



U.S. Department of Agriculture



Office of Inspector General  
Great Plains Region

# **Audit Report**

**Food and Nutrition Service  
National School Lunch Program  
Unified School District 453  
Leavenworth, Kansas**

**Report No. 27010-16-KC  
February 2004**



UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL - AUDIT  
Great Plains Region  
8930 Ward Parkway, Suite 3016  
Kansas City, Missouri 64114-3302  
TEL: 816.926.7667 FAX: 816.926.7676



DATE: February 18, 2004

REPLY TO  
ATTN OF: 27010-16-KC

SUBJECT: National School Lunch Program – Unified School District 453,  
Leavenworth, Kansas

TO: Darlene Barnes  
Regional Administrator  
Food and Nutrition Service  
1244 Speer Boulevard, Suite 903  
Denver, CO 80204

This report presents the results of the subject audit. Your written response, dated February 4, 2004, to the official draft report has been incorporated into the Findings and Recommendations section of the report, where appropriate. The text of the response is attached as exhibit D. Your reply expressed agreement with the recommendations; however, we were unable to reach management decisions on any of the recommendations. The Findings and Recommendations section of the report explains those actions necessary for us to consider management decisions on Recommendations Nos. 1, 2, 3, 4, 5, 6, and 7. In general, we will need to be advised of the specific actions completed or planned along with acceptable dates for completing the proposed actions. In addition, the claim amounts determined to be improper must be recovered or an accounts receivable established.

In accordance with Departmental Regulation 1720-1, please furnish a reply within 60 days describing corrective actions taken or planned and the timeframes for accomplishing final action. Please note that the regulation requires management decisions to be reached on all findings and recommendations within 6 months from the date of report issuance, and final action should be completed within 1 year of management decision.

We appreciate the assistance provided to us during our review.

/s/

DENNIS J. GANNON  
Regional Inspector General  
for Audit

# ***Executive Summary***

## ***Food and Nutrition Service, National School Lunch Program, Leavenworth, Kansas (Audit Report No. 27010-16-KC)***

---

### **Results in Brief**

This report presents the results of our audit of the National School Lunch Program,<sup>1</sup> as administered by Unified School District 453, the local school food authority (SFA). The Kansas State Department of Education served as the State agency, and the United States Department of Agriculture Food and Nutrition Service (FNS) served as the funding agency. For school year 2001/2002 operations, the SFA claimed about \$780,000<sup>2</sup> in FNS reimbursement and about \$28,000 in State agency reimbursement.

Our objectives were to evaluate the SFA's meal accountability, procurement, accounting systems, and management controls that were designed to provide reasonable assurance as to the accuracy of its meal claims and reimbursement for school years 2001/2002 and 2002/2003 through December 31, 2002.

We found the SFA did not effectively implement management and internal controls. For example, SFA personnel did not verify, research, or fully explain questionable counts identified by edit checks and did not have effective second-party reviews, which resulted in overclaims of \$684 and underclaims of \$408 (see exhibit A). Also, the SFA's onsite reviews were not sufficient to identify noncompliance with program requirements by individual schools in the district. In addition, the SFA lacked an effective reconciliation of money collected from students for reimbursable meals to the number of meals claimed by the State agency for reimbursement, which contributed to the SFA not knowing they had misstated revenue from students by about \$36,800. The SFA also submitted inaccurate annual financial information to the State agency and did not follow requirements regarding public advertising of invitation for bids and obtaining debarment certification.

### **Recommendations In Brief**

We recommended that FNS instruct the State agency to direct the SFA to strengthen internal controls over operations of the food service program by (1) strengthening followup on edit checks and second-party reviews of monthly meal claims, (2) reviewing supporting documents for months not reviewed during the audit to ensure only eligible meals were claimed for reimbursement and correcting the erroneous claims, (3) providing additional oversight of the SFA's own reviews designed to detect and prevent noncompliance with program requirements, and (4) following any existing procedures or developing and implementing procedures and internal controls

---

<sup>1</sup> Also includes the School Breakfast Program.

