$0.0725)	\$ 4,063	\$ 4,063	\$ 0
Snacks (0.2675)	<u>1,265</u>	<u>1,265</u>	<u>0</u>
Total	<u>\$ 5,328</u>	<u>\$ 5,328</u>	<u>\$ 0</u>
Lesser of A. or B.	\$ 4,392	\$ 4,392	\$ 0
TOTAL OPERATING AND ADMINISTRATIVE COSTS	<u>\$ 41,533</u>	<u>\$ 16,972</u>	<u>\$ 24,561</u>

Exhibit E – Schedule of Questioned Operating Costs – Sponsor A

Exhibit E– Page 1 of 1

ITEM QUESTIONED	BASIS FOR QUESTIONING ITEM	AMOUNT
Ice cream	Not shown on meal production records.	\$ 600.00
Punch mix powder	This is not an allowable meal component.	189.06
Various food items, including honey, jello, coffee creamer, raisins, water, and a single cookie	Not allowable as these items were not listed on the meal production records and/or not appropriate for program.	172.12
Plastic knives and forks	Not necessary for any of the meals items served per meal production records.	31.32
Foam plates	Not necessary for any of the meal items served per meal production records (except possibly pizza, but most plates purchased appeared to be inappropriate 3-compartment type).	198.58
Food labor costs	Correction of math errors on worksheets supporting these costs.	255.00
Copier toner cartridge, pens, compressor repair	Probably allowable as administrative costs, but not as operating cost, and allocated among all benefiting programs.	722.27
Toilet seat covers	No apparent relation to food program.	24.89
Postage to Sacramento	Probably allowable as administrative costs, but not as operating cost.	23.47
Gasoline purchases	Not allowable, but may claim mileage charges, if properly documented. Two of the charges claimed were for 5/06.	151.15
Total		\$2,367.86

Exhibit F – Schedule of Questioned Operating Costs – Sponsor B

Exhibit F – Page 1 of 1

ITEM QUESTIONED	BASIS FOR QUESTIONING ITEM	AMOUNT
Food	Sponsor understated costs incurred from one food vendor.	<\$10.00>
Fuel	Fuel charges were not properly supported with documentation of mileage driven for the SFSP.	136.97
Labor	Sponsor claimed reimbursement for certain costs (tax withholding and disability payments) that are the responsibility of its employees.	1,643.71
Maintenance	Sponsor did not maintain documentation to support this charge.	175.00
Rent	Supporting documentation indicated actual rent was less than the amount claimed.	85.00
Fed Ex	Sponsor did not maintain documentation to support this charge.	15.34
Card Upgrade	Sponsor did not maintain documentation to support this charge.	29.17
Total		\$2,075.19

Exhibit G – Schedule of Questioned Meals – Sponsor A

As discussed in the report, we questioned some meals for more than one reason. For example, for the August 4 lunch, we questioned all of the 132 meals claimed because the sponsor was unable to support the purchase of claimed meal components with receipts (code G). We also questioned 88 lunches on that date on the basis that the sponsor had claimed meals in excess of the number of enrolled children (code B). However, we are recommending disallowance of only 132 lunches for the day because the 88 lunches were part of the 132 already disallowed. This results in the total number of questioned meals in the report details exceeding the total number of meals we are recommending be disallowed. The following schedule is provided to facilitate the reconciliation of report numbers. The total of the column entitled “Questioned Meals (Excludes Duplicates)” equals the total number of meals we are recommending be disallowed. The “Questioned Meals (Includes Duplicates)” column counts without regard to duplications (i.e., a meal questioned for two reasons would be counted twice) and is provided to reconcile to numbers cited in the report detail sections.

Reason Code	Explanation	Questioned Meals (Excludes Duplicates)	Questioned Meals (Includes Duplicates)
A	Meals were claimed on days when the service site was closed (207 meals claimed after session ended and 261 meals claimed on July 4th).	468	468
B	Second session meals were claimed at higher first session enrollment amounts.	1,569	1,744
C	Meals were served during a field trip that was not approved by CDE.	35	35
D	Meals claimed for meal service that OIG observed did not include a required food component (fruit).	35	35
E	Meals claimed for meal service that OIG observed did not include a required food component (milk).	38	38
F	Meals did not include a sufficient quantity of cheese and/or yogurt.		174
G	Meals components were not supported by purchase receipts (peanut butter, eggs).	790	790
H	Meals were served outside of approved meal times.		73
I	Meals were claimed in excess of enrollment.	1	5
J	Meal counts in excess of meals served.		14
K	Meals claimed in excess of number recorded on meal count forms.	3	3
Totals		2,939	3,379

See chart on following page for the numbers of meals questioned by date.

