



U.S. Department of Agriculture



Office of Inspector General
Southeast Region

Audit Report

Food and Nutrition Service Summer Food Service Program Operated by the State of Georgia

Report 27099-63-At
March 2008



UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF INSPECTOR GENERAL
Southeast Region - Audit
401 West Peachtree Street, Suite 2328
Atlanta, Georgia 30308
TEL: 404-730-3210 FAX: 404-730-3221



March 31, 2008

REPLY TO

ATTN OF: 27099-63-At

TO: Donald E. Arnette
Regional Administrator
Food and Nutrition Service

FROM: Raymond G. Poland **/s/**
Regional Inspector General

SUBJECT: Food and Nutrition Service Summer Food Service Program Operated by the State of Georgia

This report presents the results of the subject audit. Your response to the official draft report, dated March 28, 2008, is included as exhibit D, with excerpts and the Office of Inspector General's (OIG) position incorporated into the Findings and Recommendations section of the report.

Based on your response, we were able to reach management decisions on Recommendations 1, 2, 3, 4, 6, 8, 9, 10, and 11. Please follow your internal agency procedures in forwarding final action correspondence to the Office of the Chief Financial officer. Management decisions for Recommendations 5 and 7 can be reached once you have provided us with the additional information outlined in the OIG Position section after each recommendation.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing the planned corrective actions and the timeframes for implementation for those recommendations for which a management decision has not been reached. Please note that regulation requires management decision to be reached on all findings and recommendations within 6 months from report issuance.

We appreciate the courtesies and cooperation extended to us by members of your staff during this audit.

Executive Summary

Food and Nutrition Service Summer Food Service Program Operated by the State of Georgia (Audit Report 27099-63-At)

Results in Brief

The Food and Nutrition Service (FNS) oversees the administration of the Summer Food Service Program (SFSP) and within each State, the State Department of Education or a State-designated agency administers the SFSP to help provide nutritious meals for children, ages 18 years and younger, when school is not in session. They, in turn, rely on local entities known as sponsors to operate the SFSP at one or more sites. The State agency (SA) reimburses these sponsors with Federal funds to cover their administrative and operating costs. The Office of Inspector General (OIG) initiated this audit to evaluate the adequacy of the SA's administration of the SFSP and whether sponsors complied with SFSP regulations and policies.

We reviewed two private non-profit organizations (PNO)—Project New Direction, Inc. (PND) and Restoration Ministries, Inc., (RM)—who had the second and third largest PNO reimbursements in fiscal year (FY) 2005 for the State of Georgia. The two sponsors claimed reimbursement for unsupported expenses, and inflated their meal counts. We identified questionable reimbursements in the amount of \$215,622¹ (17 percent) of the \$1.28 million in program funds both sponsors received for FYs 2005 and 2006 (see Exhibit A).

FNS and SA Need to Improve their Oversight of the SFSP

FNS and the SA need to improve how they oversee sponsors, especially sponsors who are deemed “problematic”² and who have a history of failing to comply with program regulations. For FYs 2005 and 2006, the SA declared 24 private non-profit sponsors as problematic and 16 sponsors as seriously deficient.³ We identified several weaknesses with the current oversight process:

- FNS did not verify whether the SA ensured sponsors corrected problems noted during FNS reviews. FNS lacks procedures for followup on program violations identified in its reviews and ensuring that corrective actions were implemented.
- The SA was not enforcing its own SFSP policy to remove sponsors from the program if their operations were found to be seriously

¹ This amount does not include \$34,830 withheld from the sponsors' August 2006 claim per OIG Management Alert recommendations.

² Title 7, *Code of Federal Regulations* (CFR), Section 225.6.c.2 defines “problematic” as sponsors determined by the SA who have experienced significant operational problems in the prior year.

³ A serious deficient sponsor means a declaration made by the SA for a sponsor who has committed one or more serious deficiencies and has repeated errors/or findings that are serious in nature.

deficient; especially if FNS and SA reviews repeatedly disclosed the same deficiencies over several years.

- The SA lacked controls to prevent sponsors from claiming more meals at their feeding sites than meals approved.
- The SA did not ensure problematic sponsors performed adequate monitoring reviews of their feeding sites.

FNS and the SA need to implement controls to address these weaknesses in order to more effectively remove problem sponsors from the SFSP.

Sponsors Did Not Comply with Program Regulations

PND and RM increased their reimbursement by including block-claiming⁴, serving meals at unapproved sites, claiming more meals than was allowed at approved sites, operating more than the required number of sites, and claiming meals that were not kept at the required temperature. Also, RM claimed 600 meals per serving without a waiver from either the SA or FNS (the maximum number of meals allowed per serving without a waiver is 300).

PND claimed \$11,252 in rental expense for a building it actually owned and claimed \$68,757 in van rental expenses for which it could not provide adequate documentation.⁵ RM claimed \$6,678 in administrative mileage traveled but could only provide documentation for \$2,352 in actual mileage costs.

In total we found the two sponsors received \$215,622⁶ in questionable reimbursements for FYs 2005 and 2006. On September 20, 2006, OIG issued to FNS a Management Alert to inform FNS of these sponsors' violations of SFSP regulations and to recommend that the SA withhold the sponsors' August 2006 SFSP payments. FNS agreed and instructed the SA to withhold the sponsors' August 2006 claims totaling \$34,830.⁷

Recommendations in Brief

To improve the Georgia SFSP operations we are recommending that FNS:

- Establish controls to followup on all reviews of sponsors to ensure corrective actions have been implemented.

⁴ Daily meal count forms that indicate the same number of meals claimed for three or more consecutive days.

⁵ PND provided us invoices for van rental and building expenses that could not be supported. We referred these issues to OIG Investigations, which were discussed with the U.S. Attorney. The U.S. Attorney declined to open an investigation because the monetary amounts did not meet its threshold for prosecution.

⁶ Based upon FNS' written response to the official draft, OIG agrees that certain claimed breakfasts which we initially considered ineligible, are eligible for reimbursement. Consequently, we have reduced the cited overpayment in the final report accordingly.

⁷ The August 2006 reimbursement claim for PND and RM totaled \$14,369 and \$20,461 respectively. RM appealed the SA's decision and its appeal was denied by an Administrative Law Judge.

- Instruct the SA to conduct a followup review of problematic and seriously deficient sponsors and ensure that sufficient corrective actions have been implemented or terminate these sponsors.
- Instruct the SA to evaluate the conditions disclosed during this audit and determine if the two sponsors are seriously deficient in their operations of the SFSP and warrant removal from the program.
- Require the SA to initiate steps to recover \$215,622 in questionable reimbursements received by PND and RM for 2005 and 2006 and disallow their August 2006 claims of \$34,830.

Agency Position

In its response dated March 28, 2008, FNS generally concurred with the findings and recommendations as presented. For Recommendations 5 and 7, FNS did not agree to recover the amounts paid to sponsors for meal counts which we found were either inflated due to block-claiming or ineligible meals that were not maintained in adequate storage.

OIG Position

Based on FNS' response, we were able to reach management decision on Recommendations 1, 2, 3, 4, 6, 8, 9, 10, and 11. Management decision on Recommendations 5 and 7 can be reached once FNS has provided us with the additional information outlined in the report section, **OIG Position**.

Abbreviations Used in This Report

AUP	Agreed Upon Procedures
CAP	Corrective Action Plan
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
DECAL	Department of Early Care and Learning
FNS	Food Nutrition Service
FY	Fiscal Year
OFCO	Office of the Chief Financial Officer
OIG	Office of Inspector General
PND	Project New Direction, Inc.
PNO	Private Non-Profit Organization
PRC	Parks and Recreation Center
RM	Restoration Ministries, Inc.
SA	State Agency
SFSP	Summer Food Service Program
USDA	U.S. Department of Agriculture
YMCA	Young Men's Christian Association

Table of Contents

Executive Summary	i
Abbreviations Used in This Report	iv
Background and Objectives	1
Findings and Recommendations.....	4
Section 1. FNS and the SA Need to Improve Their Oversight of the SFSP.....	4
Finding 1 FNS and the SA Need to Improve Their Oversight of the SFSP	4
Recommendation 1	8
Recommendation 2	9
Recommendation 3	10
Recommendation 4	10
Section 2. Sponsors Did Not Comply with SFSP Regulations.....	12
Finding 2 Two Georgia Sponsors Violated Numerous Program Requirements.....	12
Recommendation 5	24
Recommendation 6	26
Recommendation 7	27
Recommendation 8	28
Recommendation 9	29
Finding 3 Sponsors’ Claim Included Questionable Operating and Administrative	
Costs	29
Recommendation 10	35
Finding 4 Sponsor Used SFSP Program Funds for Purposes Unrelated to the Program	36
Recommendation 11	37
Scope and Methodology.....	38
Exhibit A – Summary of Monetary Results	40
Exhibit B – Locations Visited.....	41
Exhibit C – Questioned Costs	42
Exhibit D – Agency Response	47

Background and Objectives

Background

The U.S. Department of Agriculture's (USDA) Food and Nutrition Service (FNS) administers the Summer Food Service Programs (SFSP) to provide nutritious meals for children, ages 18 years and younger,⁸ when school is not in session. Under the program, free meals that meet Federal nutrition guidelines are provided to all children at approved SFSP 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). The FNS Southeast Regional Office located in Atlanta, Georgia administers the SFSP in the States of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.

Nationwide Administration of State SFSPs

FNS administers the SFSP at the national level. Within each State, the program is administered by the State Department of Education, an alternate State-designated agency, or the appropriate FNS Regional Office. For the State of Georgia, the Georgia Department of Early Care and Learning (DECAL), Bright from the Start administers the SFSP.

Locally, public or private non-profit organizations (PNO) that want to "sponsor" the program apply and are approved by the State agency (SA) to operate the program. These sponsoring organizations sign annual program agreements with the SA and are responsible for overseeing the program operations. Sponsors receive Federal reimbursement from the SA to cover their administrative and operating costs for preparing and serving meals to eligible children at one or more feeding sites.

As part of overseeing how sponsors operate the program, the SA is responsible for developing and disseminating State policy for administering the SFSP; measuring progress in achieving program goals by monitoring local-level SFSP operations; providing sufficient technical assistance, training and guidance to sponsors; and establishing a reimbursement system with appropriate controls. The SA approves which sponsors may participate in the program.

Sponsors enter into a written agreement with the SA to: (1) manage program operations at feeding sites, (2) maintain accurate financial and accounting records, including support for all costs of operating the SFSP, and (3) provide meals that meet program requirements. By meeting program requirements, sponsors are eligible to be reimbursed for associated operating and

⁸ Person(s) aged 19 years and over with physical or mental disabilities may also be eligible.

administrative costs. Reimbursement is limited to the lesser of the sponsors' actual costs; or the number of eligible meals served times a predetermined rate per meal; or costs approved in the sponsors' budgets (for administrative costs only). FNS annually establishes per-meal rates for operating and administrative costs. Sponsors may choose several methods of providing meals: they may prepare and assemble their own meals or obtain meals from a school food authority or a food service management company.

In fiscal year (FY) 2005, nationally, 3,776 sponsors served about 116 million meals at a Federal cost of \$260 million. SFSP dollars spent within the FNS Southeast Region totaled about \$57 million. In FY 2006, 3,748 sponsors served over 116 million meals at a Federal cost of over \$251 million.⁹ SFSP dollars spent within the FNS Southeast Region in FY 2006 totaled about \$55 million.

Sponsors Participating in Georgia SFSP

In FY 2005, 106 sponsors received over \$10 million in Federal funds for participating in Georgia's SFSP. These sponsors operated 1,400 feeding sites and served 4,623,744 meals. In FY 2006, 85 sponsors received over \$9 million in Federal funds, operated 1,316 feeding sites, and served 4,038,920 meals. As part of this audit, we reviewed two of these sponsors—Project New Direction, Inc., (PND) and Restoration Ministries, Inc. (RM)

PND is a self-preparation¹⁰ PNO that has participated in SFSP since FY 2003. Federal funds totaling \$923,913 have been paid to this sponsor since FY 2003. In addition to the SFSP, PND operated other community service-related activities, including programs to provide: (1) job readiness and work ethics training, (2) short term emergency assistance to families in need, and (3) leadership skills to youth. In FY 2005, PND claimed 144,869 meals as served and received \$339,408. In FY 2006, PND claimed 118,650 meals as served and received \$231,456. During reviews, the SA found numerous program violations since FY 2004 including: (1) failure to maintain documentation for expenses, (2) incorrect reporting of operating and administrative costs, (3) failure to properly monitor its feeding sites, (4) inflating the number of meals served, (5) claiming the same number of meals per serving for an entire month (known as block-claiming), (6) serving meals that lacked the required meal components, and (7) serving meals outside of the SA approved times.