<sup>2</sup> Total does not include School Food Service Summer Program funds of about \$22,000.

to adequately identify the source and application of all funds and ensure accurate reports to the State agency.

**FNS Response**

Although agency response showed FNS officials concurred with the recommendations, it did not provide sufficient information to reach management decisions on any of the recommendations. We incorporated their comments in the applicable sections of the report and attached a copy of the comments as exhibit D.

**OIG Position**

The Findings and Recommendations section of the report explains those actions necessary for us to consider management decisions on Recommendations Nos. 1, 2, 3, 4, 5, 6, and 7. In order to reach management decisions, we will need to be advised of the specific actions completed or planned along with acceptable dates for completing the contemplated actions and evidence of actions taken to recover the improper claims.

### ***Abbreviations Used in This Report***

---

Act	Richard B. Russell National School Lunch Act
CFR	Code of Federal Regulations
FNS	Food and Nutrition Service
NSLP	National School Lunch Program
OIG	Office of Inspector General
SBP	School Breakfast Program
SFA	School Food Authority
USDA	United States Department of Agriculture

# Table of Contents

---

Executive Summary .....	i
Abbreviations Used in This Report .....	iii
Background and Objectives .....	1
Findings and Recommendations.....	3
Section 1. Accuracy of Collections and Accounting for Reimbursed Meals.....	3
Finding 1    Meal Edit Checks and Second-Party Reviews Were Not Effective .....	4
Recommendation No. 1 .....	5
Recommendation No. 2.....	5
Recommendation No. 3.....	6
Finding 2    Onsite Reviews Did Not Meet Requirements and Disclose Deficiencies.....	6
Recommendation No. 4.....	7
Section 2. Accounting for the SFA’s School Food Service Account .....	8
Finding 3    Meal Revenue Misclassified .....	8
Recommendation No. 5.....	8
Finding 4    Monthly and Annual Reports Inaccurate and Not Effectively Used.....	9
Recommendation No. 6.....	10
Section 3. Use of Program Funds Related to Procurement.....	11
Finding 5    Procurement Regulations Were Not Followed.....	11
Recommendation No. 7.....	11
Scope and Methodology.....	12
Exhibit A – Summary of Monetary Results .....	13
Exhibit B – Meals Claimed in Excess of Students Eligible.....	14
Exhibit C – Errors Due to Ineffective Second-Party Reviews .....	15
Exhibit D – FNS Reply to Official Draft.....	16

# ***Background and Objectives***

---

## **Background**

On June 4, 1946, Congress passed the National School Lunch Act,<sup>3</sup> now the Richard B. Russell National School Lunch Act (Act), which authorizes Federal assistance to school lunch programs. The intent of the Act, as amended December 29, 2001, is to safeguard the health and well-being of the Nation's children by providing them with nutritious foods and to encourage the domestic consumption of nutritious agricultural commodities and other foods. This is accomplished by assisting States, through grants-in-aid and other means, in providing an adequate supply of food and facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs.

The Act, as amended, authorizes the payment of general and special assistance funds to States based upon the number and category of lunches served. Section 4 of the Act authorizes general cash assistance payment for all lunches served to children in accordance with the provisions of the National School Lunch Program (NSLP) and additional special cash assistance for lunches served to children determined eligible for free or reduced-price lunches. The States are reimbursed at various rates per lunch, depending on whether the child was served a free, reduced-price, or full-price (paid) lunch. Eligibility of children for free or reduced-price lunches is based upon their family's household size and income, as listed in the Food and Nutrition Service (FNS) Income Eligibility Guidelines, which are reviewed annually.