Exhibit G – Schedule of Questioned Meals – Sponsor A

Date	Questioned Meals				Duplicate Questioned Meals					Grand Total
	Breakfast		Lunch		Total	Breakfast		Lunch		
	Meals	Code	Meals	Code		Meals	Code	Meals	Code	
6/26										
6/27										
6/28										
6/29										
6/30			131	G	131					
7/3			1	I	1					
7/4	131	A	130	A	261					
7/5										
7/6										
7/7			134	G	134			2	I	2
7/10										
7/11										
7/12										
7/13										
7/14			132	G	132					
7/17										
7/18										
7/19										
7/20										
7/21			130	G	130					
7/24	88	B	88	B	176			87	F*	87
7/25	89	B	88	B	177	1	I			1
7/26	87	B	88	B	175					
7/27	88	B	88	B	176					
7/28	86	B	131	G	217			87	B	87
7/31	89	B	88	B	177	1	I	87	F	88
8/1	88	B	87	B	175					
8/2	84	B	87	B	171					
8/3	85	B	87	B	172					
8/4	84	B	132	G	216			88	B	88
8/7										
8/8	35	D			35	35	H	3	J	38
8/9			38	E	38			38	H	49
8/10			35	C	35				11	J
8/11										
8/14										
8/15										
8/16	35	A	34	A	69					
8/17	33	A	36	A	69					
8/18	34	A	35	A	69					
**	<1>	K	4	K	3					
Totals	1,135		1,804		2,939	37	3	389	11	440
										3,379

* We were unable to identify the specific days on which the shortages occurred, and have judgmentally applied the shortages equally to weeks 5 and 6. We determined that this was the most reasonable approach based on our conclusion that the sponsor served fewer meals than claimed during those weeks (see code B).

** The sponsor's claims included one less breakfast and four more lunches than had been recorded on the meal count forms.

Exhibit H – Agency’s Response



United States Department of Agriculture
Food and Nutrition Service

Western Region

Reply to
Attn of:

Subject: 27099-34-SF: Summer Food Service Program August 8, 2007
California and Nevada

To: Frederick San Buenaventura
Regional Inspector General
Western Region

Attached is Western Region’s response to the draft report of the OIG Summer Food Service Program audit of California and Nevada.

If you have any questions, please contact Jesus Mendoza, Special Nutrition Programs Director, at (415) 705-1336, ext. 431.

A handwritten signature in blue ink that reads "Jesus Mendoza, Jr.".

for:

Allen Ng
Regional Administrator
Western Region

Attachment

Response to OIG Audit 27099-34-SF

Page 1 of 3

Recommendation 1

Instruct CDE to implement a requirement that all sites document, on a daily basis, the temperatures of meals received from the sponsor, and maintain these records for subsequent review by the sponsor and State agency.

Recommendation 2

Instruct CDE to revise its review procedures to place a greater emphasis on monitoring sponsor compliance with food safety requirements. Specifically, CDE reviewers should be required to (1) evaluate whether sponsors are transporting and storing meals at proper temperatures, and (2) measure the temperature of refrigerators when conducting site reviews.

Recommendation 3

Instruct CDE to emphasize, in the training it provides to sponsors, the requirements relating to safe food handling discussed in this report, particularly as they relate to holding temperatures.

Agency Response to Recommendations 1-3:

FNS concurs with these recommendations.

- FNS will instruct CDE to implement procedures to assess, during reviews, that sites take meal temperatures upon receipt on daily basis.
- FNS will instruct CDE to revise its sponsors and site review procedures to assess sponsor compliance with all aspects of food safety requirements.
- FNS will instruct CDE to place greater emphasis during the required FY 2008 trainings for sponsors on food safety, specifically food handling, holding temperatures, and storing and transporting meals.
- FNS will instruct CDE to revise its review procedures approximately 60 days after the final report is issued and implement training during its FY 2008 trainings for sponsors.
- FNS Western Region staff will accompany CDE during FY 2008 Summer Food Service Program (SFSP) reviews to ensure the State properly implemented these procedures.