⁹ Data for FY 2006 was obtained from a FNS automated system generated estimate.

¹⁰ Self-preparation sponsors are sponsors who prepare the meals to be served at each site and do not contract with a food service management company for unitized meals, with or without milk, or for management services.

RM is a vended¹¹ PNO that has participated in SFSP since FY 2000. Federal funds of \$2,053,834 have been paid to this sponsor since FY 2000. In addition to operating a SFSP, RM operates a number of other community service-related activities, including a group home for teenage girls, RM Christian Church, and The Food Bank. In FY 2005, RM claimed 170,177 meals as served and received \$346,068. In FY 2006, RM claimed 170,976 meals and received \$362,312. Some of the program violations that FNS and the SA found since FY 2004 included: (1) meal counts were not being taken at point of service, (2) feeding sites were not monitored, (3) excess meals were delivered to its sites and sites' meal counts were not adjusted accordingly, (4) adequate records of daily meal counts were not maintained, (5) meals were served at times other than those times approved by the SA, (6) meal components were not maintained at acceptable temperatures, and (7) all of the required meal components were not being served.

Objectives

The primary objectives of our audit were to evaluate the adequacy of the SA's administration of SFSP, and the sponsors' compliance with SFSP regulations and policies. Specifically, we evaluated how well the SA approved sponsor applications, trained and monitored sponsors, and processed their reimbursements. We also evaluated sponsor compliance with program requirements.

¹¹ Vended sponsors are sponsors who purchase unitized meals, with or without milk, from a food service management company which it will serve at its site(s).

Findings and Recommendations

Section 1. FNS and the SA Need to Improve Their Oversight of the SFSP

Finding 1

FNS and the SA Need to Improve Their Oversight of the SFSP

FNS and the SA need to improve how they oversee sponsors in the Georgia SFSP, especially sponsors who have already been classified as “problematic.”¹² FNS has delegated the task of overseeing problematic sponsors to the SA but has not followed up to verify that the SA’s oversight is adequate. Also, the SA was not following its own policy to terminate problematic sponsors from the SFSP. Due to this lack of oversight, we found that in FYs 2005 and 2006, the two problematic sponsors we reviewed claimed \$1.28 million in SFSP funds of which we concluded \$215,622 was unallowable.¹³

According to Federal regulation, FNS acts on behalf of the USDA in the administration of the SFSP and SAs enter into written agreements with FNS for the administration of the program.¹⁴ Part of the SA’s responsibility is performing a review of sponsors and sites to ensure compliance with program regulations.

We selected for review two PNOs—PND and RM—because they had the second and third largest PNO reimbursements in FY 2005 for the State of Georgia. Also, both sponsors had a history of serious deficiencies in their operations based on reviews conducted by FNS and the SA.

We found that FNS and the SA had not established adequate management controls over sponsors’ operations. These control weaknesses included: (1) FNS lacked an effective system for ensuring corrective actions for program violations found during their reviews had been implemented, (2) SA allowed these sponsors to participate in the program even though prior reviews had noted serious deficiencies with the sponsors’ operations and the agency had not confirmed that corrective actions had been implemented, and (3) SA lacked an effective system for verifying that sponsors do not exceed their maximum number of meals.

¹² Title 7, *Code of Federal Regulations* (CFR), section 225.6.c.2 defines “problematic” as a sponsor who has experienced significant operational problems in the prior year.

¹³ We questioned \$250,452 claimed by the two sponsors; however, their August 2006 claims totaling \$34,830 were withheld by the SA per OIG Management Alert recommendations.

¹⁴ 7 CFR, section 225.4 (d) (4).

FNS Needs To Ensure Corrective Actions for Program Violations Have Been Implemented

FNS, in coordination with the SA, performs reviews of sponsors classified as problematic and those sponsors in their second year of operation in the SFSP. For FYs 2005 and 2006, FNS conducted 132 reviews and forwarded the results to the SA for follow up to ensure sponsors implemented corrective actions. FNS delegated the task of overseeing implementation of sponsors' corrective actions to the SA (Bright from the Start). However, FNS lacks procedures to followup with the SA to ensure corrective actions were implemented. FNS conducted a review of one (RM) of the two sponsors the Office of Inspector General (OIG) reviewed and identified serious deficiencies; however, FNS did not verify that the deficiencies were corrected.

Additionally, the SA is required to review sponsors to ensure they are complying with program regulations.¹⁵ When the SA observes violations of program regulations, it requires the sponsors to take corrective action. If the SA observes a high level of meal service violations, then the sponsors should follow up with a specific and immediate corrective action plan (CAP). In such cases, the SA is either to conduct a followup visit or in some other manner verify that the specified corrective action has been taken.¹⁶

If the SA determines that a sponsor has committed one or more deficiencies, they will provide the sponsor with a notice of the serious deficiencies and an opportunity to take corrective action. Failure to fully and permanently correct the serious deficiencies within the allotted time will result in the SA's denial of the sponsor's application and the disqualification of the sponsor from future participation in the program.¹⁷ For FYs 2005 and 2006, the SA declared 24 private non-profit sponsors as problematic and 16 sponsors as seriously deficient.¹⁸

We found the following deficiencies from our review of the two sponsors.

Project New Direction, Inc.

The SA and independent certified public accountant's (CPA) reviews of this sponsor show a history of serious deficiencies.

An independent CPA report received December 28, 2004, for the period June 14, 2004, through August 13, 2004, found that the sponsor (1) failed to maintain documentation for expenses, (2) incorrectly reported operating and

¹⁵ 7 CFR, section 225.7 (2).

¹⁶ 7 CFR, section 225.11 (f).

¹⁷ DECAL Policy No: SFSP/04-15.

¹⁸ A serious deficient sponsor means a declaration made by the SA for a sponsor who has committed one or more serious deficiencies and has repeated errors/or findings that are serious in nature.

administrative costs, (3) failed to properly monitor its feeding sites, and (4) incorrectly reported the number of meals it served. The sponsor submitted a CAP on April 26, 2005, to address the review. The SA found that the sponsor's CAP was sufficient and allowed the sponsor to participate in the FY 2005 SFSP.

The SA conducted its review of the sponsor's FY 2005 SFSP operations on July 7, 2005, and performed a subsequent review on August 23, 2005, and found that the sponsor: (1) claimed the same number of meals per serving for an entire month (known as block-claiming); (2) served meals that lacked required components; (3) served meals outside of its approved times; (4) served meals at an unsuitable site because it lacked the appropriate storage facilities; (5) submitted incorrect daily meal counts; (6) did not maintain daily meal count records on site; (7) served adults and claimed these meals for reimbursement; and (8) allowed adults to remove meals from the premises and consume them off site. The SA found the sponsor seriously deficient¹⁹ and required a program refund of \$11,076. This money was withheld from the sponsor's July 2005 reimbursement payment. The sponsor and the SA developed a CAP on August 23, 2005.

Also, the SA received another independent CPA report on December 9, 2005, for the period May 31, 2005, through August 12, 2005. It found that the sponsor failed to correctly report operating and administrative costs; resulting in the sponsor being required to refund \$4,725 to the SA.

The SA, on April 5, 2006, declared this sponsor seriously deficient for failure to respond to the CPA's findings and to refund the \$4,725 owed. The sponsor responded on April 13, 2006, by submitting a CAP along with a repayment plan to the SA. Even though the sponsor was still considered seriously deficient because it had not refunded the \$4,725 owed, the SA again approved the sponsor's application for the FY 2006 SFSP because the sponsor had submitted another CAP and repayment plan. Further, on June 9, 2006, the SA gave the sponsor a \$40,000 advance for operating and administrative expenses. The SA on June 26, 2006, agreed with the sponsor's CAP and repayment plan and rescinded its seriously deficient determination. The sponsor paid the \$4,725 resulting from the CPA's findings to the SA on June 30, 2006. The SA classified PND as a problematic sponsor for the FY 2006 SFSP.

Our review of PND found that it committed the same SFSP violations for FYs 2005 and 2006. In fact, we found additional SFSP violations in the sponsor's FY 2006 operation during our review (we discuss these problems in Section 2).

¹⁹ 7 CFR, section 225.11.c and DECAL Policy No. SFSP/04-15 defines as a sponsor who has committed one or more serious deficiencies and has repeated errors/or findings that are serious in nature.

Restoration Ministries, Inc.

In FYs 2004 and 2005, RM was classified as a problematic sponsor. However, in FY 2006, the SA classified this sponsor as an experienced sponsor²⁰ although an FY 2005 FNS review found that the sponsor; (1) was not monitoring its sites as required, (2) was delivering excess meals to its sites and was not adjusting sites' meal counts accordingly, (3) was not maintaining adequate records of daily meal counts, (4) was not lowering the meals ordered for one site as suggested by the site supervisor, (5) was serving meals at times other than those approved by the SA, (6) was not maintaining food at acceptable temperatures, and (7) was not serving all required food components with meals.

FNS recommended that the sponsor perform additional site visits to its feeding sites to ensure future compliance. FNS forwarded the results of its review to the SA for followup and to ensure that the sponsor's corrective actions had been implemented. The SA required RM to develop a CAP. The sponsor submitted its CAP to the SA which was approved. Because of our ongoing review, the SA did not conduct a followup visit for the FY 2006 SFSP. However, our review of RM found that many of the problems noted in FY 2005 continued into FY 2006 (we discuss these problems in section 2).

The SA has procedures in place to remove sponsors from the program if it concludes they are "seriously deficient." The agency defines serious deficiencies as (1) submitting false information to the SA, (2) failing to maintain adequate records, (3) failing to adjust meal orders to conform to the number of participants, and (4) claiming reimbursement for meals not served to program participants.²¹ According to these definitions, PND and RM was "seriously deficient" in FYs 2005 and 2006. In fact, as we discuss in detail in Section 2, we found that both sponsors had multiple violations in all four categories. Given these deficiencies, we conclude that the SA should take action to enforce its procedures and remove PND and RM from the program.

The SA Needs To Improve Controls for Preventing Sponsors from Claiming More Than Their Approved Maximum Number of Meals

The SA lacks controls for verifying that sponsors do not claim more meals than they are allowed to serve at any given site. This occurred because the agency allows sponsors to submit a monthly consolidation of the number of meals they served at all of their sites. Therefore, the SA does not have the detailed information by site, to evaluate meals claimed to the number allowed to be served at the site. Thus, sponsors were able to claim reimbursement for more meals than they were allowed to serve. As we discuss in Finding 2, we

²⁰ 7 CFR, section 225.2 defines as a sponsor who has participated in the program in the prior year with no adverse findings.

²¹ 7 CFR, section 225.11.c and DECAL Policy No. SFSP/04-15.

found that the two sponsors claimed 44,116 meals more than the maximum allowed at their sites.

The SA approves each site to serve no more children than its facilities can accommodate.²² The sponsor may seek an upward adjustment in the approved level for its sites by requesting a site review or by providing the SA with evidence that attendance exceeds the sites' approved levels.²³ Sponsors may not claim reimbursement for meals served in excess of the site's approved level of meal service.²⁴

The SA's web-based system for reimbursing sponsors did not include a control for comparing the number of meals sponsors claim at each site with the maximum number of meals allowed. Sponsors key in three numbers each month: the combined total number of meals they claim for (1) breakfast, (2) snack, and (3) lunch from all of their sites. Allowing the sponsors to combine the number of meals served for all of their sites means that the SA cannot compare the actual number served with the maximum number allowable at any particular site.

The SA should take steps to correct this control weakness. Requiring sponsors to submit the number of meals they serve at each site and designing edit checks in its web-based system to compare these numbers with the maximum number of meals allowed will give the SA improved control over meal reimbursements.

Overall, FNS and the SA could significantly improve their oversight of how sponsors operate the program, by ensuring that sponsors correct deficiencies identified during reviews and improving its controls for verifying that sponsors do not exceed their maximum meals allowed at any given site.