FNS is the United States Department of Agriculture (USDA) agency responsible for administering the NSLP and School Breakfast Program (SBP). The FNS Mountain Plains Regional Office, located in Denver, Colorado, is responsible for monitoring and overseeing operations in Kansas. The Kansas State Department of Education served as the State agency and is responsible for overseeing program operations within Kansas. The School Food Authority (SFA) located in Leavenworth, Kansas, is responsible for operating the NSLP in accordance with regulations. Each State agency is required to enter into a written agreement with FNS to administer the NSLP/SBP, and each State agency enters into agreements with SFAs to oversee day-to-day operations. The SFA in Leavenworth, Kansas, administered the NSLP/SBP in 10 public schools and 3 alternative sites.

The fiscal year 2002 funding for the NSLP was \$6 billion for meal reimbursements of approximately 4.7 billion lunches. The Kansas State agency received approximately \$58 million for the NSLP and \$14 million for the SBP in Federal reimbursements for fiscal year 2002. For school year

---

<sup>3</sup> 42 U.S. Code 1751.

2001/2002, Kansas provided State funds of approximately \$2.5 million to SFAs. The general NSLP requirements are codified in Title 7, Code of Federal Regulations (CFR) 210. Requirements for determining eligibility for free and reduced-price meals and free milk are codified in 7 CFR 245. In accordance with 7 CFR 250, USDA also provides donated foods to SFAs to assist in operating the nonprofit lunch program. The Kansas State agency generally provides cash in lieu of actual commodities. Generally, schools must collect applications on an annual basis from households of enrolled children and make annual determinations of their eligibility for free or reduced-price meals. These schools must also count the number of free, reduced-price, and paid meals served at the point of service on a daily basis.

## **Objectives**

The objectives of our review were to evaluate controls over the administration of the NSLP and SBP. We evaluated policies and procedures over meal accountability and agency oversight of program operation. To accomplish this, we evaluated (1) the accuracy of collections and accounting for reimbursed meals, (2) the accounting and use of program funds relating to the SFA's procurement of goods and services, and (3) the accounting for the SFA's school food service account.



# ***Findings and Recommendations***

## ***Section 1. Accuracy of Collections and Accounting for Reimbursed Meals***

---

The SFA's internal controls were not adequate to ensure that the reimbursement claims were accurate and required onsite reviews were performed. We determined that the SFA overclaimed \$684 and underclaimed \$408 for reimbursable meals from August 2002 through December 2002 because of meal classification errors related to inadequate second-party reviews and lack of followup on the results of edit checks.

Federal regulations require that internal controls must maintain effective control and accountability for all grants and subgrants, cash, real and personal property, and other assets. The grantee and subgrantees must adequately safeguard all such property and assure that it is used solely for the authorized purposes.<sup>4 5</sup> The SFA is required to perform onsite reviews annually.<sup>6</sup> Federal regulations<sup>7</sup> also state that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

State agency guidelines<sup>8</sup> state the SFA should answer the following questions to ensure the district has proper controls and knows the strengths and weaknesses of the food service program.

- Are receipts and expenditure reports, as well as profit and loss statements, prepared monthly?
- Are monthly expenses and revenues compared with prior month's and year's totals?
- Are frequent audits conducted to ensure the accuracy of reported information (revenue totals reflect cash sales and accurate claims for reimbursement and expenses reflect only allowable costs)?

---

<sup>4</sup> 7 CFR 3016.20(b)(3).

<sup>5</sup> FNS officials noted that the Federal requirements for the SFA to assure the accuracy of the reimbursement claim, including the specific edits and procedures to be followed to help assure this accuracy, are the sole "controls" or checks that are specifically set forth for SFAs to follow.

<sup>6</sup> 7 CFR 210.8(a)(1).

<sup>7</sup> 7 CFR 3016.20(b)(2).

<sup>8</sup> Kansas State Department of Education Food Service Facts Handbook – Fall 1999.