Recommendation 4

Instruct CDE to revise its sponsor review procedures to ensure that potentially recurring issues are identified. Specifically, CDE reviewers should examine documentation from prior-year reviews when preparing for current-year sponsor reviews, to ensure they are fully aware of issues that have been identified in the past.

Agency Response:

FNS concurs with this recommendation. FNS will work with CDE to revise its procedures to include researching the sponsor’s prior reviews findings and to document them on the current review form to ensure continuity. FNS will instruct CDE to

Response to OIG Audit 27099-34-SF

Page 2 of 3

implement use of prior review findings in its current-year sponsor reviews within 60 days after the final report is issued to CDE. FNS Western Region staff will confirm CDE’s proper implementation of these procedures during the FY 2008 SFSP review cycle.

Recommendation 5

Instruct CDE to develop a SFSP-specific High Risk Survey Sheet. The revision should include risk factors relating to those identified in this report, such as the sponsor’s failure to inform CDE of significant changes to its program operations (i.e., nonoperating sites), or no children being present when site visits are performed.

Agency Response:

FNS concurs with the recommendation and will work with CDE to develop a High Risk Survey sheet to identify sponsors with a history of noncompliance. The survey sheet will help identify agencies needing follow up reviews to ensure permanent corrective action was implemented. FNS will request CDE develop the survey sheet within 60 days after the final report is issued to CDE and implement use of the sheet during with FY 2008 SFSP reviews. FNS Western Region will confirm implementation of this procedure during the FY 2008 SFSP review cycle.

Recommendation 6

Instruct CDE to bill Sponsor A for \$13,924, to collect the overpayment received for operating costs.

Agency Response:

FNS concurs with the recommendation. FNS will instruct CDE to bill Sponsor A for the overpayment within 30 days of the final report being issued to CDE.

Recommendation 7

Instruct CDE to bill Sponsor A for \$2,221, to collect the overpayment it received for administrative costs.

Agency Response:

FNS concurs with the recommendation. FNS will instruct CDE to bill Sponsor A for the overpayment within 30 days of the final report being issued to CDE.

Recommendation 8

In coordination with CDE, evaluate the conditions discussed in this report to determine if Sponsor A is seriously deficient in its administration of the program. If Sponsor A is so determined, and is approved for future program participation, instruct CDE to (1) ensure that the sponsor corrects its deficiencies, or (2) terminate Sponsor A from the program.

Response to OIG Audit 27099-34-SF

Page 3 of 3

Agency Response:

FNS concurs with the recommendation. FNS will work with CDE to determine if Sponsor A is seriously deficient in operating the SFSP and follow through with the prescribed regulatory process to permanently correct the deficiencies. FNS in coordination with CDE will implement the recommendation within 30 days of the final report being issued to CDE.

Recommendation 9

Instruct CDE to bill Sponsor B for \$662, to collect the overpayment it received for operating costs.

Agency Response:

FNS concurs with the recommendation. FNS will instruct CDE to bill Sponsor B for the overpayment within 30 days of the final report being issued to CDE.

Recommendation 10

Instruct CDE to bill Sponsor B for \$12,267, to collect the overpayment it received for administrative costs.

Agency Response:

FNS concurs with the recommendation. FNS will instruct CDE to bill Sponsor B for the overpayment within 30 days of the final report being issued to CDE.

Recommendation 11

Instruct CDE to bill Sponsor C for \$24,561, to collect the overpayment it received.

Agency Response:

FNS concurs with the recommendation. FNS will instruct CDE to bill Sponsor C for the overpayment within 30 days of the final report being issued to CDE. FNS will instruct CDE to provide status reports on the collection efforts for recommendations 6, 7, 9, 10, and 11.

Recommendation 12

Instruct CDE to ensure that the deficiencies identified in this report pertaining to Sponsors B and C is corrected and to provide these sponsors training in the areas in which they were found deficient.

Agency Response:

FNS concurs with the recommendation. FNS will instruct CDE to follow up with Sponsor B and C to ensure permanent corrective action is implemented and the needed training is provided. FNS will instruct CDE to implement the recommendation 60 days after the final report is issued to CDE. FNS will instruct CDE to confirm Sponsors B and C properly corrected the deficiencies and are operating the program according to regulations.

Informational copies of this report have been distributed to:

Government Accountability Office	(1)
Office of Management and Budget	(1)
Office of the Chief Financial Officer	
Director, Planning and Accountability Division	(1)
FNS Liaison Officer	(3)