Recommendation 1

Establish controls to follow up with the SA on all of its reviews of sponsors to ensure corrective actions have been implemented.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. In FY 2006, FNS [Southeast Regional Office] implemented new SA oversight procedures including oversight of Georgia DECAL to ensure that sponsors take appropriate corrective actions or that the sponsors are terminated. * * *

²² 7 CFR, section 225.6.d.1.iii.

²³ 7 CFR, section 225.6.d.2.iii.

²⁴ 7 CFR, section 225.9.f.

OIG Position. We accept FNS' management decision on this recommendation. To achieve final action, FNS needs to inform the Office of the Chief Financial Officer (OCFO) that the new procedures have been implemented.

Recommendation 2

Instruct the SA to conduct a followup review of problematic and seriously deficient sponsors and ensures that sufficient corrective actions have been implemented or terminate these sponsors.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. In 2006, GA DECAL revised its [seriously deficient] SD procedures and shortened the timeframe for terminating problem sponsors. The revision eliminated the Intent to Terminate step and states that the SD rescission is contingent upon a successful CAP and adherence to a repayment plan, if required. * * * Additionally, in May 2007, [GA] DECAL entered into a contract with CN Resource, LLC. This contract provides additional resources to [GA] DECAL so that problematic sponsors are reviewed earlier in their program operation and, if needed, follow up reviews are conducted during the same program year. CN Resource submits reports to [GA] DECAL within 5 days of the completion of a review. * * * If the sponsors do not provide appropriate corrective actions, then procedures are implemented to terminate these sponsors.

Also, during the comprehensive [Management Evaluation] ME of GA DECAL in May 2008, FNS will further evaluate [GA] DECAL's review and closure process to ensure that appropriate corrective actions are taken or the sponsors are terminated.

OIG Position. We accept FNS' management decision on this recommendation. To achieve final action, FNS needs to inform OCFO that the revised SA procedures have been implemented and, when completed, advise OCFO of the results of its comprehensive evaluation review of GA DECAL scheduled for May 2008.

Recommendation 3

Instruct the SA to evaluate the conditions disclosed during this audit and determine if the two sponsors are seriously deficient in their operations of the SFSP and warrant removal from the program.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. SFSP regulations and 7 CFR Part 225.11(c) prohibits a SA from entering into an agreement with any institution which has been found seriously deficient in its operation of any child nutrition program. The regulation also requires a sponsor to demonstrate, to the satisfaction of the SA, appropriate corrective action to prevent recurrence of the serious deficiencies prior to being allowed to participate in the SFSP after being found seriously deficient and/or terminated.

GA DECAL is aware of these requirements and neither of these sponsors is currently participating in SFSP. One sponsor applied to participate in the SFSP in 2007 and was denied participation by GA DECAL due to the findings identified in this audit. If these sponsors should reapply for future participation in the SFSP, FNS will work with GA DECAL to ensure the deficiencies have been permanently corrected and follow through with the prescribed regulatory process. If corrective action is not sufficient, GA DECAL will continue to deny participation in the SFSP.

OIG Position. We accept FNS' management decision on this recommendation.

Recommendation 4

Instruct the SA to establish controls in its web-based system to identify meal counts that exceed the approved levels multiplied by days of operation and followup on meal counts that exceed this control.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. In May 2007 GA DECAL implemented a web-based site-level claiming system. GA DECAL's claim system contains site-level data for approval of meal count levels and days of operation. GA DECAL's current claim system has a business rule that will reject a sponsor's claim

if the monthly total for a site exceeds the maximum number of meals approved for the month.

OIG Position. We concur with FNS' management decision for this recommendation. To achieve final action, FNS needs to inform OCFO that the SA has implemented its new web-based site-level claiming system.

Section 2. Sponsors Did Not Comply with SFSP Regulations

PND and RM claimed reimbursement for excessive and questionable expenses by inflating their meal counts and claiming greater expenses than their documentation could support. We recalculated the sponsors FY 2005 and 2006 SFSP claims and found questionable reimbursements totaling \$215,622 (17 percent) of the \$1.28 million in reimbursements received.

The sponsors' reimbursement for operational and administrative expenses is limited to the lesser of the sponsors' actual costs or the number of eligible meals served times a pre-determined rate for each meal type (see exhibit C).²⁵

We determined that PND and RM claimed and received \$98,396 and \$117,226 respectively in FYs 2005 and 2006 SFSP funds for which they were not entitled. See Exhibit C for details.

On September 20, 2006, OIG issued to FNS a Management Alert to inform FNS of these sponsors' violations of SFSP regulations and to recommend that the SA withhold the sponsors August 2006 SFSP payments. FNS agreed and instructed the SA to withhold the sponsors' August 2006 claims totaling \$34,830. The program violations committed by the two sponsors and described in Findings 2 and 3 include the sponsors' August 2006 claim. Therefore, we are making separate recommendations to disallow the sponsors' August 2006 claims (PND - \$14,369 and RM - \$20,461).

In this section, we describe (1) the methods the two sponsors used to inflate their meal counts (Finding 2) and (2) the questionable and unsupported operating and administrative expenses (Finding 3). The sponsors received the lesser of meals served times a pre-determined rate or actual operating and administrative expenses.

Finding 2 Two Georgia Sponsors Violated Numerous Program Requirements

The two sponsors we reviewed—PND and RM—inflated their meal counts and claimed excessive operating and administrative expenses. The SA lacks the necessary controls to ensure that sponsors are submitting accurate meal counts and operating expenses. Consequently, due to these weaknesses in the SA's controls, the two sponsors received \$215,622 in questionable reimbursements for FYs 2005 and 2006.

²⁵ 7 CFR, section 225.9.d.7

When sponsors are accepted into the program, they agree to comply with all program regulations. In particular, they agree to submit accurate and true claims to the SA for reimbursement.²⁶

Our review disclosed that PND and RM inflated their meal counts by: (1) claiming more meals than we observed during our site visits, (2) block-claiming meals, (3) claiming reimbursement for more than the maximum number of meals allowed for a given site, (4) claiming more than 300 meals per serving without a waiver, (5) claiming reimbursement for incomplete meals, (6) operating more than the maximum number of sites, and (7) claiming reimbursement for meals for feeding sites that did not have adequate storage facilities. See tables 1 and 2 for the number of meals by type that were over-claimed for each sponsor.

Table 1

Project New Direction, Inc. – Summer Food Service Program Meals Served						
	Per Sponsor	Per OIG		Per Sponsor	Per OIG	
	Breakfast	Breakfast	Over-Claim	Lunch	Lunch	Over-Claim
FY 2005	45,684	36,086	9,598	99,185	89,259	9,926
FY 2006	36,299	24,221	12,078	82,351	55,768	26,583
Totals	81,983	60,307	21,676	181,536	145,027	36,509

Note: See Exhibit C, page 5 for the number of meals by type per program violation.

Table 2

Restoration Ministries Inc. - Summer Food Service Program Meals Served²⁷						
	Per Sponsor	Per OIG		Per Sponsor	Per OIG	
	Breakfast	Breakfast	Over-Claim	Lunch	Lunch	Over-Claim
FY 2005	44,799	42,746	2,053	93,151	86,672	6,479
FY 2006	57,884	43,236	14,648	92,430	61,377	31,053
Totals	102,683	85,982	16,701	185,581	148,049	37,532

Note: See Exhibit C, page 5 for the number of meals by type per program violation.

²⁶ SFSP Sponsor/DECAL Agreement-Updates dated April 14, 2006, Agreement for Participation in the SFSP, Federal FY 2006; Sponsor Responsibilities No. 11.

²⁷ Table 2 does not include over-claims for snacks, which was 10,494 for FY 2005 and 444 for FY 2006.

The following conditions describe the methods the sponsors used to inflate their meal counts.

Sponsors Claimed More Meals than We Observed During Our Site Visits

During the summer of 2006, we made site visits to 16 of the 2 sponsors' 56 feeding sites to observe their operations and to verify meal counts. When we reviewed the forms the sponsors used to claim reimbursements for the sites we visited, we found that, for the days we visited, the 2 sponsors inflated their meal counts by 545 meals for 8 of the 16 visited sites. RM inflated their meal counts by 100 breakfast and 359 lunches and PND inflated their meal counts by 37 breakfasts and 49 lunches.

For instance, at 1 site operated by PND we observed 33 breakfast meals being served. However, we found that the sponsor claimed that 70 breakfast meals were served. The sponsor also inflated the number of meals served for lunch at this site. We observed 60 meals served but the sponsor claimed 100.

When we questioned the sponsor concerning discrepancies between the site supervisor's count and the sponsor's claim for reimbursement, the sponsor claimed that the site staff did not accurately complete the meal count forms. The sponsor's director could not, however, provide us with any evidence supporting the differences in the number of meals claimed.

Sponsors Block-Claiming Meals

The two sponsors reviewed would often "block-claim" their meal counts. Block-claiming is the practice of claiming the same number and type of meals served every day for three or more days, instead of actually counting the number of children served. Block-claiming is considered sufficient grounds for a sponsor's termination from SFSP.²⁸

For the sponsors' feeding sites we visited, we found evidence of block-claiming since the meal counts were higher, 5 days prior to our visit and 5 days after our visit compared to the day of our visit. The sponsors were claiming the same number of meals served every day for three or more days. We reviewed the meals claimed for those sites with evidence of block-claiming for the entire FY 2006 SFSP and we concluded²⁹ that PND block-claimed 9,812 meals (4,872 breakfasts and 4,940 lunches) and RM block-claimed 4,485 meals (2,710 breakfasts, 1,545 lunches, and 230 snacks) (see tables 3 and 4 below).

²⁸ DECAL Policy Number SFSP/04-15, the definition of a "serious deficiency" to disqualify a sponsor from the program includes excessive and/or repeat instances of block-claiming at a significant proportion of the sponsor's sites.

²⁹ Based on OIG site visits.

Table 3

Project New Direction, Inc. – Block-Claimed Meals for FY 2006		
	Breakfast	Lunch
College Park Recreation (Brady)		2,203
East Point Recreation (Jefferson)	1,527	
Martel Homes	3,345	2,737
TOTALS	4,872	4,940

Table 4

Restoration Ministries, Inc. – Block-Claimed Meals for FY 2006			
	Breakfast	Lunch	Snack
Southside Parks and Recreation Center (PRC)/Village Keepers		237	230
Step of Faith		666	
Snapfinger Elementary School	979		
New Life Christian		642	
Hapeville Recreation	487		
Youth Under Construction	1,244		
TOTALS	2,710	1,545	230

Sponsors Claimed Reimbursement for More than the Maximum Number of Meals Allowed at Their Sites

PND and RM claimed reimbursement for more than the maximum approved number of meals at their sites. This occurred because the SA lacked controls to compare the actual number of meals claimed at a site with the maximum number of meals approved for that site (see Finding 1). Due to this control weakness, PND and RM claimed 44,116 more meals than the maximum approved number.

Program guidelines require that a site should not serve more than the number of children for which its facilities are adequate. The approved maximum number of meals to be served under the program is to be established by the SA during the site’s application process.³⁰

³⁰ 7 CFR, section 225.6.d.1.iii.

By comparing sponsors' claims for reimbursement with the maximum number of meals approved at their sites, we found that both sponsors exceeded their maximum number of approved meals in FYs 2005 and 2006:

- PND claimed 15,084 (7,378 breakfasts and 7,706 lunches) (FY 2005) and 3,512 (265 breakfasts and 3,247 lunches) (FY 2006) more meals than the maximum approved number (see table 5).
- RM claimed 19,026 (2,053 breakfasts, 6,479 lunches, and 10,494 snacks) (FY 2005) and 6,494 (2,980 breakfasts, 3,506 lunches, and 8 snacks) (FY 2006) more meals than the maximum approved number (see table 6).