---

**Finding 1****Meal Edit Checks and Second-Party Reviews Were Not Effective**

We found 72 instances during the period of August 2002 through December 2002 where neither the personnel at the school nor central office personnel provided adequate explanations or justifications when meals claimed exceeded the number of students eligible by category. (Claiming more meals than students eligible is not acceptable, and we found any explanations noted were generic.) We also noted 52 instances, without explanations, when the meals claimed exceeded the number of students eligible by category multiplied by the attendance factor. (Claiming more meals than students eligible multiplied by the attendance factor is acceptable, but requires an explanation.) These situations occurred because edit checks and second-party reviews of supporting documents were not sufficient to identify errors in recording meal counts. Also, SFA personnel did not sufficiently research and resolve potential errors of student meals claimed for reimbursement. As a result, we concluded the SFA lacked support of claims that were overclaimed \$684 and underclaimed \$408 in reimbursements for August 2002 through December 2002 (see exhibits A, B, and C).

Federal regulations<sup>9</sup> require that edit checks shall compare each school's daily counts of free, reduced-price, and paid lunches against the product of the number of children in the school currently eligible for free, reduced-price, and paid lunches times an attendance factor.

The edit check form used by the SFA required an explanation for meal counts that exceed the maximum number of students eligible times the attendance factor.

The responsibility to complete the daily edit checks and determine the number of students eligible was given to the individual school's meal account operators. The responsibility to monitor the school's daily record of meals claimed was given to the SFA central office personnel. However, the central office simply reviewed that the edit check box was checked and verified column total calculations, but did not determine if edit checks were performed correctly. Accordingly, these employees did not always recognize instances of potentially excessive meal claims that needed correction or justification.

The food service director stated that the errors might have occurred because new staff at the schools did not know the correct procedure for completing edit checks. The food service director also noted the SFA used the number of students enrolled and the number of students eligible as of the last day of the month, not the highest number during the month, in completing the edit

---

<sup>9</sup> 7 CFR 210.8(a)(3).

checks. When edit checks show the number of meals claimed exceeded the number of students eligible, the SFA should have documented justifications for claiming additional meals, as required. From our review, we determined that the SFA did not have documented justification for claims of \$473 for the 72 instances where the meals claimed were larger than the number of students eligible. We also determined the SFA overclaimed \$212 and underclaimed \$408 because of calculation errors and meals claimed in the wrong categories (free/reduced/paid and lunch/breakfast). We concluded the edit check and second-party review processes were not functioning as intended and did not detect excessive claims on meal counts and that similar errors could exist in the months not reviewed during the audit.

## **Recommendation No. 1**

Instruct the State agency to provide training and technical assistance and require the SFA to (1) verify that daily meal counts are accurate, (2) ensure edit checks are working, questionable meal counts are justified, and claims for reimbursement are not excessive, (3) develop an effective second-party review process to ensure accuracy, and (4) review supporting documents since December 2002 to ensure only eligible meals were claimed for reimbursement. Require the State agency to verify that the SFA has implemented the required corrective actions.

### **FNS Response.**

FNS concurred with Recommendation No. 1.

### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the State agency and SFA intend to complete the contemplated actions.

## **Recommendation No. 2**

Instruct the State agency to provide direction to the SFA on requirements and actions to be taken to correct the overclaims and to provide satisfactory evidence the disallowed costs were recovered.<sup>10</sup>

### **FNS Response.**

FNS concurred with Recommendation No. 2.

---

<sup>10</sup> FNS' understanding from the exit conference is that if the State agency or the SFA can justify reimbursement in those instances where claimed meals exceeded the edit figure, those meals would not be subject to overclaim.

### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the recommended actions to be taken by the SFA will be completed and provided evidence the improper costs have been recovered or established as an accounts receivable.

### **Recommendation No. 3**

Instruct the State agency to provide direction to the SFA on requirements and actions to be taken to correct the underclaims.

### **FNS Response.**

FNS concurred with Recommendation No. 3.

### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the recommended actions to be taken by the SFA will be completed and provided evidence the underclaim has been corrected.

---

## **Finding 2**

### **Onsite Reviews Did Not Meet Requirements and Disclose Deficiencies**

School food service onsite accountability reviews were not always completed, as required. We found 1 of 13 schools had not been reviewed by the February 1 deadline, and 10 of the completed reviews were not thorough and accurate. SFA officials stated they did not understand the criteria for the reviews. The failure to perform adequate onsite reviews contributed to the SFA's unsupported claims for reimbursement reported in Finding 1.

Federal regulations<sup>11</sup> require the SFA to perform an onsite monitoring review of meal counting and claiming systems used at each school under its jurisdiction annually, by February 1. The regulation also requires the SFA to ensure that the school's counting system, as implemented, yields the actual number of reimbursable free, reduced-price, and paid lunches, respectively, served for each day of operation. The State agency onsite accountability review included a requirement to verify calculations of daily totals for 1 month and review school level edit checks.

For 10 of the 12 schools reviewed, the SFA reviewer listed students eligible multiplied by the attendance factor, not the sum of daily totals by category (free, reduced-price, and paid). The SFA reviewer also did not detect that edit checks

---

<sup>11</sup> 7 CFR 210.8(a)(1).

were not properly performed. For example, during the month the SFA official reviewed, we identified 23 days where the number of claimed meals exceeded the number of students eligible with either no justification or an inadequate justification. For example, the reviewer did not question that the SFA claimed 31 reduced-price meals while showing only 29 students eligible with the explanation of “good menu.”

#### **Recommendation No. 4**

Instruct the State agency to require the SFA to ensure that onsite accountability reviews are completed timely, as required, and that additional oversight or monitoring visits are provided to ensure the SFA applies required review procedures and properly detects noncompliance with program requirements.

#### **FNS Response.**

FNS concurred with Recommendation No. 4.

#### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the State agency and SFA intend to complete the contemplated actions.

## **Section 2. Accounting for the SFA's School Food Service Account**

---

### **Finding 3**

#### **Meal Revenue Misclassified**

The SFA had not reconciled the number of meals claimed for reimbursement to the income collected from students for reimbursable meals because the SFA did not maintain records that correctly identified the source of funds. SFA officials could not readily identify or provide documentation to explain the approximately \$36,800 excessive amount shown in the student revenue account, but noted the difference could be, in part, due to balances left in students' accounts. As a result, there were reduced controls to protect service funds from misuse and the SFA's annual report to the State agency misclassified revenue from student meals by about \$36,800.

Federal regulations<sup>12</sup> state that grantees and subgrantees must maintain accounting records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. To have effective control and accountability, internal controls must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Our analysis of the SFA's student revenue account showed \$36,831 more income than expected when compared to the number of meals claimed for reimbursement multiplied by the appropriate cost to the students. SFA personnel stated that once money is collected for reduced-price and paid meals, it is placed in the student meals account and not tracked or reconciled after that. SFA personnel stated that the excess monies shown in the account could be attributed to a combination of the balances left in students' accounts (particularly seniors) when they leave the school district or when students change schools in the district without the balances being carried over for various reasons. Personnel noted that there are very few requests to refund leftover funds in students' accounts. However, we believe that this is only a partial explanation based on the large difference and that other monies were misclassified as student revenue with no net effect on total revenues.

### **Recommendation No. 5**

Instruct the State agency to require the SFA to develop or follow any existing procedures to adequately identify the source and application of all funds received and reconcile these amounts to the number of meals claimed and to

---

<sup>12</sup> 7 CFR 3016.20(b)(2-3).

periodically monitor the reconciliation of the number of paid and reduced-price meals claimed to the revenues recorded to ensure sources of funds are always properly identified and recorded. In addition, the State agency should verify the implementation of such procedures.

### **FNS Response.**

FNS concurred with Recommendation No. 5.

### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the State agency and SFA intend to complete the contemplated actions.

---

## **Finding 4**

### **Monthly and Annual Reports Inaccurate and Not Effectively Used**

The SFA personnel were not completing the monthly financial status summary reports, as required, and made errors on the annual reports submitted to the State agency. The SFA personnel were not concerned with completing the monthly financial status summary reports because the State agency did not require the reports to be submitted to it. As a result, the SFA did not have accurate reports of the monthly revenues, expenditures, and unencumbered cash balances for the food service fund for management of the program. In addition, the annual reports to the State agency did not properly account for the revenues, expenditures, and cash balances.

State agency guidelines<sup>13</sup> provide that public school districts must complete a Monthly Financial Status Summary form for each calendar month of the fiscal year, July through June, and keep the Monthly Financial Status Summary forms on file with other School Nutrition Program documents. SFAs are not to send the monthly summaries to the State agency, but are to complete the Annual Financial Status Summary and submit a copy to the State agency by August 15.

The SFA personnel were not concerned with completing the Monthly Financial Status Summary reports because the State agency did not require the reports to be submitted. The SFA did complete an Annual Financial Status Summary for school year 2001/2002; however, it contained the following errors:

- The SFA had overstated expenditures by \$55,008 resulting in understating the unencumbered closing cash balance.

---

<sup>13</sup> Accountability and Record-Keeping for the School Nutrition Programs Handbook – July 2002.

- The SFA included \$22,273 of Summer Food Service Program funds on line 3203, State Sources of Revenue, which, according to the State agency, should have been reported on line 4550, Federal Sources of Revenue, of the Annual Financial Status Summary.

During our review, SFA personnel completed the Monthly Financial Status Summary reports for school year 2001/2002. The SFA also corrected the Annual Financial Status Summary for the overstated expenditures and resubmitted it to the State agency.

## **Recommendation No. 6**

Instruct the State agency to require the SFA to properly and timely complete the Monthly Financial Status Summary reports for each calendar month of the fiscal year. Also, instruct the SFA officials to periodically analyze the completed reports for accuracy, including reconciling the Annual Financial Summary of Federal and State sources of revenue with the monthly reports, State agency payment records, and the general ledger. Instruct the State agency to verify that corrective actions were taken.

### **FNS Response.**

FNS concurred with Recommendation No. 6.

### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the State agency and SFA intend to complete the contemplated actions.



### ***Section 3. Use of Program Funds Related to Procurement***

---

#### **Finding 5**

#### **Procurement Regulations Were Not Followed**

The SFA did not formally advertise the invitation for bid and did not obtain the required Debarment Certification form from the companies that submitted bids to the SFA because SFA personnel were unaware of these requirements. As a result, the SFA's procurements did not assure maximum open and free competition and could have resulted in the SFA entering into a contract with a company that had been debarred from Federal contracts.

Federal regulations<sup>14</sup> require all procurement transactions be conducted in a manner that provides maximum open and free competition. Federal regulations<sup>15</sup> also require that procurement by sealed bids be formally advertised. Awards of a firm-fixed-price contract (lump-sum or unit-price) are made to the responsible bidder whose bid conforms to all material terms and conditions. Also,<sup>16</sup> the grantee must not make any awards of bids to any party that has been debarred or suspended from Federal assistance programs.

The SFA personnel were not aware that an invitation for bid that exceeds the Federal small purchase threshold had to be formally advertised and that the bidders needed to certify that neither they nor their principals had been debarred, suspended, declared ineligible, or voluntarily excluded from participating in transactions with any Federal department or agency. (We noted that none of the successful bidders were on the Excluded Parties (Debarment) Listing System.)

#### **Recommendation No. 7**

Instruct the State agency to monitor the SFA to ensure it advertises publicly and obtains Debarment Certification forms for all companies that submit bids that exceed the Federal simplified acquisition threshold.