Table 5

PND Claiming More Meals Than Maximum Allowed For FYs 2005 and 2006				
Meal Type Disallowed	2006		2005	
	Breakfast	Lunch	Breakfast	Lunch
Agape Community Center	0	0	1,420	1,434
Big Miller Grove	50	84	62	124
Camp of Champions	0	0	148	0
Chapel Run	0	0	0	26
College Park Recreation (Brady)	0	0	603	802
Eagles Run	0	0	0	1
Destiny Christian Center	22	0	0	0
Global All-Stars	0	2,968	392	900
Hidden Cove	0	0	0	1
Martel Homes	193	185	2,599	0
Precious Cargo	0	10	100	108
The Marquise	0	0	0	1,737
New Piny Grove	0	0	10	0
Allen Wilson (#1)	0	0	0	125
Riverwood Apartments	0	0	0	35
Riverwood Club	0	0	0	1,299
Robbins Crest	0	0	0	1,075
Wheat Street Gardens	0	0	2,044	39
TOTALS	265	3,247	7,378	7,706

Table 6

RM Claiming More Meals Than Maximum Allowed For FYs 2005 and 2006						
Meal Type Disallowed	2006			2005		
	Breakfast	Lunch	Snack	Breakfast	Lunch	Snack
Atherton Elementary	180	360	0	0	0	0
Breman Parks and Recreation	0	0	0	40	46	0
Camp Cornerstone	2,002	1,999	0	1,813	1,912	0
Celebration Church	0	234	0	0	2,104	206
Forest Park Recreation Center	0	3	0	0	0	0
Showbiz Summer Camp	798	910	0	0	0	0
Southside PRC/Village Keepers	0	0	8	0	2,020	2,020
Etheridge Court/Rollins Bend	0	0	0	0	0	7,892
Paradise Apartments/Feed Kid Summer Food	0	0	0	0	165	376
Step of Faith	0	0	0	200	198	0
West Carrollton Parks/Recreation	0	0	0	0	34	0
TOTALS	2,980	3,506	8	2,053	6,479	10,494

Sponsors Claimed Reimbursement for More Than 300 Meals Per Serving Without Waiver

Waivers are required if a sponsor wishes to serve more than 300 children at a single site, yet we found that RM was claiming and receiving reimbursement for 600 meals per serving without a waiver from either the SA or FNS. Again, ultimately, this occurred because the SA lacks controls to compare the number of meals claimed with the number approved for that site (see Finding 1). Due to this control weakness, RM claimed 16,348 (7,688 breakfast and 8,660 lunches) more meals than approved for the site for FY 2006 SFSP.

PNO sponsors may not serve more than 300 children at any approved meal service at any single site, unless there is a waiver granted by the SA. The State may only grant such a waiver for up to 500 children.³¹ Only the FNS Regional Office may approve a waiver to allow a PNO sponsor to serve more than 500 children at any one site.³²

RM was approved to serve no more than 300 meals per serving breakfast and lunch for its South Dekalb Young Men’s Christian Association (YMCA) feeding site. However, the sponsor claimed 600 meals per serving for

³¹ 7 CFR, section 225.14 (d)(6)(i)(A) and (B).

³² USDA, FNS 2006 Administrative Guidance for Sponsors.

breakfast and lunch at that site from June 12 to July 14, 2006. The sponsor submitted a request for a waiver to the SA on July 14, 2006, seeking permission to serve 600 meals per serving. The SA conducted a site review on July 17, 2006, and observed that attendance was lower than the sponsor's request. The SA observed 377 meals served for lunch during their visit although the sponsor claimed 600 meals for this date. SA officials noted that because of our on-going review, they did not take any action. In addition, we observed 250 and 196 meals served for lunch, respectively, during our July 20, 2006, and August 1, 2006, site visits. The SA denied the sponsor's waiver request on July 31, 2006, and capped their maximum allowable amount at 380.

Even after the waiver request was denied, the sponsor continued to claim more than the maximum number of meals approved for this site. The sponsor continued to claim more than 380 meals at the site, and claimed up to 400 lunches per serving.

Sponsor Claimed Reimbursement for Incomplete Meals

FNS regulations require that meals served to children as part of SFSP include certain nutritious foods, including milk; however, during the month of July 2006, RM claimed reimbursements for 875 (150 breakfasts, 519 lunches, and 206 snacks) meals that did not include the required meal components for the site visit days we observed. This occurred because a vendor failed to deliver milk to three of the sponsor's feeding sites.

FNS provides guidelines to sponsors defining what items must be included in order for a meal to be considered reimbursable. For a breakfast or lunch to qualify as a reimbursable meal, it must contain one serving of milk, one or more servings of vegetables or fruits, and one serving of grain or bread.³³

On July 31, 2006, three of RM sites—Southside PRC/Village Keeper, Summit Family YMCA, and South Dekalb YMCA—did not receive the milk they needed to serve complete meals. A vendor had informed the sponsor that he would be unable to deliver milk to these sites. The vendor along with the site supervisors informed us that milk had not been delivered to their sites. Although the sponsor stated that she knew she should not have claimed reimbursement for these incomplete meals, she decided to do so anyway, and would give no further explanation.

³³ 7 CFR, section 225.16 (d).

Sponsors Claimed and Received Reimbursement for Meals Served at More Than 25 Sites

PND and RM both claimed and received reimbursement for meals served at more than 25 sites for the 2006 SFSP. This occurred for two reasons: (1) PND operated 4 additional sites that were not approved by the SA, and (2) officials at the SA approved 1 additional site for RM and one for PND even though the sponsors would exceed the maximum 25 sites they were allowed to operate. As a result, these two sponsors were able to claim 26,890 ineligible meals.

According to program guidelines, private non-profit sponsors are to serve meals at no more than 25 sites.³⁴ We found, however, that these two sponsors claimed meals being served at six additional sites:

- PND was operating 25 approved sites, but claimed meals from another 5 sites, 1 additional site approved by the SA and 4 the SA was unaware of and had not approved. When we asked SA officials why they had approved this additional site, they stated this occurred due to an administrative oversight. They agreed that this additional site should not have been approved. During our site visits we identified that satellite sites were being used to serve children. At one of the satellite sites (East Point Recreation Center), the site supervisor stated that the sponsor delivers the lunch meals to the SA approved site and the other satellite site personnel are required to come over and pick up their lunches. For these 5 additional sites, PND claimed 4,440 (2,220 breakfasts and 2,220 lunches) (FY 2005) and 20,410 (6,904 breakfasts and 13,506 lunches) (FY 2006) ineligible meals (see table 7).
- RM also operated 1 additional site beyond the 25 it was approved to manage. When we asked SA officials why they had approved this additional site, they stated this occurred due to an administrative oversight. They agreed that this additional site should not have been approved. Due to this oversight, RM was able to claim 2,040 (1,020 breakfasts and 1,020 lunches) additional meals (see table 8).

³⁴ 7 CFR, section 225.14 (d)(6)(A).

The following tables show the meals claimed by the two sponsors for unapproved feeding sites.

Table 7

PND Operating More Than 25 Sites for FYs 2005 & 2006				
Meal Type Disallowed	2006		2005	
	Breakfast	Lunch	Breakfast	Lunch
Community in Unity	1,696	2,225	0	0
East Point Recreation Center (Sumner)	0	1,066	0	0
East Point Recreation Center (Green)	0	3,542	0	0
College Park Recreation (Conley)	5,208	5,557	2,220	2,220
Allen Wilson (#2)	0	1,116		
TOTAL	6,904	13,506	2,220	2,220

Table 8

RM Operating More Than 25 Sites for FYs 2005 & 2006				
Meal Type Disallowed	2006		2005	
	Breakfast	Lunch	Breakfast	Lunch
Beyond the Bell	1,020	1,020	0	0
TOTAL	1,020	1,020	0	0

Sponsors Did Not Ensure That Meals Were Transported and Stored At Required Temperatures

We observed during our site visits that PND and RM did not ensure that two feeding sites had adequate facilities for storing or holding meals. The sponsors were aware of the lack of adequate storage facilities, but did not take corrective action to address the problems. As a result, the two sponsors served 20,285 lunch meals in FY 2006 that should not have been claimed.

FNS requires that sponsors ensure adequate facilities are available for storing food or holding meals.³⁵

Feeding sites operated by both sponsors served lunches that had been delivered with the day's breakfasts and had not been properly refrigerated.

³⁵ 7 CFR, section 225.16 (a) and 16 (c)(5).

During our site visits to South Dekalb YMCA (a RM site) on July 20, 2006, and August 1, 2006, we observed the sponsor delivering meals to the site in an un-refrigerated truck and storage containers without cooling devices.

The meals were delivered at approximately 7:30 a.m. and stored in an open area for more than 4 hours for the lunch meal and served to the children. This site has no facilities to refrigerate meals being delivered. The meals remained without ice on the floor for over 4 hours after breakfast had been served (see photo 1 for illustration). As a result, this sponsor claimed 15,444 lunch meals that should have not been served to children.

The SA also visited the South Dekalb YMCA feeding site on July 17, 2006, and noted that the site lacked adequate refrigeration but did nothing to bring the site into compliance with SFSP regulations. SA officials stated that they were awaiting the completion of our review and receipt of our report before they took any actions.

Photo 1
Source: OIG
Meals Without Adequate Refrigeration for Over 4 Hours –
8/1/2006



In addition, we found that Global All-Stars (a PND site) did not have adequate facilities to refrigerate meals delivered. Meals were found in a non-operational refrigerator that had a broken door that remained opened throughout our site visit. Also, we found leftover milk and juices on the floor prior to and after meals were served. We notified the sponsor of the serious deficiencies found at this site. The sponsor stated that this did not surprise her because of prior history of problems with this site and she would notify the site supervisor of these program violations. As a result this sponsor claimed 4,841 lunch meals that should have not been served to children (see photo 2 below for illustration).

Photo 2
Source: OIG
Global All-Stars During Lunch Meal Service 8/1/2006



We concluded that 20,285 meals served by these two sponsors for the two sites did not meet FNS' requirements for appropriate transportation, storage, and preparation. The SA should disallow the meals claimed for these two sites.

In conclusion, the two sponsors claimed and received questionable reimbursement of \$215,622 (\$98,396 for PND and \$117,226 for RM) in FY 2005 and 2006 SFSP funds for which they were not entitled. In addition, the program violations by the two sponsors include their August 2006 claim of \$34,830 (\$14,369 for PND and \$20,461 for RM) that was withheld by the SA based on OIG Management Alert recommendations. We recalculated the sponsors' FY 2005 and 2006 SFSP reimbursement claims by reducing the number of meals by type and unsupported operating and administrative expenses (see Exhibit C for more details).

Recommendation 5

Instruct the SA to recover \$98,396 in questioned costs from Project New Direction, Inc.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with the audit finding and directing the SA to recover questioned costs from Project New Direction, Inc. After reviewing the OIG audit work papers supporting this finding, we will direct GA DECAL to recover \$59,715 from the sponsor for the reasons discussed below.

Block-claiming of meals by program sponsors is a serious problem which may indicate misreporting of meal participation. Submitting false information, including claiming program payments for meals not served to participating children, is grounds for disqualifying a sponsor from the Program. This finding, among others, is a contributory factor in denying future participation in the SFSP to Project New Direction, Inc., (unless it can be demonstrated that the many deficiencies cited have been permanently corrected).

It has been the longstanding position of FNS, and one fully supported by our Office of general Counsel, to establish (or require State agencies to establish) claims based on meals that are actually documented on-site as improperly claimed or served. As you are aware, one of the guiding principles of Federal debt recognition is that the full amount billed should be both supportable and legally enforceable. In general, it is FNS policy not to establish claims based on statistical projection or extrapolation of findings. Claims are only based on the amounts that can be fully supported and documented during actual site visits.

Regarding the service of meals that were not held or transported at proper temperatures, we can only concur with disallowing those meals that were actually observed by the auditors as being served and subsequently claimed by the sponsor(s). There was no documentation in the audit work papers to indicated that meals were actually sampled by the auditors (i.e., temperatures were taken) to determine if they tested outside the prescribed criteria for an allowable meal. Without such testing and documentation, it can not be determined with certainty that meals served were unallowable. We will work the GA DECAL to ensure that all sponsors participating in the SFSP are aware of and fully

implement procedures to store and transport meals according to Program requirements. The SA will remind all potential SFSP sponsors of these requirements by June 1, 2008.

OIG Position. We concur with FNS' decision to direct the SA to recover questioned costs from the sponsor for: (1) claiming more meals than the number we observed during our site visits, (2) claiming reimbursement for more than the maximum number of meals allowed for a site, (3) claiming more than 300 meals per serving without a waiver, and (4) operating more than the maximum number of sites allowed for a non-profit sponsor. However, before we can concur with the amount FNS agreed to recover (\$59,715), FNS needs to provide for our review and concurrence documentation supporting FNS' calculations for these questioned costs. Also, we request that FNS reconsider its position on block-claiming and the inadequate storage of meals served to program participants for the following reasons.

Both FNS and the SA had prior knowledge of these sponsors' serious operating deficiencies, yet did not establish adequate controls to ensure compliance with program regulations. The SA visited PND during its 2005 operating year and found many serious deficiencies, including (1) claiming of the same number of meals per serving (block-claiming), (2) improper storage at site for meals, and (3) incorrect daily meal counts. FNS visited RM in 2005 and found similar deficiencies, including (1) delivery of excess meals to its sites, (2) inaccurate records of daily meal counts, and (3) not maintaining food at acceptable temperatures.

SA policy prohibits block-claiming and Federal regulations 7 CFR 225.15(c)(1) states, in part, that sponsors shall maintain accurate records which justify all costs and meals claimed. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. Our review of the records maintained by the sponsor to support meal counts for the days prior to our visit, the day of our visits, and the subsequent days after our visit, disclosed that the sponsor could not support the number of meals claimed.

Regarding food storage, it is the sponsor's responsibility to ensure that each of its sites has adequate facilities to store meals if the meals are delivered 1-hour or more prior to meal service. We found during our visit to one of PND's feeding sites (Global All-Stars) that the facility had a non-operational refrigerator; the site supervisor informed us that the refrigerator was non-operational the entire summer. Meals were delivered to this site, however, more than 1-hour prior to meal service. For the other sponsor, RM, one site we visited (South Dekalb YMCA) did not have a refrigerator to store meals. We also observed meals being delivered to this site more than 1-hour prior to

meal service. Furthermore, the SA also reported that the site did not have refrigeration, yet no corrective action was taken to ensure meals were properly stored prior to being served to children. The South Dekalb YMCA, in its application for the program, stated that it did not have refrigeration to store meals; the application was approved by both the sponsor and the SA.

The conditions we observed on the days of our site visits, were not anomalies. Meal delivery receipts for the entire 2006 summer program show that lunch meals were delivered to both feeding sites more than 1-hour prior to the approved meal serving period. Those receipts showed that both breakfast and lunch meals were delivered about 7:30 a.m., however, lunch was not served until 11:30 a.m.

Federal regulations 7 CFR 225.16(c)(5) states, in part, that meals which are not prepared at the food service site shall be delivered no earlier than 1-hour prior to the beginning of the meal service (unless the site has adequate facilities for holding hot or cold meals within the temperatures required by State or local health regulations) and no later than the beginning of the meal service.

FNS advises that recovery of payments to sponsors for excessive meal claims is limited to amounts that can be fully supported and documented **during actual site visits** (emphasis added). It is not realistic to have an OIG auditor, FNS official, or a SA employee present at all sponsors' feeding sites for the entire summer program as the only means to enforce program integrity. Therefore, to reach management decision, it is critical that FNS establish compensating controls when there are indications of serious deficiencies noted during site visits. Also, FNS needs to reconsider its determination of the amount of questioned costs associated with block-claiming and improper food storage and instruct the SA to bill PND for the disallowed costs. A copy of the SA's bill should be provided to us, along with the estimated date for recovery or resolution of the debt.

It is critical that controls be in place to detect and prevent block-claiming because, beginning with the 2008 SFSP, all States will implement the simplified SFSP. Under the simplified SFSP, sponsors' reimbursements will be based upon their maximum claimed meals, times rates, without regard to actual operating and administrative costs. Thus, there will be an increased incentive for sponsors to inflate the number of meals reported as served.

Recommendation 6

Instruct the SA to disallow the \$14,369 in questioned costs from Project New Direction, Inc., that was withheld from their August 2006 claim.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. Based upon the Management Alert issued by OIG on September 25, 2006, GA DECAL denied Project New Direction's August 2006 claim in a letter dated November 27, 2006.

OIG Position. We accept FNS' management decision on this recommendation.

Recommendation 7

Instruct the SA to recover \$117,226 in questioned costs from Restoration Ministries, Inc.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with the audit finding, and directing the SA to recover questioned costs from Restoration Ministries, Inc. After reviewing the OIG audit work papers supporting this finding, we will direct GA DECAL to recover \$64,468 from the sponsor for the reasons discussed below.

Block-claiming of meals by program sponsors is a serious problem which represents an indication of misreporting of meal participation. Excessive and/or repeated instances of block-claiming at a significant number of sites are, in fact, grounds for disqualifying a sponsor from the Program. This finding, among others, is a contributory factor in denying future participation in the SFSP by Restoration Ministries, Inc. (unless it can be demonstrated that the many deficiencies cited have been permanently corrected).

It has been the longstanding position of FNS, and one fully supported by our Office of General Counsel, to establish (or require State agencies to establish) claims based on meals that are actually documented on-site as improperly claimed or served. As you are aware, one of the guiding principles of Federal debt recognition is that the full amount billed should be both supportable and legally enforceable. In general, it is FNS policy to not establish claims based on statistical projection or extrapolation of findings. Claims are only based on the amounts that can be fully supported and documented during actual site visits.

Regarding the service of meals that were not held or transported at proper temperatures, we can only concur with disallowing those meals that were actually observed by the auditors as being served and subsequently claimed by the sponsor(s). There was no documentation in the audit work papers to indicate that meals were actually sampled by the auditors (i.e. temperatures were taken) to determine if they tested outside the prescribed criteria for an allowable meal. Without such testing and documentation, it can not be determined with certainty that meals served were unallowable. We will work with GA DECAL to ensure that all sponsors participating in the SFSP are aware of and fully implement procedures to store and transport meals according to Program requirements. The SA will remind all potential SFSP of these requirements by June 1, 2008.

We will instruct the SA to recover \$64,468 in questioned costs from Restoration Ministries, Inc. within 30 days of the date of this letter.

OIG Position. We concur with FNS' decision to direct the SA to recover questioned costs from the sponsor for: (1) claiming more meals than the number we observed during our site visits, (2) claiming reimbursement for more than the maximum number of meals allowed for a site, (3) claiming more than 300 meals per serving without a waiver, and (4) operating more than the maximum number of sites allowed for a non-profit sponsor. However, before we can concur with the amount FNS agreed to recover (\$64,468), FNS needs to provide for our review and concurrence documentation supporting FNS' calculations for these questioned costs.

To reach management decision, it is critical that FNS establish compensating controls when there are indications of serious deficiencies noted during site visits. Also, FNS needs to reconsider its determination of the amount of questioned costs associated with block-claiming and improper food storage and instruct the SA to bill PND for the disallowed costs. A copy of the SA's bill should be provided to us, along with the estimated date for recovery or resolution of the debt. See **OIG Position for Recommendation 5** for a discussion of these issues.

Recommendation 8

Instruct the SA to disallow the \$20,461 in questioned costs from Restoration Ministries, Inc., that was withheld from their August 2006 claim.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. Based upon the Management Alert issued by OIG on September 25, 2006, GA DECAL denied Restoration Ministries' August 2006 claim in a letter dated November 27, 2006.

OIG Position. We accept FNS' management decision on this recommendation.

Recommendation 9

Instruct the SA to conduct followup reviews of problematic or seriously deficient sponsors to: (1) ensure sponsor's claim matches eligible meals observed during SA site visits and that sponsors are not block-claiming meals, (2) disallow meals claimed over the maximum allowable number, and (3) disallow more than 300 meals claimed per serving without a waiver.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. Within 60 days, FNS will instruct GA DECAL to conduct follow-up reviews of problematic or [seriously deficient] sponsors to: (1) ensure sponsors' claims match eligible meals observed during SA site visits and that sponsors are not block-claiming meals, (2) disallow meals claimed over the maximum allowable number and (3) disallow more than 300 meals claimed per serving without a waiver.

OIG Position. We accept FNS' management decision on this recommendation. To achieve final action, FNS needs to inform OCFO the results of the SA's followup reviews of its problematic or seriously deficient sponsors.

Finding 3

Sponsors' Claim Included Questionable Operating and Administrative Costs

The two sponsors—PND and RM claimed unsupported operating and administrative expenses. This occurred because the SA was not adequately overseeing sponsors who had been identified as problematic. As a result, the sponsors claimed questionable operating and administrative costs for FYs 2005 and 2006. See tables 9 and 10 for the excessive and questionable claims.

When sponsors are accepted into the program, they agree to abide by all program regulations. In particular, they agree to claim reimbursement for allowable, supportable expenses directly related to operating SFSP. Federal regulations require that they maintain adequate documentation to support these expenses. If they fail to maintain adequate documentation, they may be denied reimbursement for operating and administrative costs claimed.³⁶

Project New Direction, Inc.

Our review revealed the following ineligible expenses were claimed by PND

Table 9

**Project New Direction, Inc.
Summary of Questionable Operating and Administrative Costs
For FYs 2005 and 2006**

Description of Expense	Type of Cost	FY 2005	FY 2006
Building Rental Expenses	Operating	\$6,250	\$5,002
Van Rental Expense	Operating	43,157	25,600
Unsupported Food Expense	Operating	24,902	2,687
Kitchen Equipment Expense	Operating	4,500	
Computer Rental Expenses	Administrative		1,000
TOTAL		\$78,809	\$34,289

Questionable Operating Costs

Sponsor Claimed Reimbursement for a Building it Owns

PND included operating expenses for FYs 2005 (\$6,250) and 2006 (\$5,002) rent for a building that it, in fact, owned. The sponsor claimed that another entity owned the building.

SA guidance conveys that sponsors cannot lease and charge rent for space that they own; they can, however, depreciate facility expenses for buildings they own.³⁷ Federal regulations state that rental costs under “less than arm’s

³⁶ 7 CFR, section 225.15 (c) (1).

³⁷ DECAL training video.

length”³⁸ leases are allowable only up to the depreciation or use allowance, maintenance, taxes, and insurance.³⁹

When OIG questioned the sponsor about the ownership of this building, the sponsor stated that the building was owned by a different entity, and that there was an “arm’s length” transaction for leasing the building. Our review of Dekalb County Georgia property tax records indicated that the Sacred Heart Fellowship Church, Inc., owned the building. Sacred Heart Fellowship Church, Inc., and PND have the same common principal officers; both the sponsor and spouse are the Chief Financial Officer and Chief Executive Officer respectively for both corporations. The sponsor owned this structure and property (valued at \$2,200 according to tax property records). They could have legitimately claimed depreciation costs for the 2 years in question but not rental expenses.

Photo 3
Source: OIG
Sacred Heart Fellowship Church
Building Owned by Sponsor Valued at \$2,200



Sponsor Claimed Unsupported Expenses for Van Rentals

PND claimed it rented 10 vans for the SFSP⁴⁰, even though it could not provide a valid lease agreement. To verify this expense, OIG attempted to contact the lessor, but we learned that the physical address listed on the lease agreements and invoices did not exist. Despite repeated attempts, OIG could

³⁸ A less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other.

³⁹ Office of Management and Budget (OMB) Circular A-122, paragraphs 43 b-c.

⁴⁰ PND rented six vans in FY 2005 and four vans in FY 2006 to deliver food for the SFSP.

not confirm the existence of the lessor. When we informed the sponsor's director that the physical address did not exist, she stated that she placed the wrong address on the rental agreement when she prepared it for the lessor. We asked the sponsor's director on multiple occasions to provide us with the contact information for the lessor but she failed to do so. As a result, PND could not support \$43,157 in FY 2005 and \$25,600 in FY 2006 for van rental expenses it had claimed for the 2005 and 2006 SFSPs.

Sponsor Could Not Support Food Expense

PND claimed and received reimbursement for sack lunches that it claimed were prepared for its sites, but we found that the three invoices provided do not support this expense. As it was submitted, the invoices stated that an organization known as the Youth Force Entrepreneurship prepared the sack lunches. The program director for Youth Force Entrepreneurship stated that this transaction never took place, that his organization does not prepare sack lunches, and that his organization had never received any funds from PND, Inc. When we discussed this situation with the sponsor's director, she stated that she accidentally misclassified this as a food expense and that the payment was for employing children participating in Youth Force to produce the lunches. The program director at Youth Force stated that young people participating in his program did not produce sack lunches for PND and did not receive payment for doing so. Moreover, he explained that Youth Force does not operate in the summer when this work was supposedly done. PND, claimed \$24,902 in FY 2005 and \$2,687 in FY 2006 that could not be supported.