#### **FNS Response.**

FNS concurred with Recommendation No. 7.

#### **OIG Position.**

In order to consider management decision, we need to be notified of the proposed dates when the State agency and SFA intend to complete the contemplated actions.

---

<sup>14</sup> 7 CFR 3016.36(c).

<sup>15</sup> 7 CFR 3016.36(d)(1-2).

<sup>16</sup> 7 CFR 3016.35 and 7 CFR 3017.

# ***Scope and Methodology***

---

Our review primarily covered NSLP/SBP operations July 1, 2001, to December 31, 2002, concentrating on operations since July 1, 2002. However, records for other periods were reviewed, as deemed necessary. We performed audit work at the FNS Regional office, Kansas State agency, and the SFA in Leavenworth, Kansas. The selection of Unified School District 453 was based on the amount of reimbursements received and its location within the State.

In school years 2001/2002 and 2002/2003, there were seven elementary schools, two middle schools, one high school, and three alternative schools. We reviewed NSLP/SBP records for all 13 schools and made observations at 1 elementary school. Our audit was performed in accordance with Government Auditing Standards.

To accomplish our review objectives, we reviewed FNS, State agency, and SFA regulations, policies, procedures, manuals, and instructions governing NSLP/SBP operations. We also reviewed the State agency's most recent administrative review of the SFA's NSLP/SBP operations and the SFA's corrective actions taken in response to the administrative review findings and recommendations. The following audit procedures were also performed:

- Interviewed officials from the SFA and State agency in order to obtain an overview of their method of operation of the NSLP/SBP;
- Evaluated the SFA's procedures used to gather and consolidate monthly meal claims and whether reports were verified for accuracy;
- Evaluated edit check controls used to assure the reasonableness of claims for reimbursement;
- Reviewed the SFA's accounting system, which included a review of program funds and interest on those funds;
- Analyzed the SFA's methods used for procurement of goods and services; and
- Analyzed the monitoring efforts of the SFA through a review of the onsite accountability reviews conducted during school year 2001/2002.

## ***Exhibit A – Summary of Monetary Results***

Exhibit A – Page 1 of 1

Finding No.	Description	Amount	Category
1	SFA Overstated the Accumulated Meal Counts <sup>17</sup>	\$684	<u>1/</u>
1	SFA Understated the Accumulated Meal Counts	\$408	<u>2/</u>

1/ Unsupported Costs, Recovery Recommended.

2/ Underclaim.

---

<sup>17</sup> Rounded.

## **Exhibit B – Meals Claimed in Excess of Students Eligible**

Exhibit B – Page 1 of 1

	Free	Reduced	Paid
<b>August 2002</b>			
Meals Claimed Greater Than Students Eligible			678
Federal Reimbursement Rate			\$0.2000
Cash in Lieu Rate			\$0.1525
Total Overpayment			<b>\$239.00</b>

<b>September 2002</b>			
Meals Claimed Greater Than Students Eligible			28
Federal Reimbursement Rate			\$0.2000
Cash in Lieu Rate			\$0.1525
Total Overpayment			<b>\$9.87</b>

<b>October 2002</b>			
Meals Claimed Greater Than Students Eligible		38	
Federal Reimbursement Rate		\$1.7400	
Cash in Lieu Rate		\$0.1525	
Total Overpayment		<b>\$71.92</b>	

<b>November 2002</b>			
Meals Claimed Greater Than Students Eligible	19	43	
Federal Reimbursement Rate	\$2.1400	\$1.7400	
Cash in Lieu Rate	\$0.1525	\$0.1525	
Total Overpayment	<b>\$43.56</b>	<b>\$81.38</b>	

<b>December 2002</b>			
Meals Claimed Greater Than Students Eligible		14	1
Federal Reimbursement Rate		\$1.7400	\$0.2000
Cash in Lieu Rate		\$0.1525	\$0.1525
Total Overpayment		<b>\$26.50</b>	<b>\$0.35</b>

<b>Total Amount Overclaimed</b>			<b>\$472.56</b>
---------------------------------	--	--	-----------------

Totals rounded in report.