Sponsor Claimed Rental Expense for Kitchen Equipment Not Delivered

PND, claimed rental expenses for kitchen equipment during the 2005 SFSP. Our discussion with kitchen staff disclosed that convection ovens included on the rental invoice were never delivered. However, PND, claimed \$4,500 for these convection ovens.

PND, entered into a lease agreement with Victory for the World Church for rental of kitchen facilities to operate the SFSP in FY 2005. The lease agreement specified that premises shall be used and occupied solely for food preparation and for no other purposes. Also, the lease agreement specified that PND was permitted to bring in three small floor freezers and one stainless steel double refrigerator to store milk and juice.

The invoice showed that PND paid \$19,975 for kitchen equipment rental. The following equipment was listed on the invoice: a mixer, two freezers, a cooler, two fryers, two double stack convection ovens, and two chest freezers. Since the lease only specified that three small floor freezers and one stainless steel double refrigerator be used in the kitchen area, we contacted

kitchen personnel to verify whether other items listed on the invoice were actually delivered to the kitchen site and used.

We spoke with PND's cook who prepared meals for both the 2005 and 2006 SFSP. The cook informed us that all the items listed on the invoice were delivered and used at the kitchen facility with the exception of the two convection ovens.

Questionable Administrative Costs

Computer Rental Expenses

PND provided OIG with an invoice totaling \$1,000 to support the rental of two laptop computers for the 2006 SFSP. OIG noticed that the computer rental invoice lacked many important details—such as a company physical address, serial numbers, and a signature from the rental company—we attempted to contact the computer rental business by phone. The phone number listed on the invoice was no longer in service. The director of PND insisted that this expense was legitimate and that she would provide the contact information necessary to support the expense. On numerous occasions we attempted to obtain a point of contact number for the computer rental company from the sponsor, however, the director failed to provide this information.

Restoration Ministries, Inc.

RM also claimed operating and administrative costs in excess of the costs it could support.

According to FNS Instructions 796-4 allowable costs must be necessary and reasonable or proper for efficient administration of the program.⁴¹ Also, FNS Instructions 796-4, states allowable administrative costs are costs incurred by a sponsor related to planning, organizing, and managing a food service program.⁴²

⁴¹ FNS Instructions 796-4, Rev. 4, paragraph IX.A.1, dated May 21, 1992.

⁴² FNS SFSP Financial Management Instructions 796-4 Rev. 4(X)(B), dated May 21, 1992.

Table 10

**Restoration Ministries, Inc.
Summary of Questionable Operating and Administrative Costs
For FYs 2005 and 2006**

Description of Expense	Type of Cost	FY 2005	FY 2006
Fuel Expenses	Operating	\$7,806	
Salary Expenses	Operating	403	635
Salary Expenses	Administrative	1,680	1,276
Audit Expense	Administrative		1,161
Admin Mileage Expenses	Administrative		4,326
TOTAL		\$9,889	\$7,398

Questionable Operating Costs

Sponsor Used Mileage Rate for Fuel Expenses While Renting Vehicles

Sponsors may claim the rental of vehicles and fuel expenses associated with transporting food to feeding sites provided adequate documentation is maintained. If a sponsor owns a vehicle then it may use a mileage rate (not exceeding the Federal limit) for reimbursement purposes.

In FYs 2005 and 2006, RM claimed and received reimbursement for renting six vehicles to transport meals to appropriate feeding sites. However, we found that RM failed to maintain adequate support for fuel expenses. Instead of maintaining actual receipts, RM used a mileage rate of 49 cents in FY 2005 to calculate its costs for fuel expenses. Sponsors may only use mileage rates for reimbursement for vehicles that they own. We concluded that the method RM used to document fuel expenses was unallowable. In FY 2005, RM claimed \$7,806 for fuel expenses using this methodology.

Questionable Administrative Costs

Unsupported Administrative Mileage Expenses

Sponsors may claim reimbursement for administrative mileage they drive when making required monitoring visits to food sites; however, they must still maintain adequate documentation of any mileage they travel. In addition, for expenses to be reimbursable, sponsors must provide adequate documentation of expenses actually paid.

In FY 2006, RM claimed \$6,678 for administrative mileage expenses, but based upon our review of the sponsor's documentation, we could find support for only \$2,352 in mileage expenses. The sponsor's director could not explain the discrepancy between the numbers and stated that her accountant filled in the actual numbers on the claim form. For FY 2006, bank records confirmed that only \$2,352 was paid to the sponsor's director and site monitors for mileage expenses. We questioned \$4,326 (\$6,678 less \$2,352) due to the lack of supporting documentation.

Unsupported Auditing Expenses

RM claimed \$2,700 for audit expenses in FY 2006, even though the audit included all of the sponsor's operations. Specifically, RM received \$886,313 in grants in FY 2004; however, only \$507,641 or 57 percent was from the SFSP.

RM should have allocated the audit expense to all of its programs. The sponsor claimed \$2,700 when only \$1,539 (57 percent) was allowable. The difference of \$1,161 is ineligible for reimbursement.

Sponsor Over-Claims Salary Expenses

RM over-claimed administrative salary expenses of \$2,956 (\$1,680 for FY 2005 and \$1,276 for FY 2006) and operating salary expenses of \$1,038 (\$403 for FY 2005 and \$635 for FY 2006) totaling \$3,994 during FYs 2005 and 2006. The sponsor did not dispute the overstated labor costs and she was unable to provide an explanation for these over-claims.

In FY 2005, the sponsor claimed \$500 for administrative salary expenses that incurred almost 2 weeks before the program began operations. The sponsor was unable to provide justification for this expense. Also, the sponsor was unable to provide an explanation for the additional over-claims of administrative salary costs in FYs 2005 and 2006. For operating costs, the sponsor provided timesheets and payroll records for an employee but failed to provide evidence of checks clearing the bank statements. The sponsor stated that there were problems with the mailing address of the employee; however, she could not explain why the check never cleared the bank.

Recommendations for recovery are included in Finding 2.

Recommendation 10

Instruct the SA to ensure in its reviews of problematic or seriously deficient sponsors that there is sufficient examination of operating and administrative expenses to assure that they are allowable.

Agency Response. In its March 28, 2008, response, the FNS stated:

FNS concurs with this recommendation. Georgia's DECAL's current seriously deficient procedures include conducting either a follow-up review or an agreed upon procedures (AUP) audit for sponsors that are deemed problematic or seriously deficient. The review procedures and instruments used for both follow-up reviews and AUP audits include the examination of sponsors' operating and administrative expenses to assure that they are allowable.

Additionally, within 60 days, FNS will review GA DECAL's AUP to ensure they provide thorough examination of operating and administrative expenses.

OIG Position. We accept FNS' management decision on this recommendation. To achieve final action FNS needs to inform OCFO of the results of its review of GA DECAL AUP.

Finding 4

Sponsor Used SFSP Program Funds for Purposes Unrelated to the Program

RM diverted SFSP program funds to other accounts and made unsupported cash withdrawals from the sponsor's SFSP bank account. RM maintained four different bank accounts, and shifted funds between them without regard for whether the funds would be used for their intended purposes. The sponsor's director explained that she managed these funds in this fashion because she saw no problem using SFSP money for other purposes if all accounts balanced in the end. RM used \$22,361 in SFSP funds for purposes unrelated to the program's goal of feeding underprivileged children.

FNS requires that sponsors maintain effective control over and accountability for all funds, property, and other program assets to ensure that they are safeguarded and used solely for authorized purposes.⁴³ In order for SFSP expenditures to be more easily tracked, the SA recommends that sponsors maintain a separate bank account for program funds. Using a separate bank account should enable sponsors to improve their management of SFSP funds and avoid spending these funds improperly.⁴⁴

Although RM did maintain a bank account for SFSP operations, it withdrew funds from this account to cover operating expenses for another, unrelated

⁴³ FNS SFSP Financial Management Instructions 796-4.

⁴⁴ DECAL SFSP Policy No: 03/08.

program. In June 2006, RM withdrew \$305 from its SFSP account to cover another operation; in July 2006, RM withdrew an additional \$5,505 from its SFSP account to cover the same operation. Thus, \$5,811 in SFSP funds were used for purposes unrelated to SFSP operations.

In addition, we noted that the sponsor made large cash withdrawals from her SFSP account. For the 2 months in question, these withdrawals totaled \$16,550. When we questioned how these funds were used, the sponsor's director could not provide any documentation indicating that these funds were used for program purposes. In addition, the funds and cash withdrawals were never repaid to the SFSP account.

Recommendation 11

Instruct the SA to ensure in its reviews of problematic or seriously deficient sponsors that SFSP reimbursement funds are used for program purposes.

Agency Response. In its March 28, 2008, response, FNS stated:

FNS concurs with these recommendations. Currently, [GA] DECAL uses AUP audits for sponsors that are deemed problematic or seriously deficient to ensure that funds are used for program purposes. Within 60 days, FNS will instruct GA DECAL to ensure in its reviews of problematic or seriously deficient sponsors, that SFSP reimbursement funds are used for program purposes. Additionally, within 60 days, FNS will review GA DECAL's AUP to ensure they provide a thorough examination of program reimbursement to ensure the reimbursements are used for program purposes.

OIG Position. We accept FNS' management decision on this recommendation. To achieve final action, FNS needs to inform OCFO that SA procedures for reviews of problematic or seriously deficient sponsors include steps to ensure SFSP reimbursement funds are used for program purposes. Also, advise OCFO of the results of FNS' review of the SA AUP to ensure it provides a thorough examination of program reimbursement.

Scope and Methodology

This audit covered the operations of sponsors participating in the Georgia SFSP in FYs 2005 and 2006. We reviewed supporting documentation for expenditures charged to the program from June 2005 through August 2006. We also reviewed the claims for meal reimbursement from June 2005 through August 2006.

Audit fieldwork was performed at the FNS Southeast Regional Office; at the offices of the Georgia SA Bright from the Start; and the offices of two PNO sponsors (see Exhibit B). Bright from the Start was selected for review based on having the highest number and size of PNO sponsors in the Southeast Region. For FY 2005, the State of Georgia had three sponsors that exceeded \$300,000 in reimbursements.

We selected for review two PNO sponsors, PND, and RM based on their size (meals served, reimbursement received) and deficiencies noted during FNS and SA reviews. These sponsors were two of the top three sponsors in claims for reimbursement. In addition, these two sponsors had the highest number of deficiencies noted by FNS and the SA.

During the summer of 2006, we conducted unannounced visits to 16 of the sponsors' feeding sites located throughout the Atlanta, Georgia, metropolitan area (see exhibit B) to determine if sites were accurately reporting the number of children served and to determine if the sites were being administered in accordance with applicable rules and regulations. Initially a judgmental sample was used to select two sites for each sponsor. Two of the sites we selected for PND, were Global All-Stars and PND Allen Wilson. Global All-Stars was chosen because it had the highest meals counts for breakfast and lunch. We chose the second site, PND Allen Wilson because it had high meal counts and deficiencies noted during its FY 2005 site reviews. The two sites that were selected for RM were South Dekalb YMCA and East Coweta Parks and Recreation. We selected these sites because they had the highest meal counts and deficiencies found during their site reviews for FY 2005. After our visits to the initial four sites disclosed serious deficiencies with the two sponsors operations, we expanded our review to include 14 additional sites to fully document and develop issues.

The audit fieldwork was performed from May 2006 through January 2007.

To accomplish our audit objectives, we performed the following audit steps and procedures:

- At FNS Southeast Regional Office, we interviewed agency personnel to obtain information and additional guidance the Regional Office issued the SA; identified procedures used for monitoring the SA and sponsor participation in the SFSP; and obtained SFSP financial and participation data.
- At the SA, we interviewed agency personnel to solicit their concerns about the SFSP; reviewed supporting documentation for financial and participation data previously obtained at the FNS Regional Office; evaluated procedures for approving SFSP sponsors and sites; evaluated procedures for providing training to new and existing SFSP sponsors; evaluated monitoring reviews of sponsors participating in SFSP; evaluated controls over processing sponsors' claims for reimbursement; and completed the judgmental selection of sponsors for subsequent review.
- At the sponsors' offices, we interviewed program personnel, including monitors, to determine their job duties and obtain an understanding of program operations. We obtained an understanding of the sponsors' systems for tracking (1) the number of meals served, (2) operating costs, and (3) administrative costs. We determined how sponsors ensure that meal service at feeding sites complies with SFSP regulations; determined if the training sponsors provide site supervisors and monitors complies with SFSP requirements; evaluated sponsors' compliance with monitoring requirements; and determined if claims for reimbursement of SFSP expenses were supported.
- At the sponsors' feeding sites, we interviewed site supervisors, observed the type meals being served, observed the meal deliveries, documented the meal components, determined if there was adequate food storage, documented the actual start and end times of meal services, determined the accuracy of point of service meal counts, observed if complete meals were being served, and observed if meals were consumed within the designated areas.
- We analyzed claims for meal reimbursement submitted by both sponsors and reviewed sponsors' accounting data concerning meal counts, operating costs, administrative costs, and program income.

This audit was conducted in accordance with generally accepted government auditing standards.

Exhibit A – Summary of Monetary Results

Exhibit A – Page 1 of 1

RECOMMENDATION NUMBER	DESCRIPTION	AMOUNT	CATEGORY
5	Unsupported Costs to PND for 2005 and 2006 SFSP	\$98,396	Questioned Costs – Recovery Recommended
6	Unsupported Costs to PND for 2006 SFSP	\$14,369 ⁴⁵	Questioned Costs – No Recovery
7	Unsupported Costs to RM for 2005 and 2006 SFSP	\$117,226	Questioned Costs – Recovery Recommended
8	Unsupported Costs to RM for 2006 SFSP	\$20,461 ⁴⁶	Questioned Costs – No Recovery
TOTAL		\$250,452	

⁴⁵ The amount of questioned costs was withheld from the sponsors' August 2006 claims per OIG Management Alert recommendations and therefore recovery is not necessary.

⁴⁶ Ibid.

Exhibit B – Locations Visited

ORGANIZATION/ENTITY	LOCATION
<p><u>Food and Nutrition Service</u></p>	
<p>Southeastern Regional Office</p>	<p>Atlanta, Georgia</p>
<p><u>State Agency</u></p>	
<p>Georgia Department of Early Care and Learning (DECAL) – Bright from the Start</p>	<p>Atlanta, Georgia</p>
<p><u>Sponsor’s Office</u></p>	
<p>Project New Direction, Inc. Restoration Ministries, Inc.</p>	<p>Avondale Estates, Georgia Newnan, Georgia</p>
<p><u>Project New Direction’s Feeding Sites</u></p>	
<p>Allen Wilson #1</p>	<p>Decatur, Georgia</p>
<p>Allen Wilson #2</p>	<p>Decatur, Georgia</p>
<p>College Park Recreation Center (Brady)</p>	<p>College Park, Georgia</p>
<p>College Park Recreation Center (Conley)</p>	<p>College Park, Georgia</p>
<p>East Point Recreation Center</p>	<p>East Point, Georgia</p>
<p>Global All-Stars</p>	<p>Decatur, Georgia</p>
<p>Martel Homes</p>	<p>East Point, Georgia</p>
<p><u>Restoration Ministries Feeding Sites</u></p>	
<p>Coweta Parks & Recreation</p>	<p>Newnan, Georgia</p>
<p>Hapeville Recreation</p>	<p>Hapeville, Georgia</p>
<p>New Life Christian Learning Center</p>	<p>College Park, Georgia</p>
<p>Snapfinger Elementary School</p>	<p>Decatur, Georgia</p>
<p>South Dekalb YMCA</p>	<p>Decatur, Georgia</p>
<p>Southside PRD/Village Keepers</p>	<p>East Point, Georgia</p>
<p>Step of Faith</p>	<p>College Park, Georgia</p>
<p>Summit Family YMCA</p>	<p>Newnan, Georgia</p>
<p>Youth Under Construction</p>	<p>Jonesboro, Georgia</p>

Exhibit C – Questioned Costs

Project New Direction, Inc., FY 2005

	PER CLAIM	PER AUDIT	DIFFERENCE
MEALS			
Breakfast	45,684	36,086	9,598
Lunch	99,185	89,259	9,926
TOTAL	144,869	125,345	19,524
OPERATING COSTS			
A. Actual	\$315,391	\$236,582	
B. Meals Times Rate			
Breakfast (\$1.42)	\$ 64,871	\$ 51,242	
Lunch (\$2.48)	<u>245,979</u>	<u>221,362</u>	
TOTAL	\$310,850	\$272,604	
Lesser of A or B	\$310,850	\$236,582	\$74,268
ADMINISTRATIVE COSTS			
A. Actual	\$ 28,558	\$ 28,558	
B. Meals Times Rate			
Breakfast (\$0.14)	\$ 6,396	\$ 5,052	
Lunch (\$0.26)	<u>25,788</u>	<u>23,207</u>	
TOTAL	\$ 32,184	\$ 28,259	
Lesser of A or B	\$ 28,558	\$ 28,259	\$ 299
TOTAL OPERATING AND ADMINISTRATIVE COSTS	\$339,408	\$264,841	\$74,567

Total Operating Costs Less Disallowed Costs

Total Operating Costs Per Sponsor's Claim \$315,391
 Building Rental (6,250)
 Van Rental Costs (43,157)
 Operating Salary Expenses (24,902)
 Kitchen Equipment Costs (4,500)
 Subtotal 78,809

Total Operating Costs Per Audit \$236,582

Total Administrative Costs Less Disallowed Costs

Total Admin Costs Per Sponsor's Claim \$28,558

Total Admin Costs Per Audit \$28,558

Exhibit C – Questioned Costs

Project New Direction, Inc., FY 2006

	PER CLAIM	PER AUDIT	DIFFERENCE
MEALS			
Breakfast	36,299	24,221	12,078
Lunch	82,351	55,768	26,583
TOTAL	118,650	79,989	38,661
OPERATING COSTS			
A. Actual	\$208,117	\$174,828	
B. Meals Times Rate			
Breakfast (\$1.47)	\$ 53,360	\$ 35,605	
Lunch (\$2.56)	<u>210,819</u>	<u>142,766</u>	
TOTAL	\$264,179	\$178,371	
Lesser of A or B	\$208,117	\$174,828	\$ 33,289
ADMINISTRATIVE COSTS			
A. Actual	\$ 23,339	\$ 22,339	
B. Meals Times Rate			
Breakfast (\$0.145)	\$ 5,263	\$ 3,512	
Lunch (\$0.2675)	<u>22,029</u>	<u>14,918</u>	
TOTAL	\$ 27,292	\$ 18,430	
Lesser of A or B	\$ 23,339	\$ 18,430	\$ 4,909
TOTAL OPERATING AND ADMINISTRATIVE COSTS	\$231,456	\$193,258	\$38,198⁴⁷

Total Operating Costs Less Disallowed Costs

Total Operating Costs Per Sponsor's Claim	\$208,117
Building Rental	(5,002)
Van Rentals	(25,600)
Operating Salary Expenses	<u>(2,687)</u>
Subtotal	33,289

Total Operating Costs Per Audit \$174,828

Total Administrative Costs Less Disallowed Costs

Total Admin Costs Per Sponsor's Claim	\$23,339
Computer Lease	<u>(1,000)</u>

Total Admin Costs Per Audit \$22,339

⁴⁷ Total operating and administrative costs includes the August 2006 claim of \$14,369 by PND that was withheld by the SA per OIG Management Alert recommendations.

Exhibit C – Questioned Costs

Restoration Ministries, Inc., FY 2005

	PER CLAIM	PER AUDIT	DIFFERENCE
MEALS			
Breakfast	44,799	42,746	2,053
Lunch	93,151	86,672	6,479
Snack	32,227	21,733	10,494
TOTAL	170,177	151,151	19,026
OPERATING COSTS			
A. Actual	\$314,071	\$305,630	
B. Meals Times Rate			
Breakfast (\$1.42)	\$ 63,615	\$ 60,699	
Lunch (\$2.48)	231,014	214,947	
Snack (\$0.58)	<u>18,692</u>	<u>12,605</u>	
TOTAL	\$313,321	\$288,251	
Lesser of A or B	\$313,321	\$288,251	\$25,070
ADMINISTRATIVE COSTS			
A. Actual	\$ 36,282	\$ 34,602	
B. Meals Times Rate			
Breakfast (\$0.14)	\$ 6,272	\$ 5,984	
Lunch (\$0.26)	24,219	22,535	
Snack (\$0.07)	<u>2,256</u>	<u>1,521</u>	
TOTAL	\$32,747	\$30,040	
Lesser of A or B	\$ 32,747	\$ 30,040	\$ 2,707
TOTAL OPERATING AND ADMINISTRATIVE COSTS	\$346,068	\$318,291	\$27,777

Total Operating Costs Less Disallowed Cost

Total Operating Costs Per Sponsor's Claim \$314,071
 Operating Salary Expenses (635)
 Operating Fuel Expenses (7,806)
 Subtotal 8,441

Total Operating Costs Per Audit \$305,630

Total Administrative Costs Less Disallowed Costs

Total Admin Costs Per Sponsor's Claim \$36,282
 Salary Expense (1,680)

Total Admin Costs Per Audit \$34,602

Exhibit C – Questioned Costs

Restoration Ministries, Inc., FY 2006

	PER CLAIM	PER AUDIT	DIFFERENCE
MEALS			
Breakfast	57,884	43,236	14,648
Lunch	92,430	61,377	31,053
Snack	20,662	20,218	444
TOTAL	170,976	124,831	46,145
OPERATING COSTS			
A. Actual	\$345,617	\$345,214	
B. Meals Times Rate			
Breakfast (\$1.47)	\$ 85,089	\$ 63,557	
Lunch (\$2.56)	236,621	157,125	
Snack (\$0.59)	<u>12,191</u>	<u>11,929</u>	
TOTAL	\$333,901	\$232,611	
Lesser of A or B	\$333,901	\$232,611	\$101,290
ADMINISTRATIVE COSTS			
A. Actual	\$ 37,881	\$ 31,118	
B. Meals Times Rate			
Breakfast (\$0.115)	\$ 6,657	\$ 4,972	
Lunch (\$0.2225)	20,566	13,656	
Snack (\$0.0575)	<u>1,188</u>	<u>1,163</u>	
TOTAL	\$ 28,411	\$ 19,791	
Lesser of A or B	\$ 28,411	\$ 19,791	\$ 8,620
TOTAL OPERATING AND ADMINISTRATIVE COSTS	\$362,312	\$252,402	\$109,910⁴⁸

Total Operating Costs Less Disallowed Cost

Total Operating Costs Per Sponsor's Claim \$345,617
 Operating Salary Expenses (403)

Total Operating Costs Per Audit \$345,214

Total Administrative Costs Less Disallowed Costs

Total Admin Costs Per Sponsor's Claim \$37,881
 Admin Mileage Expenses (4,326)
 Audit Expenses (1,161)
 Admin Salary Expenses (1,276)
 Subtotal 6,763

Total Admin Costs Per Audit \$31,118

⁴⁸ Total operating and administrative costs includes the August 2006 claim of \$20,461 by RM that was withheld by the SA per OIG Management Alert recommendations.

Exhibit C – Questioned Costs

Summary of Over-Claimed Meals

Issue	PND 2006		PND 2005		RM 2006			RM 2005		
	Breakfast	Lunch	Breakfast	Lunch	Breakfast	Lunch	Snack	Breakfast	Lunch	Snack
Claimed More Than OIG Observed	37	49	0	0	100	359	0	0	0	0
Block- Claimed	4,872	4,940	0	0	2,710	1,545	230	0	0	0
Claimed More Than Maximum	265	3,247	7,378	7,706	2,980	3,506	8	2,053	6,479	10,494
Claim Over 300 Meals without Waiver	0	0	0	0	7,688	8,660	0	0	0	0
Incomplete Meals	0	0	0	0	150	519	206	0	0	0
Meals Served at More Than 25 Sites	6,904	13,506	2,220	2,220	1,020	1,020	0	0	0	0
Meals Not Stored or Held Properly	0	4,841	0	0	0	15,444	0	0	0	0
TOTALS	12,078	26,583	9,598	9,926	14,648	31,053	444	2,053	6,479	10,494

Note: The totals for breakfasts and lunches for each fiscal year will equal the difference by meal type for each sponsor on Exhibit C, pages 1 through 4. Also, the totals by fiscal year and meal type will equal the exceptions taken for each issue in Finding 2.