## Exhibit C – Errors Due to Ineffective Second-Party Reviews

Exhibit C – Page 1 of 1

### September 2002

School	Type	Breakfast/ Lunch	Per School	Per Audit	Difference	Rate	Cash in Lieu Rate	Overclaim/ (Underclaim)
VA	Paid	Lunch	177	180	3	\$0.2000	\$0.1525	(\$1.06)
Warren MS	Free	Breakfast	6	23	17	\$1.1700	\$0.0000	(\$19.89)
Warren MS	Reduced	Breakfast	23	6	-17	\$0.8700	\$0.0000	\$14.79
Muncie ES	Free	Breakfast	12	29	17	\$1.1700	\$0.0000	(\$19.89)
Muncie ES	Reduced	Breakfast	29	12	-17	\$0.8700	\$0.0000	\$14.79

**Total Underclaim** **(\$40.84)**

**Total Overclaim** **\$29.58**

### November 2002

School	Type	Breakfast/ Lunch	Per School	Per Audit	Difference	Rate	Cash in Lieu Rate	Overclaim/ (Underclaim)
VA	Free	Lunch	150	148	-2	\$2.1400	\$0.1525	\$4.59

**Total Underclaim** **\$0.00**

**Total Overclaim** **\$4.59**

### December 2002

School	Type	Breakfast/ Lunch	Per School	Per Audit	Difference	Rate	Cash in Lieu Rate	Overclaim/ (Underclaim)
Project Stay	Paid	Breakfast	2	0	-2	\$0.2200	\$0.0000	\$0.44
Project Stay	Free	Breakfast	126	0	-126	\$1.1700	\$0.0000	\$147.42
Project Stay	Reduced	Breakfast	34	0	-34	\$0.8700	\$0.0000	\$29.58
Project Stay	Paid	Lunch	0	2	2	\$0.2000	\$0.1525	(\$0.71)
Project Stay	Free	Lunch	0	126	126	\$2.1400	\$0.1525	(\$288.86)
Project Stay	Reduced	Lunch	0	34	34	\$1.7400	\$0.1525	(\$64.35)
VA	Paid	Breakfast	78	84	6	\$0.2200	\$0.0000	(\$1.32)
VA	Free	Breakfast	125	134	9	\$1.1700	\$0.0000	(\$10.53)
VA	Reduced	Breakfast	17	19	2	\$0.8700	\$0.0000	(\$1.74)

**Total Underclaim** **(\$367.50)**

**Total Overclaim** **\$177.44**

**Total Underclaim** **(\$408.33)**

**Overclaim Exhibit C** **\$211.61**

**Overclaim Exhibit B** **\$472.56**

**Total Overclaim** **\$684.17**

Totals rounded in report.

## Exhibit D – FNS Reply to Official Draft

Exhibit D – Page 1 of 1



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Mountain  
Plains  
Region

1244 Speer Boulevard, Suite 903  
Denver, Colorado 80204-3585

Reply to  
Attn of: 27010-16-KC

FEB 04 2004

Subject: Official Draft – Audit Report No. 27010-16-KC, National School Lunch Program –  
Unified School District 453, Leavenworth, Kansas

To: Dennis J. Gannon  
Regional Director General for Audit  
Office of Inspector General  
8930 Ward Parkway, Suit 3016  
Kansas City, Missouri 64114-3302

We have received the above-referenced official draft audit report. We concur with  
Recommendations Nos. 1, 2, 3, 4, 5, 6 and 7.

If you have any questions, please contact Joe Fisher at (303) 844-0354.

A handwritten signature in cursive script that reads "Darlene Sanchez".

DARLENE SANCHEZ  
Regional Director  
Special Nutrition Programs