Exhibit D – Agency Response

Exhibit D – Page 1 of 7



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to

Attn. of: SE – SNP

March 28, 2008

Subject: FNS Response to Official Draft Audit Report 27099-63-AT (Food and Nutrition Service Summer Food Service Program Operated by the State of Georgia)

To: Raymond G. Poland
Regional Inspector General
USDA - Office of Inspector General
401 W. Peachtree Street, Suite 2328
Atlanta, GA 30308

Attached is the Southeast Region's revised response to the OIG official draft audit report of the Food and Nutrition Service Summer Food Service Program operated by the State of Georgia. This response supersedes our response dated January 24, 2008.

Lanna Kirk, Regional Director of the Special Nutrition Programs, is available at (404) 562-7072 to answer questions regarding this audit.

A handwritten signature in black ink, appearing to read "Donald E. Arnette".

for DONALD E. ARNETTE
Regional Administrator

Attachment

FORM FCS-603 (3-96)

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

Exhibit D – Agency Response

Revised Response to Audit Report 27099-63-At
March 28, 2008

Recommendation 1:

Establish controls to follow up with the State Agency (SA) on all of its reviews of sponsors to ensure corrective actions have been implemented.

Agency Response 1:

FNS concurs with this recommendation. In Fiscal Year (FY) 2006, FNS-SERO implemented new SA oversight procedures including oversight of Georgia Department of Early Care and Learning (DECAL) to ensure that sponsors take appropriate corrective actions or that the sponsors are terminated. The following procedures were implemented in June 2006 and continue in effect.

- 1) FNS tracks the SFSP reviews that we participate in, to ensure that the SA properly identifies findings, and sponsors properly implement corrective actions for the findings. In general, FNS participates with SAs on reviews of problematic sponsors. The review documentation is received from the SA within 30 days of the reviews. FNS-SERO evaluates and monitors the SA review procedures and review correspondence (i.e., letters from the SA, proposed corrective actions, closure letters, serious deficiency (SD) letters, termination letters, etc.). FNS-SERO tracks all review documentation and monitors this information to ensure appropriate corrective actions are taken prior to closing the review. In addition, the State has controls in place to ensure sponsors are correcting deficiencies in a timely manner for all reviews conducted.
- 2) FNS will conduct a comprehensive Management evaluation (ME) of GA DECAL on May 14-18, 2008. During the ME, FNS-SERO will assess the adequacy of all of GA DECAL's reviews and associated corrective action termination of sponsors.
- 3) Additionally, during our January 2007 and January 2008 SFSP Partners Meetings in which all our SAs participated including GA DECAL, FNS provided additional technical assistance and training to SAs on SFSP monitoring, ensuring proper corrective action, and closure of reviews. FNS continues to provide on-going training to SAs on the SFSP review process.

Recommendation 2:

Instruct the SA to conduct a follow up review of problematic and SD sponsors and ensure sufficient corrective actions have been implemented or terminate these sponsors.

Agency Response 2:

FNS concurs with this recommendation. In 2006, GA DECAL revised its SD procedures and shortened the timeframe for terminating problem sponsors. The revision eliminated the Intent to Terminate step and states that the SD rescission is contingent upon a successful corrective action plan and adherence to a repayment plan, if required. The revised procedures reduce the amount of time to remove problem sponsors from the SFSP.

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

Page 1 of 6

FORM FCS-603 (3-96)

Revised Response to Audit Report 27099-63-At
March 28, 2008

Additionally, in May 2007, GA DECAL entered into a contract with CN Resource, LLC. This contract provides additional resources to GA DECAL so that problematic sponsors are reviewed earlier in their program operation and if needed, follow up reviews are conducted during the same program year. CN Resource submits reports to GA DECAL within 5 days of the completion of a review. This quick turnaround allowed GA DECAL to follow-up on problem sponsors prior to the end of the SFSP year. If the sponsors do not provide appropriate corrective actions, then procedures are implemented to terminate these sponsors.

Also, during the comprehensive ME of GA DECAL in May 2008, FNS will further evaluate Georgia DECAL's review and closure process to ensure that appropriate corrective actions are taken or the sponsors are terminated.

Recommendation 3:

Instruct the SA to evaluate the conditions disclosed during this audit and determine if the two sponsors are seriously deficient in their operations of the SFSP and warrant removal from the program.

Agency Response 3:

FNS concurs with this recommendation. SFSP regulations and 7 CFR Part 225.11(c) prohibit a SA from entering into an agreement with any institution which has been found seriously deficient in its operation of any child nutrition program. The regulation also requires a sponsor to demonstrate, to the satisfaction of the SA, appropriate corrective action to prevent recurrence of the serious deficiencies prior to being allowed to participate in the SFSP after being found seriously deficient and/or terminated.

GA DECAL is aware of these requirements and neither of these sponsors is currently participating in SFSP. One sponsor applied to participate in the SFSP in 2007 and was denied participation by GA DECAL due to the findings identified in this audit. If these sponsors should reapply for future participation in the SFSP, FNS will work with GA DECAL to ensure the deficiencies have been permanently corrected and follow through with the prescribed regulatory process. If corrective action is not sufficient, GA DECAL will continue to deny participation in the SFSP.

Recommendation 4:

Instruct the SA to establish controls in its web-based system to identify meal counts that exceed the approved levels multiplied by days of operation and follow up on meal counts that exceed this control.

Revised Response to Audit Report 27099-63-At
March 28, 2008

Agency Response 4:

FNS concurs with this recommendation. In May 2007, GA DECAL implemented a web-based site level claiming system. GA DECAL's claim system contains site level data for approval of meal count levels and days of operation. GA DECAL's current claim system has a business rule that will reject a sponsor's claim if the monthly total for a site exceeds the maximum number of meals approved for the month.

Recommendation 5:

Instruct the SA to recover \$100,279 in questioned costs from Project New Direction, Inc.

Agency Response 5:

FNS concurs with the audit finding, and directing the SA to recover questioned costs from Project New Direction, Inc. After reviewing the OIG audit work papers supporting this finding, we will direct GA DECAL to recover \$59,715 from the sponsor for the reasons discussed below.

Block claiming of meals by program sponsors is a serious problem which may indicate misreporting of meal participation. Submitting false information, including claiming program payments for meals not served to participating children, is grounds for disqualifying a sponsor from the Program. This finding, among others, is a contributory factor in denying future participation in the SFSP to Project New Direction, Inc. (unless it can be demonstrated that the many deficiencies cited have been permanently corrected).

It has been the longstanding position of FNS, and one fully supported by our Office of General Counsel, to establish (or require State agencies to establish) claims based on meals that are actually documented on-site as improperly claimed or served. As you are aware, one of the guiding principles of Federal debt recognition is that the full amount billed should be both supportable and legally enforceable. In general, it is FNS policy not to establish claims based on statistical projection or extrapolation of findings. Claims are only based on the amounts that can be fully supported and documented during actual site visits.

Regarding the service of meals that were not held or transported at proper temperatures, we can only concur with disallowing those meals that were actually observed by the auditors as being served and subsequently claimed by the sponsor(s). There was no documentation in the audit work papers to indicate that meals were actually sampled by the auditors (i.e. temperatures were taken) to determine if they tested outside the prescribed criteria for an allowable meal. Without such testing and documentation, it can not be determined with certainty that meals served were unallowable. We will work with GA DECAL to ensure that all sponsors participating in the SFSP are aware of and fully implement procedures to store and transport meals according to Program requirements. The SA will remind all potential SFSP sponsors of these requirements by June 1, 2008.

Revised Response to Audit Report 27099-63-At
March 28, 2008

We will instruct the SA to recover \$59,715 in questioned costs from Project New Direction, Inc. within 30 days of the date of this letter.

Recommendation 6:

Instruct the SA to disallow the \$14,369 in questioned costs from Project New Direction, Inc. that was withheld from their August 2006 claim.

Agency Response 6:

FNS concurs with this recommendation. Based upon the Management Alert issued by OIG on September 25, 2006, GA DECAL denied Project New Direction's August 2006 claim in a letter dated November 27, 2006.

Recommendation 7:

Instruct the SA to recover \$136,233 in questioned costs from Restoration Ministries, Inc.

Agency Response 7:

FNS concurs with the audit finding, and directing the SA to recover questioned costs from Restoration Ministries, Inc. After reviewing the OIG audit work papers supporting this finding, we will direct GA DECAL to recover \$64,468 from the sponsor for the reasons discussed below.

Block claiming of meals by program sponsors is a serious problem which may indicate misreporting of meal participation. Submitting false information, including claiming program payments for meals not served to participating children, is grounds for disqualifying a sponsor from the Program. This finding, among others, is a contributory factor in denying future participation in the SFSP to Restoration Ministries (unless it can be demonstrated that the many deficiencies cited have been permanently corrected).

It has been the longstanding position of FNS, and one fully supported by our Office of General Counsel, to establish (or require State agencies to establish) claims based on meals that are actually documented on-site as improperly claimed or served. As you are aware, one of the guiding principles of Federal debt recognition is that the full amount billed should be both supportable and legally enforceable. In general, it is FNS policy to not establish claims based on statistical projection or extrapolation of findings. Claims are only based on the amounts that can be fully supported and documented during actual site visits.

Regarding the service of meals that were not held or transported at proper temperatures, we can only concur with disallowing those meals that were actually observed by the auditors as being served and subsequently claimed by the sponsor(s). There was no documentation in the audit work papers to indicate that meals were actually sampled by the auditors (i.e. temperatures were taken) to determine if they tested outside the prescribed criteria for an allowable meal. Without

Exhibit D – Agency Response

Revised Response to Audit Report 27099-63-At
March 28, 2008

such testing and documentation, it can not be determined with certainty that meals served were unallowable. We will work with GA DECAL to ensure that all sponsors participating in the SFSP are aware of and fully implement procedures to store and transport meals according to Program requirements. The SA will remind all potential SFSP sponsors of these requirements by June 1, 2008.

We will instruct the SA to recover \$64,468 in questioned costs from Restoration Ministries, Inc. within 30 days of the date of this letter.

Recommendation 8:

Instruct the SA to disallow the \$20,461 in questioned costs from Restoration Ministries, Inc. that was withheld from their August 2006 claim.

Agency Response 8:

FNS concurs with this recommendation. Based upon the Management Alert issued by OIG on September 25, 2006, GA DECAL denied Restoration Ministries August 2006 claim in a letter dated November 27, 2006.

Recommendation 9:

Instruct the SA to conduct follow up reviews of problematic or seriously deficient sponsors to: (1) ensure sponsor's claim matches eligible meals observed during SA site visits and that sponsors are not block claiming meals, (2) disallow meals claimed over the maximum allowable number and (3) disallow more than 300 meals claimed per serving without a waiver.

Agency Response 9:

FNS concurs with this recommendation. Within 60 days, FNS will instruct GA DECAL to conduct follow up reviews of problematic or seriously deficient sponsors to: (1) ensure sponsor's claim matches eligible meals observed during SA site visits and that sponsors are not block claiming meals, (2) disallow meals claimed over the maximum allowable number and (3) disallow more than 300 meals claimed per serving without a waiver.

Recommendation 10:

Instruct the SA to ensure in its reviews of problematic or seriously deficient sponsors there is sufficient examination of operating and administrative expenses to assure that they are allowable.

Agency Response 10:

FNS concurs with this recommendation. Georgia DECAL's current SD procedures include conducting either a follow-up review or an AUP audit for sponsors that are deemed problematic

Exhibit D – Agency Response

Revised Response to Audit Report 27099-63-At
March 28, 2008

or SD. The review procedures and instruments used for both follow-up reviews and AUP audits include the examination of sponsors' operating and administrative expenses to assure that they are allowable.

Additionally, within 60 days, FNS will review GA DECAL's AUP to ensure they provide thorough examination of operating and administrative expenses.

Recommendation 11:

Instruct the SA to ensure in its reviews of problematic or seriously deficient sponsors that SFSP reimbursement funds are used for program purposes.

Agency Response to Recommendations 11:

FNS concurs with these recommendations. Currently, GA DECAL use AUP audits for sponsors that are deemed problematic or SD to ensure that funds are used for program purposes. Within 60 days, FNS will instruct GA DECAL to ensure in its reviews of problematic or SD sponsors, that SFSP reimbursement funds are used for program purposes. Additionally, within 60 days, FNS will review GA DECAL's AUP to ensure they provide thorough examination of program reimbursements to ensure the reimbursements are used for program purposes.